

**EVOLUTION OF PHILIPPINE BUSINESSES:  
RESPONSE TO INTERNAL AND EXTERNAL TURBULENCE:  
Review of Literature and  
A Framework for a Research Program**

By  
**Ma. Andrea L. Santiago, DBA**  
Senior Research Fellow, Angelo King Institute  
December 2000

## ABSTRACT

The Philippine business environment undoubtedly is characterized as having a boom and bust cycle. It has not been able to take off as compared to its neighboring countries (Lim, 1999). Now more than ever, the political and economic environment has become a big challenge for many local businesses.

In spite, or because, of the current environment there are businesses that continue to prosper. On the one extreme are the large conglomerates that have the muscle to withstand major shocks and the on other are the smaller entrepreneurial ventures that are flexible and able to seize upon opportunities quickly.

In trying to understand business longevity, a research framework has been developed that intends to trace the evolution of Philippine businesses through the accumulation of case files. Case histories shall be drawn highlighting the responses of these businesses to changes in their internal and external environment. These responses are reflected in a corporation's strategies. These strategies shall be analyzed together, as one strategy is bound to affect the next. An integrative model, showing the interplay of the entrepreneur, the business, the immediate and general environment, shall be used.

# TABLE OF CONTENTS

## Research Framework

1.0	Introduction				
1.1	Background of the Research Program.	.	.	.	1
1.2	Statement of the Research Problem	.	.	.	1
1.3	Objective of the Research Program	.	.	.	3
1.4	Significance of the Research Program.	.	.	.	4
1.5	Scope and Limitations of the Research Study.	.	.	.	5
1.6	Operational Definitions	.	.	.	7
2.0	Review of Related Literature				
2.1	Business Success and Failure	.	.	.	8
2.2	Internal Factors that Affect Business Longevity				
2.2.1	Entrepreneurial Characteristics	.	.	.	9
2.2.2	Organizational Configuration	.	.	.	10
2.3	External Factors that Affect Business Longevity				
2.3.1	Micro-Environmental Variables	.	.	.	11
2.3.2	Macro-Environmental Variables	.	.	.	12
2.4	Strategic Management	.	.	.	12
2.5	Concept of Change	.	.	.	15
2.6	Guiding Philosophy	.	.	.	19
3.0	Research Methodology				
3.1	Conceptual Framework	.	.	.	21
3.2	Research Design	.	.	.	22
3.3	Research Tools	.	.	.	24
3.4	Research Criteria	.	.	.	25
3.5	Research Procedures	.	.	.	25
3.6	Research Analysis	.	.	.	28
4.0	Recommended Research Studies				
4.1	Range of Research Studies	.	.	.	32
4.2	Proposed Research Studies	.	.	.	33

## References, Appendices, Tables and Figures

References	34
------------	----

### Appendices

Appendix A: Case Study Protocol	40
---------------------------------	----

### List of Figures

Figure 2-1: An Integrative Framework for Strategy-Making Processes	14
Figure 2-2: Strategy-Making Modes and Contingency Factors	14
Figure 2-3: The Five Phases of Growth	16
Figure 2-4: Contrasting Views of Change from Three Perspectives	17
Figure 2-5: Dimensions and Variables of Environmental Turbulence	18
Figure 2-6: Contrasting Various Strategy Approaches	19
Figure 3-1: Integrating Framework to Explain Business Longevity	21
Figure 3-2: Case Study Method	23
Figure 3-3: Entrepreneurial Variables Affecting Business Longevity	29
Figure 3-4: Organizational Variables Affecting Business Longevity	29
Figure 3-5: Industry Variables Affecting Business Longevity	30
Figure 3-6: Environmental Variables Affecting Business Longevity	30
Figure 3-7: Strategic Content and Processes Available to Entrepreneurs	31

### List of Exhibits

Exhibit 1: Reference List of Relevant Research Materials	44
Exhibit 2: Sample Introductory Letter	46
Exhibit 3: List of Information Required from Secondary Sources	48
Exhibit 4: Interview Guide	50
Exhibit 5: Details for Each Variable	52
Exhibit 6: Format for Case Study Report	55

# CHAPTER 1

## Introduction

### 1.1 Background of the Research Program

The latest and most devastating crisis that has hit the Philippines and its neighboring countries was the Asian financial crisis of 1997. The economy was so shattered that it is said to have dropped per capita income of the country to the level of the late seventies (Lim, 1999, p. 19). To date, the country is still trying to recover. However, the political climate is making it difficult to rebound.

The Asian crisis came at a time when economists thought that the Philippines was ready to take off. But as it was, the local economy is still characterized as a having a boom-bust cycle (Lim, 1999). It does not possess the necessary ingredients to sustain growth thus bringing about a lot of instability.

Given this scenario and knowing that the Philippine business sector is not only dominated by small and medium enterprises but by family businesses as well, the most natural question is “How do these businesses survive?” This research program hopes to answer that. The strategy is to go down to the individual level and see how businesses behave in response to turbulence. By understanding the survival mechanisms of individual businesses, then the evolution of Philippines businesses can be better explained.

### 1.2 Statement of the Research Problem

The study of business evolution, of how businesses survived or failed through different stages in Philippine economic development, requires that individual businesses be examined first within their own reality. Companies in the same industry, while facing the same industry dynamics, will not necessarily respond similarly. Each businessman would be working within his/her own internal configuration and consequently, the complexity and challenges that he/she must face would differ. Some companies may be younger while others may have more complex ownership structures. It is not difficult to note that each company would be working with its own history and mix of resources. If this were the case, then understandably businessmen would respond differently to internal or external stimuli.

In a firm’s history, it is likely that the business shall have moments of stability and moments of volatility (Majumdar, 1999). Internal turbulence may result from a change in structure, ownership and leadership. Simultaneously, a business is confronted with changes in the external environment. Economic progression or recession, changes in political leadership, deregulation, intensifying competition brought about by globalization not to mention changes in technology and consumer behavior pattern are likely to affect the business, regardless of their internal state.

In a stable environment, businesses would behave more predictably (Gersick, 1991; Kirkbride, Durcan, & Obeng, 1994; Majumdar, 1999) and it would be relatively simple to study success and failure factors. However, in an emerging market like the Philippines characterized by a high degree of volatility (Lim, 1999), responses of businessmen are likely to differ taking into account their internal make-up.

There has been a constant search for quick-fix solutions that can help businessmen hurdle the various obstacles that must be faced to survive for longer periods of time. The approaches to finding solutions move from two extremes. One end of the spectrum would have researchers study large, even century-old, businesses to discover secrets of their success. The other end, have researchers study small business failure to generate a list of “don’ts”.

The danger with generating a list of “do’s” and “don’ts” is that it can give businessmen a false sense of confidence. It may be possible that businessmen will expect to succeed for possessing the “do’s” and dispossessing the “don’ts”. And for those who do not have the success factors, then it may be a misconception that simply adapting it would make them succeed.

The management theory that espouses the “one best way” of management suggests a universal solution to business problems. There are countless stories of business failure that resulted from the blind application of business solutions that were currently in vogue. Such fads as diversification, quality circles, restructuring, right-sizing, sub-contracting, outsourcing, reengineering, TQM, sticking to core competence, empowerment, and strategic renewal are said to have caused more failure than success (Acar & Winfrey, 1994; Haines, 1995; Hussey, 1997a, 1997b; Leavy, 1997; Volberda, 1998). Success resulted however when the prevalent strategy was appropriate for the company considering both the internal configuration and industry dynamism. Thus, the varying results on “universal” solutions has led to the conclusion that there may not be a general prescription that may apply to all possible strategic situations (Haines, 1995; Leavy, 1997; Mascarenhas & Aaker, 1989; Stacey, 1993). Consequently, the “one best way” theory evolved into the contingency theory that stresses two words--it depends.

Besides the differing realities that an organization faces thereby negating a universal set of success and failure factors, the added dimension of change has complicated the issue of business longevity. While internal changes may be managed because it can be anticipated, the harsher, more dynamic and unpredictable changes in the external environment requires more than reacting ((Chakravarthy, 1982; Ruhli, 1997; Volberda, 1998). Thus, it may be even more difficult to find universal solutions.

If there is no one best way of managing business, then what lessons can be learned from the experiences of others?

More recent research studies (Collins & Porras, 1998; De Geus, 1997) are taking the point of view that there may be more to business success than adapting the right strategies. What is coming to light is there is an intangible thread that binds an organization so that it is able to survive for many generations.

According to De Geus (1997), the bottom line to business survival is recognizing that a company is not merely concerned with the production of goods and services. In his book, “The Living Company”, he asserts that organizations are primarily a “community of humans” and must thus work for the preservation of the community rather than focus on economic activity. In a similar light, Collins and Porras (1998) discovered that living through a core ideology has spelled the difference for 18 highly visionary century-old businesses.

The elusive thread that binds a business shall be referred to as the guiding philosophy. It is the underlying rationale that prompts businessmen to adapt certain strategic decisions in the light of differing circumstances. Just like with an individual, surviving obstacles require character and more importantly a philosophy. It is posited that the responses to volatility brought about by a corporate philosophy would separate the survivors from the non-survivors.

Given the complexity in business management in today’s era of constant change, the effectiveness of a business cannot be attributed to a single factor, nor should the different factors be considered separately. There is interplay between the entrepreneur and his/her organization consistently propelled by a guiding philosophy (that is inviolate) as well as between the internal and external environment, both affecting each other. To understand the success of a company therefore, it is necessary to first understand the business—how it has evolved given the challenges that it has faced at each critical stage of its existence. By reviewing the process, one can better appreciate the responses of these businesses to internal and external turbulence.

### 1.3 Objective of the Research Program

It is the intent of this research program to arrive at a descriptive model that would explain how local businesses have responded to different kinds of turbulence. Initially, the research effort will take a systematic look at how local enterprises have grown, and perhaps died, throughout the development of the Philippine economy. It would take an historical approach that would document how businesses have responded to, or prepared for, various predictable and unpredictable shocks through their life cycle. Particular attention shall be given to the interaction of the environment, the industry peculiarities, the firm’s organizational make-up as well as the entrepreneurs’ idiosyncrasies. Moreover, strategic philosophies, processes, and content shall be analyzed in this context.

In the broader sense, the research program aims to address the following research questions:

1. How have Philippine businesses existed and continue to exist as an economic entity through the unpredictable Philippine environment?
2. How have Philippine businesses existed and continue to exist as an economic entity through their respective industry life cycles and changes in the national and global competitive environment?
3. How have Philippine businesses existed and continue to exist as an economic entity through its organizational configuration?
4. How have Philippine businesses existed and continue to exist as an economic entity through the entrepreneur's personal characteristics?

By going through each of the research questions, the research program hopes to determine the absence or presence of a guiding philosophy, and if present, to identify the guiding philosophy adapted by each of the businesses under study. This is done by understanding why business leaders are adapting certain strategies in preparation for, or in response to, internal and external turbulence.

The tentative hypothesis is that there is a unique response to turbulence shaped by entrepreneurial variables, organizational structure, as well as industry and competitive environment. The business strategies that is formed through a strategic process is likewise affected by guiding philosophy that becomes more evident with each business decision. Moreover, it is hypothesized that the more similar the businesses are in terms of the various variables mentioned above, then the likelier the responses to turbulence will converge. Inversely, the more dissimilar the businesses are in terms of the various variables mentioned above, it is expected that the responses to turbulence will diverge.

#### 1.4 Significance of the Research Program

As possibly the first documentation of how local businesses have responded to turbulence thus leading to their continued existence (or demise), the output of this research program would be useful to the following:

1. The Government Sector – in the design of policies as well as in program implementation. There may be elements beyond the control of the business sector that may be addressed through public policy. This stems from the recognition that the government may affect the competitive structure of the business environment. Developing policies that may help businesses retain their competitiveness may be vital for economic development.



2. The Business Sector – in providing a deeper appreciation of “strategic philosophy” and other managerial theories. Hopefully, it may encourage more discretion in adapting quick-fix solutions to challenges that confront them. Moreover, understanding what makes businesses survive may lessen the “wasted potential in otherwise successful companies.”
3. The Foreign Investors – in providing information that may lead to a better understanding of the Philippine business and government sector. Unlike the more developed countries, the Philippine environment may experience more volatility. With the various businesses under review, foreign investors may get a better appreciation of the local business dynamics.
4. Aspiring Entrepreneurs – in providing actual experiences and strategies adopted by entrepreneurs before them. These may guide them to develop a “philosophy” that could be deeply embedded in their respective organizations.
5. The Academe – in establishing a basis for future research. The accumulation of cases may be used to bridge business theory and practice. The findings of the research program may also have implications on how subjects like entrepreneurship, family business management, and strategic management should be taught.
6. The Business Students – in exposing them to the discipline of case study research and in providing actual and more relevant business experiences.

## 1.5 Scope and Limitations of the Research Program

1.5.1 **Focus on Business Longevity.** This research program is concerned more with how businesses have survived the various challenges brought about by internal and external turbulence. It does not purport to analyze business success nor the effectiveness of strategies on business performance. The focus is on business longevity not business performance, on survival rather than success.

There are practical reasons why this research endeavor aims to limit the discussion and analysis only to the issue of longevity. For one, it is easy to define the term survival. If a business is in existence at the time of the study, then the business has survived. Conversely, if a business has ceased to exist for whatever reason, then it did not survive.

On the other hand, the measure of business success is arbitrary. Business performance is always relative to something and the standards may not be generalizable. For instance, a superior profitability benchmark for one industry may not be applicable to another. Even within the same industry, the size of the business may affect profitability levels. Consequently, who is to say one business is more successful than the other business?

Finally, the access to accurate financial statements may again present problems. It is expected that a substantial amount of the case study participants shall be composed of small to medium scale businesses. It is likely that the records are not available and if there are such records, that it may not truly reflect business operations.

**1.5.2 Lack of Database.** The lack of database on local businesses presents two problems. First, it makes it difficult to take a systematic sample from an unknown population. While the Securities and Exchange Commission and the Department of Trade and Industry are supposed to maintain the records of registered corporations, and partnerships and single proprietorships, respectively, the information may be unreliable simply because it is not updated. Thus, it is possible that inactive and dissolved businesses may still be included in the count of existing businesses even though they should not be.

This leads to the second problem. While the research program will greatly benefit from the study of business failure, the lack of database prevents the systematic identification of failed businesses. Consequently, there shall be reliance on the network of La Sallian students who may know of businesses that have failed to survive. This being the case, the number of business failures that will form part of the case study compilation is expected to be minimal.

**1.5.3 Selection of Case Studies.** The research study aims to utilize the potential rich source of data that can be generated by La Sallian students whose families own and manage their own businesses. This being the research design, it is expected that the case study participants shall be quite varied. There will be businesses that are large as there will be businesses that are small. There will be businesses in the manufacturing sector as there will be business in trading.

The variety in the case studies is intentional. The more configurations there are, the better for analytical purposes. This means the survival mechanisms can be analyzed across a wider range of factors consequently providing more insights on local business dynamics. This being the perspective, there shall be no effort to limit the study to small business nor will effort be exerted to include the larger conglomerates. The only constraint is that the business not be of a “sari-sari” type.

**1.5.4 Quality of Student Output.** Because the students shall be used, it is anticipated that there may be some problems with regards the reliability of the data generated. To address this concern, a research protocol was established so that variability in data gathered is minimized. The research protocol is discussed further in section 3.5.1. Essentially, the protocol provides the operational guidelines for data gathering and case writing. By following the guidelines, the students are expected to generate similar quality and quantity of research output.

## 1.6 Operational Definitions

For purposes of comparison, the following definitions shall be adapted. Additional terms shall be described particular to the individual research studies and shall be combined in the presentation of the findings of the total research program.

1. Entrepreneur – any individual who establishes a business, whether in the form of a single proprietorship or a corporation.
2. Turbulence – changes in the environment that affects the business. It is the interruption to periods of stability (Greiner, 1972).
3. Survival – refers to the ability of the business endeavor to continue economic operations (Chrisman, Bauerschmidt, & Hofer, 1998).
4. High Velocity Environments – environments that are constantly are rapidly changing thereby affecting the accuracy and relevancy of information (Bourgeois, L. III & Eisenhardt, K., 1988; Hoy, McDougall & Dsouza, 1992).

## CHAPTER 2

### Review of Related Literature

#### 2.1 Business Success and Failure

The search for key success factors that may account for the longevity of business endeavors has been the subject of many research studies. There are researchers who have focused their efforts on the small enterprises while there are those who concentrated on the larger, even older, corporations. Proponents of small business management research (Acs & Audretsch, 1992; Barringer & Greening, 1998; Buckley, Covin & Slevin, 1989; Fiegenbaum & Karnani, 1991; Gaskill, Van Auken, & Manning, 1993; Vesper, 1980; Watson & Everett, 1996) posit that the entrepreneurs are the lifeblood of any economy. While they are small in size, their sheer quantity is said to account for the majority of activity in the economy. On the other hand, other researchers (Collins & Porras, 1998; De Geus, 1997) prefer the larger organizations for the lessons they can provide. After all, the handful of large businesses, most of which have grown into conglomerates and who have survived for decades, readily influence the GNP of a country.

There have been many approaches to determine what the key success factors to business survivability are. It has been found that the entrepreneur's characteristics play a significant role in business success or failure. Their innovative spirit, their persistence, and their risk-taking attitude are said to differentiate the successful from the unsuccessful entrepreneur. On the other end, studies that looked at business failure had noted that the entrepreneur's education and management ability accounted for business failure. Again, the focus was on the entrepreneur.

As a firm grows in size or moves from one stage in their organizational development to another, the challenges that they are confronted with changes as well. It is widely accepted that organizations must learn to adapt to these changes to survive. Consequently, the organizational configuration became an additional factor that affected business longevity.

The management view that recognized that organizations work within an open system rather than a closed system allowed new theories on business success and failure to crop up. Researchers (Bourgeois, 1980; Chrisman et al., 1998; Covin & Slevin, 1989; D'Aveni, 1994; Gaskill et al., 1993; Keeley & Roure, 1990) affirmed that the competitive environment within which the business operates plays a significant role in business survival. There are several factors that would determine industry attractiveness. This in turn has a bearing on how firms within the industry should compete. Taken in context with entrepreneurial abilities and organizational resources, the reaction to any change in the task environment may again differentiate a successful business from an unsuccessful endeavor.

The later models that described key success factors for business survival began to consider the macro-variables not within the control of organizations. The rapid development in technology for instance has revolutionized how businesses should be managed.

Taken altogether, new theories emphasize the fact that the business environment has become more competitive than ever. This situation is described as hypercompetition (D'Aveni, 1994), high velocity environment (Bourgeois & Eisenhardt, 1988), environmental hostility (Covin & Slevin 1989), and revolutionary change (Haines, 1995).

Given the more complex and dynamic nature of competition, there are still attempts to determine the critical factors that would make a business succeed. Clearly, the various factors cannot be considered separately and will have greater impact if studied together. Conversely, in studying business failure, it becomes necessary to separate the causes from the symptoms (Jennings & Beaver, 1995) as the true indicators of business failure.

The responses of business leaders to internal and external turbulence is reflected in their strategies. However, strategies cannot be static. A successful strategy at one point in time may no longer be relevant at another. If everything changes, what remains constant? It would appear that there is an intangible constant element that accounts for business survival. De Geus (1997) refers to this as viewing the organization as a living company while Colins and Porras (1998) believe it is the adherence to a core ideology.

## 2.2 Internal Factors that Affect the Business Longevity

**2.2.1 Entrepreneurial Characteristics.** In summarizing theories on new business venture performance, Chrisman et al. (1998) mentioned that older theories focused on the entrepreneur as the sole factor that determined new business success or failure. Numerous studies (Baron, 1998; Low and Macmillan cited in Day, 1992; Miller & Toulouse, 1986; Vesper, 1980) evaluated management styles, psychological make-up and personality traits of entrepreneurs. It was believed that the entrepreneur's traits and characteristics that focused on leadership qualities, persistence as well as attitudes towards risk differentiated a successful from an unsuccessful entrepreneur. This view was later disputed by theorists such as Baron (1998) and Shane (1996) who found no significant difference between entrepreneurs and other individuals with regards to characteristics that would matter most.

The implication of these theories that center on the entrepreneur as the key determinant to business success or failure has caused many to believe that possession of traits, including being a "charismatic" leader, is sufficient for business survival. It is not uncommon to hear of simple tests that would determine if an individual would be more predisposed to becoming an entrepreneur.

Later studies (Penrose, 1995) began to look at entrepreneurial behavior and decision-making abilities and concluded it was these that accounted for business success or failure. It was argued that it was the entrepreneur who made all business decisions and must consequently be held liable for the health of his/her business. Each entrepreneur would of course possess traits personal to him/her as he/she would have his/her own personal history, work history and experience, values and education (Gaskill et al., 1993; Ireland, Hitt, Bettis & De Porras, 1987; McGee, Dowling, & Megginson, 1995; Reuber & Fischer, 1999). This unique background would determine the types of decisions the entrepreneur would be making as these would provide the perspective in evaluating his/her business against both internal and external environments (Ireland et al.). In fact, Cliff (1998) found that difference in sex would account for difference in strategies.

When looking at small business performance in their first generation, it is understandable to pin business success or failure to the entrepreneur. However, as the firm grows and the leadership of the business has moved on, theorists have begun to see that the entrepreneur alone cannot account for business survival. In fact the study of Collins and Porras (1998) showed that “great” leadership was not a differentiating factor between a visionary company and its comparable company.

**2.2.2 Organizational Configuration.** The organizational structure is also one angle looked upon in the course of business research. An organization would have its own history, its strengths and weaknesses (Ireland et al., 1987). The initial research studies that considered the element of the organization as having influence on business survival, looked initially at the resources of the organization. Chrisman et al. (1998, p. 17) stressed that the ability to secure tangible resources is vital to the survival of any business. This is supported by Gaskill et al. (1993) who noted that especially for smaller entities, the inability to secure critical factors of production is a major contributor to business failure.

Other researchers (Acar & Winfrey, 1994; Barney, 1986) have stressed the relevance of organizational culture in business performance. “Organizational culture typically is defined as a complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business” (Barney, p. 657). In this regard, organizational culture is said to shape business decision-making and can lead to better or average business performance. The more the organization is able to “live” its values, most especially those that “foster innovativeness and flexibility”, the more they are likely to perform better than others businesses. This does not mean however that businesses that modify their culture can achieve superior performance.

According to Greiner (1972) organization practices necessarily change over time. In addition, he claims that sheer growth in organizational size (assets, revenues, products, employees, resources) also presents its “problems and solutions”. Barringer and Greening (1998) notes that growth not only increases the need for resources but emphasizes the need for more coordination and communication as well. Thus with growth, it becomes difficult for a business to be a “one-man” operation. In fact at this

point, most management books would prescribe the adoption of formal structures for planning and control to enhance decision-making.

Besides organizational resources and culture, the more relevant theory on organizational theory is the concept of “growth” in the Darwinian sense, in that businesses can live and eventually die. It is believed that organizations have a life cycle and move from one stage to another. Dodge, Fullerton, & Robbins (1994) cited in their research various life cycle models that have been used in the course of studying about organizational development.

Researchers (Dodge et al., 1994; Murray & O’Gorman, 1994; Terpstra & Olson, 1993) found that businesses faces a different challenge at each stage in the life cycle. During the start-up phase, concerns may center on getting the product accepted and the operations established. Financing growth becomes a heavy strain on cash flows, leverage. As the organization grows in size, then administrative and managerial problems become the focus.

The challenges are complicated with time as the leadership of the business is transferred to another generation. The issue of leadership as well as ownership succession then becomes a critical aspect of organizational development. For family businesses in particular, the failure to plan for succession may lead to its demise (Barach & Ganitsky, 1995; Barnes & Hershon, 1976; Beckhard & Dyer, 1983a, 1983b; Dyer, 1986; Handler, 1994).

## 2.3 External Factors that Affect Business Longevity

**2.3.1 Micro-Environmental Variables.** It may not be accurate to compare success and failure factors and rates across industries since industry structures may differ. The growth potential, entry and exit barriers, stage in the life cycle, capital/labor intensity, industry profitability and level of competition all determine industry attractiveness. This in turn affects business performance (Chrisman et al., 1998; Covin & Slevin, 1989; Teece, Pisano & Shuen, 1997).

According to Covin & Slevin (1989), the task or immediate environment may either be conducive or non-conducive to a business. Industries that are highly saturated with intense competition and lack of resources are likely to be unattractive. For small businesses, these conditions serve as a big threat. But for high performing firms that are able to prepare their organizations for the hostility, there is a greater likelihood for success.

Researchers (Bourgeois & Eisenhardt, 1988; Hoy et al., 1992) have classified industries in terms of industry growth—high or slow. High growth industries are described to be volatile and the patterns of competition are ever-changing with new entrants, departing rivals, constant change in technology and uncertain demand. Slow growth industries on the other hand present more stability.

The rapidity in which the task environment is changing warrants a separate discussion. In general, what researchers (Bourgeois & Eisenhardt, 1988; Chakravarthy, 1982; Chrisman et al., 1998; Covin & Slevin, 1989; D'Aveni, 1994; De Wit & Meyer 1998; Gaskill et al., 1993; Haines, 1995; Keeley & Roure, 1990; Porter, 1998; Teece et al., 1997) are saying is that if there is an exogenous factor that would account for business failure, it would be the change in the industry dynamics. Businesses must therefore prepare their internal structures so that they are in a better position to, respond to external factors.

**2.3.2 Macro-Environmental Variables.** The other external factor that may affect business performance is the general environment. These are changes in the economic, political, technological and socio-demographic make-up that can work for or against an enterprise.

Textbook examples of the changes that can occur for each of the variables are as follows. For the political environment, a change in leadership or policies such as deregulation may change the competitive environment of industries. For the economic environment, sudden movements in the exchange rate, interest rate, inflation rate also disrupts competition. In terms of technological changes, introduction of new technologies or the rise of substitute product technologies can alter industry attractiveness. Finally, changes in consumer tastes and preferences as well as attitudes may affect how business is managed and how customers would like to be served.

Zarnowitz (cited in Mascarenhas & Aaker 1989, p. 199) noted that between the years 1843 to 1982, there have been over 30 economic cycles which have affected the strategies of firms in nearly all industries. This means there are periods of stability, intercepted by shocks such as wars, oil crisis, and economic recession to less jolting events such as changes in consumer tastes and preferences. The environmental condition in the Philippines and the other ASEAN countries is discussed in Appendix A.

The changes in the general environment indeed affect all businesses. While there are businesses that will fold due to external factors beyond their control, there are century-old businesses, both here and abroad, that have survived. At one point, these businesses were small and young. Consequently, a business need not be large and old to survive environmental jolts.

## 2.4 Strategic Management

According to Ruhli (1997, p. 378), “the ultimate goal of strategy research is to understand how it is possible that firms operating in similar environments and under competitive conditions keep on yielding different strategic rents.”

The wide search for factors that can explain business success or failure has led to the inclusion of strategic management as having a significant impact on business survival



(McGee et al., 1995; Murray & O’Gorman, 1994). Day (1992, p. 199) explains that “strategic management involves the set of decisions and actions that leads to the creation and implementation of strategies that will achieve the objectives of the organization.” In turn, Stacey (1993, p. 11) explains that the resulting strategic actions taken by companies establishes their internal posture as well as their competitive position that in turn determines business performance.

The various textbooks on business and strategic management have stressed the importance of formal strategic planning to business survivability. While it may not necessarily provide a competitive edge, its absence may result in a competitive disadvantage (Hussey, 1997a, 1997b; Jennings & Beaver, 1995; Powell, 1992). Consequently, even small organizations are encouraged to adapt some form of strategic planning.

Day (1992) clarifies that the research on strategic management is divided into two categories: strategic content and strategic process. Content refers to the competitive strategy employed by the organizations while process refers to the manner in which companies select and implement the strategy.

The more common concept of strategic management that has been the center of many strategic management textbooks has its foundation on Porter’s “five-forces” model. Simply described, the model claims that the strategies a company adapts is a function of entry barriers, bargaining power of buyers and suppliers, presence of substitutes and the rivalry among firms.

Another theory that Porter (1985) forwarded involves the concept of competitive advantage. Based on this theory, a company that is able to charge more than the average for the industry and/or has a cost structure that is lesser than the industry average, is said to have competitive advantage. Gaining competitive advantage is possible by developing a distinct competency. This can be efficiency-based or resource based (McGrath, MacMillan, & Venkataraman, 1995; Peteraf 1993). The competence can stem from innovation that is not readily subject to imitation, flexible manufacturing, networking, and strategic alliances (De Koning, 1994; Farrell, 1994; Murray & O’Gorman, 1994; Stacey, 1993).

The other aspect of strategic management is the strategic process. How do businessmen evaluate, select, and implement corporate strategies? Jennings and Beaver (1995) disclose that the strategic process differs remarkably depending on the size of the organization. Smaller businesses tend to be more reactive, even tactical while larger firms are more future oriented. Consequently, in trying to understand the strategic management process in smaller organizations, it is necessary to consider the abilities of the entrepreneur.

Hart (1992) presents in figures 2-1 and 2-2, the different kinds of strategy making processes. He explains that the different processes are not mutually exclusive. Better performance can be achieved, not only by improving the capability within each mode, but

also by combining the different processes. The more complex the mode, the better too is the performance.

Descriptors	Command	Symbolic	Rational	Transactive	Generative
Style	<i>(Imperial)</i> Strategy driven by leader or small top team	<i>(Cultural)</i> Strategy driven by mission and a vision of the future	<i>(Analytical)</i> Strategy driven by formal structure and planning systems	<i>(Procedural)</i> Strategy driven by internal process and mutual adjustment	<i>(Organic)</i> Strategy driven by organizational actors' initiative
Role of top Management	<i>(Commander)</i> Provide direction	<i>(Coach)</i> Motivate and inspire	<i>(Boss)</i> Evaluate and control	<i>(Facilitator)</i> Empower and enable	<i>(Sponsor)</i> Endorse and support
Role of Organizational Members	<i>(Soldier)</i> Obey orders	<i>(Player)</i> Respond to challenge	<i>(Subordinate)</i> Follow the system	<i>(Participant)</i> Learn and improve	<i>(Entrepreneur)</i> Experiment and take risks

Figure 2-1. An Integrative Framework for Strategy-Making Processes  
Source: Hart (1992, p. 334) "An Integrative Framework for Strategy-Making Processes"

Contingency Factors	Command	Symbolic	Rational	Transactive	Generative
Environment	Simple; low-level complexity	Dynamic; high velocity or radical change	Stable; low degree of change	Complex; many stakeholders	Turbulent; dynamic and complex
Firm Size	Small	Medium-Large	Medium-Large	Large	No Relation
Stage of Firm Development	No Relation	Rapid growth; reorientation	Steady growth	Mature	No Relation
Strategic Orientation	No Relation	Proactive change <i>(Prospector/ Analyzer)</i>	Solidify position <i>(Defender)</i>	Continuous improvement <i>(Analyzer)</i>	Innovation <i>(Prospector)</i>

Figure 2-2. Strategy-Making Modes and Contingency Factors  
Source: Hart (1992, p. 334) "An Integrative Framework for Strategy-Making Processes"

The end all of strategic management is to arrive at a set of strategies that will allow businesses to compete effectively, thereby allowing it to generate enough profits for its continued existence. Surprisingly though, Collins and Porras (1998) found that neither profit maximization nor shareholder wealth maximization are the primary goals for the century-old visionary companies they studied. They likened profits to oxygen, which is necessary for existence. It is a business requirement, not a business objective. This is the same conclusion derived by De Geus (1997).

However, Hussey (1997a, 1997b) observed that despite the presence of a strategic management process, some businesses still do fail. It has been argued that models such as those advocated by Porter are fit models that tend to delimit strategic choices to those that match a company's current strengths and weaknesses with current opportunities and threats. Some researchers (Hamel and Prahalad, 1989; Stacey, 1993) have argued that perhaps there should be more focus on strategic intent (adjusting current resources to meet future demands) rather than strategic fit (Naman & Slevin, 1993).

Moreover, it has been observed that businesses do have their periods of stability where certain strategies may apply and will necessarily experience periods of instability where those same strategies may longer be appropriate. Thus organizations that are unable to adapt to changes in their environment are likely to fail. This has led to the conclusion that the central theme in strategic business management is to manage change (Chakravarthy, 1982; Porter, 1998). But, "(s)hould strategic change be evolutionary, that is piecemeal and continuous, or revolutionary, which is dramatic and discontinuous?" (De Wit & Meyer, 1998, p. 237)

## 2.5 Concept of Change

"How do individuals, groups, organizations, and industries evolve over time? How do they adapt or fail to adapt to changing environments? How can change be planned and managed?" These are questions raised by Gersick (1991)

The literature on strategic management is rich. This is evidenced by the number of research journals that publishes articles and research study results. It is noted however that the research on the last decade recognized the enormous effects that the changes in the environment had caused in terms of management perspectives, how businesses should operate and the strategies that should be employed (Mascarenhas & Aaker, 1989; Volberda, 1998). The punctuated equilibrium theory suggests that periods of stability are "punctuated" by periods of change (Gersick, 1991).

It has become apparent that the simple element of time brings about changes in the internal and/or external environment of a business. Within the internal context, firms grow in size and this most likely requires additional resources and a more formal organizational structure that is not present during the start-up phase. These types of changes can be anticipated and consequently planned for (Dodge et al., 1994). Even the change in leadership and ownership brought by succession can be prepared for.

Nonetheless, there is evidence that not all firms prepare for changes within the organization leading to its demise.

On the internal aspect, Greiner (1972) believes that the management of the transition is said to be even the most critical aspect of decision making. Greiner presents a model of the typical pattern of development experienced by all companies (Figure 2-1). He holds that all companies must pass through a number of stages if they are to sustain acceptable levels of performance. He describes five phases of growth that are punctuated by crises. These must be hurdled to go to the next phase.

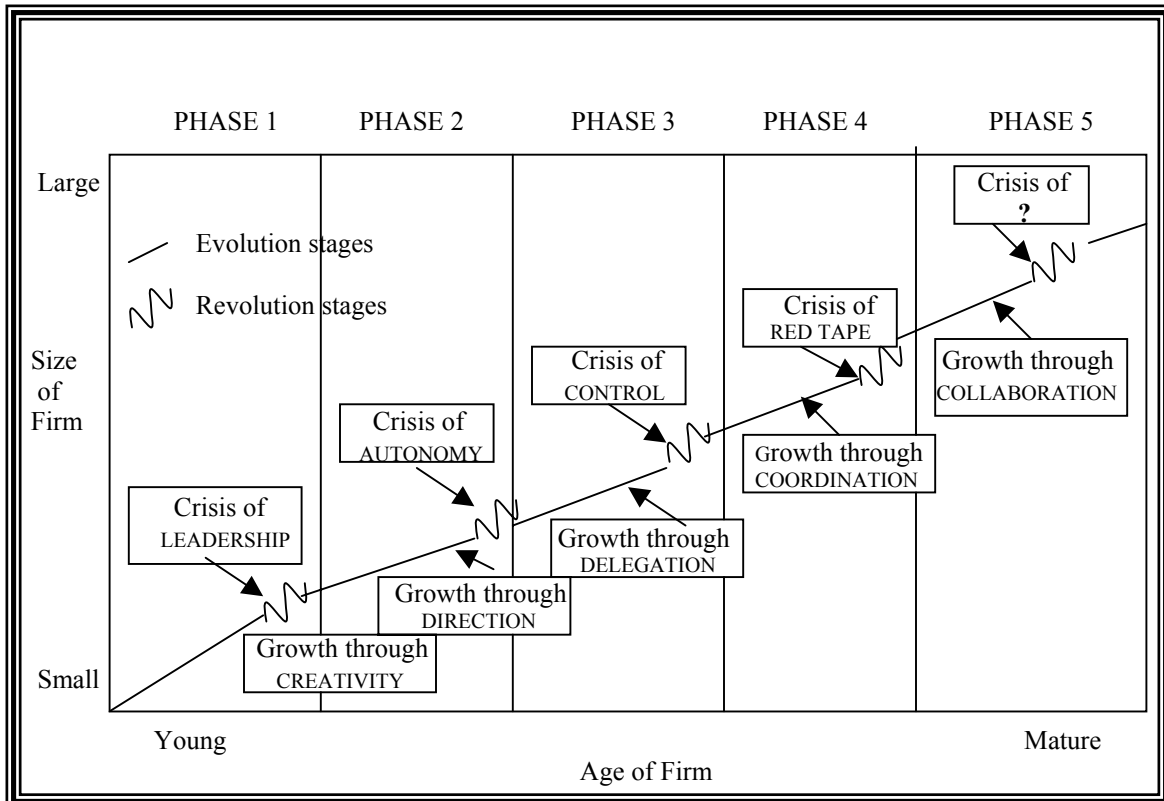


Figure 2-3. The Five Phases of Growth

Source. Greiner (1972, 41) "Evolution and Revolution as Organizations Grow"

The rate of growth also will impact on business performance. The more rapid the growth, the greater is the challenge to be more responsive. Hambrick & Crozier (1985) suggests that certain factors can help in times of rapid growth. This includes a visionary leader who is preparing the organization through the reinforcement of core values, the creation of a good management team, the establishment of the appropriate structure, and the introduction of the appropriate systems and procedures.

Another internal impetus for change is leadership succession. In particular, for family businesses that comprises the majority of the businesses in many countries (Lansberg, 1983; Rock 1991), the transfer of the business to the next generation is critical to business survival.

Internal changes such as these can be anticipated and properly addressed by business owners. However, the greater stimulus for change lies in the external environment that is beyond the control of the business. Ruhli (1997) and Hussey (1997a) observed that markets have changed tremendously so much so that product life cycles as well as product design cycles are getting shorter. These changes in the industry dynamics result to competing under different sets of rules. This implies that businesses that have had competitive advantage may soon enough lose this unless something is done.

The suggestion of business consultants is that business owners should prepare or brace themselves for the future (De Geus, 1997; De Wit & Meyer, 1998; Greiner, 1972). They suggest that businesses be more become adaptive rather than reactive, flexible rather than inert (Gaskill et al., 1993; Volberda, 1998). The problem with changes brought about by the external environment is that more often it may not be anticipated. Thus, strategy decision making becomes more difficult, complex and riskier (Bourgeois & Eisenhardt, 1988). It is said that the inability to respond appropriately to changes in the environment leads to the demise of many companies, large or small (De Geus, 1997; Leavy, 1997).

There are several theories on change. There are the cyclical changes that are common to certain industries. There are evolutionary changes that are gradual and more predictable. There are revolutionary changes. And finally, there are changes that are completely unpredictable and haphazard. The different views on change presented by Kirkbride et al. (1994) is found in figure 2.3.

Modernist	Sophisticated Modernist	Post Modernist
Incremental Evolutionary Linear Piecemeal Developing Constant Within Recipe	Transformational Revolutionary Circular Concerted Quantum Periodic Recipe Breaking	Free Fall Haphazard Spiral Random Chaotic Fluctuating Flow No Recipe
Managing Change	Creating Change	Change is...

Figure 2-4. Contrasting Views of Change from Three Perspectives  
 Source: Kirbride, Durcan and Obeng (1994 p. 158)  
 “Change in a Chaotic Post-Modern World”

There are three elements to environmental turbulence as presented by Gibbs (1994). These are dynamism, complexity, and unpredictability. This is best explained in Figure 2-5.

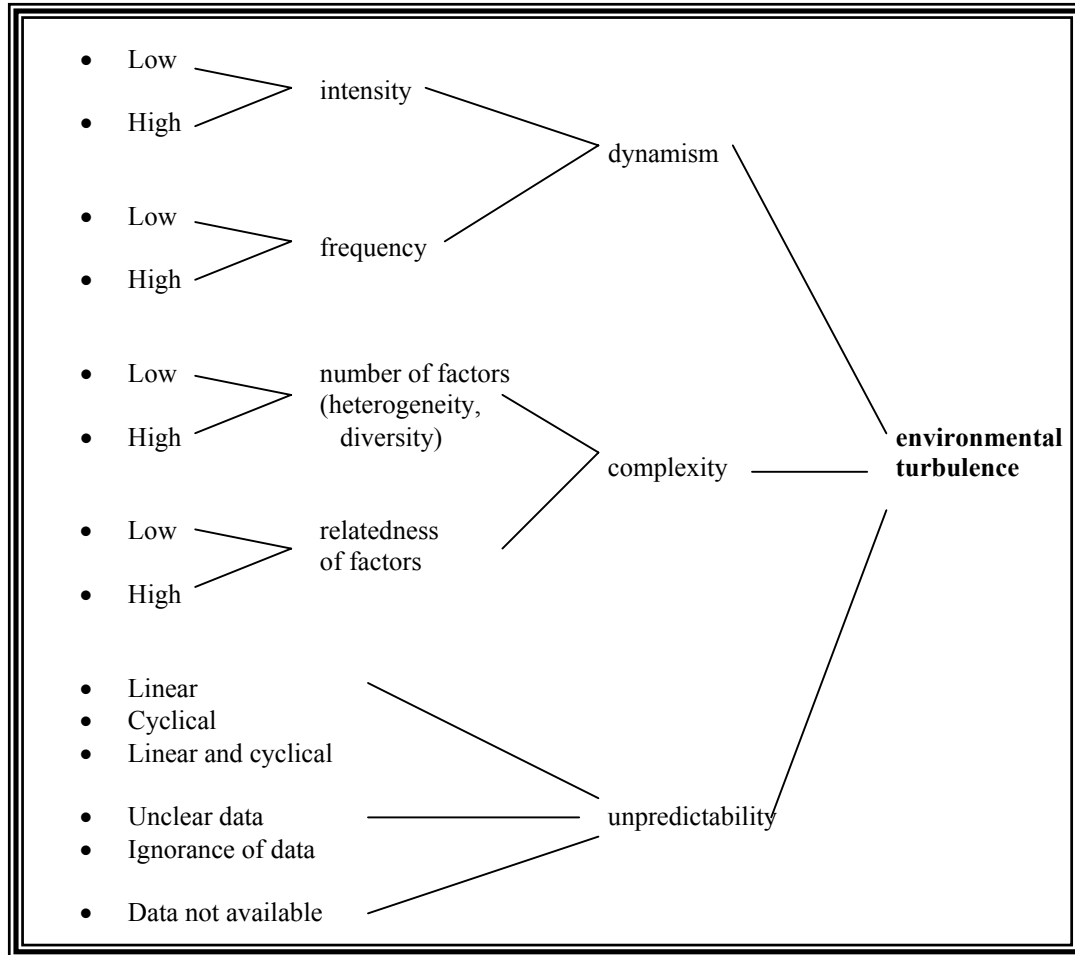


Figure 2-5. Dimensions and Variables of Environmental Turbulence

Source: Volberda (1998, p. 191).

“Building the Flexible Firm: How to Remain Competitive”

Given the different theories on change, the responses adapted by business owners depend on which perspective is held. Gersick (1991) explains that the Darwin approach to change, described as evolutionary, is to manage change on an incremental basis. Quinn (cited in Leavy, 1997) suggests that management build a strong resource base to withstand most of the environmental jolts. Bourgeois (1980) espouses rational decision-making while Chakravarthy (1982) offers a wider range of options depending on the adaptive ability of the organization. Companies can either be defensive, reactive, or proactive. Other responses are found in figure 2-6.

	Porter	Hamel & Prahalad	D'Aveni	Chakravarthy
Industry Context	Low complexity Static	Low complexity Moderate rate of change	Low Complexity High rate of change	High Complexity High rate of change
Concept of Strategy	Fit strategy to industry structure	Competitive innovation (changing the rules of the game)	Shift rules of the game Use signals to influence future dynamics Simultaneous and sequential strategic thrusts	Repeat first mover Manage network effects Go with the flow
Primary Driver of Strategy	Strategic plan based on competitor analysis	Strategic intent	Stakeholder satisfaction Strategic soothing	Guiding philosophy Context awareness
Basis of Competitive Advantage	Entry and mobility barriers	Core competencies (leveraging)	Speed Surprise	Organizational capabilities (diversifying and strengthening core competencies)

Figure 2-6. Contrasting Various Strategy Approaches

Source: Chakravarthy (1997, p. 76)

“A New Strategy Framework for Coping with Turbulence”

Predictable internal turbulence and unpredictable external turbulence requires organizations to be alert. Different solutions will be available to businesses depending on their realities. Despite the absence of universal solutions, longevity is still possible. Leavy (1997, p. 296) posits that the secret to the long-term existence of a small number of companies lies in their ability to institutionalize learning. The concept of organizational learning has consequently begun to invade management thinking (Acar & Winfrey, 1994; Haines, 1995; Leavy, 1997; Senge, 1998). It is reasoned that an organization should continually adapt to its environment consequently requiring that organization have a culture that supports flexibility and adaptability (Acar & Winfrey).

## 2.6 Guiding Philosophy

*“If an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself except (its basic) beliefs as it moves through corporate life...The only sacred cow is an organization should be its basic philosophy of doing business.” (Collins and Porras, 1998, p. 81)*

It has become apparent that the success of a business endeavor relies on several factors interacting together, better understood together than apart. But that that would bind an organization would be having a guiding philosophy that embodies what the organization is and how business should be conducted.

A guiding philosophy is defined as the values and beliefs of the organization. It is distinct from corporate culture in the sense that philosophy encompasses purpose and directs where the business should go (Collins and Porras, 1991). Philosophy is something that moves on and can be passed from one generation to another. It is that one thing that remains constant when everything else is changing. A guiding philosophy is akin to the core ideology espoused by Collins and Porras (1991, 1998).

A guiding philosophy is unique to a company it is not something that can be copied from another as it stems from what the members of the organization truly believe in (Collins & Porras, 1998). Thus, there is no right or wrong philosophy. The more important matter is that the philosophy truly reflects what a company believes in. Consequently, it is developed over time and once had, passed on to future generations.

De Geus (1997) on the other hand suggests that companies view themselves as an entity with life. Thus if it is a living thing, then it should be preserved for as long as it can be, and passed on to succeeding generations in better condition than it was given to the current caretakers. In his study of long-lived companies, he found that they were sensitive to their environment, cohesive, tolerant, possessed a strong sense of identity and conservative in their financing.

Regardless of the view taken by business owners, the bottom line for business longevity is adapting the appropriate strategy for the organization given its realities. The strategies are shaped by a guiding philosophy. It is affected by the business leader (both hard and soft skills), the organizational structure, the task environment and the general environment at particular moments in time.



## CHAPTER 3

### Research Methodology

#### 3.1 Conceptual Framework

A review of related literature seems to point that the explanation to business longevity is explained best in an integrated model. The framework thus used for this research program takes into account entrepreneurial, behavioral, organizational, strategy and change management theories. It considers all factors said to affect business performance, and consequently its survivability. The review has shown that the following are contributors to business success and failure: characteristics of the entrepreneur, organizational configuration, industry attractiveness, macro-external variables, content strategies and strategic processes, perspective on change, and guiding philosophy. These factors should be analyzed and interpreted together rather than broken down into parts.

Figure 3-1 depicts the framework used for this research program. Incorporating all the factors identified by previous research, this framework suggests that business longevity is a function of the strategies adapted by a firm. An organization's response to internal and external turbulence is reflected in their strategies. These strategies are shaped by the organization's guiding philosophy. They are generated through a strategic process that takes into account both the internal and external environment.

The internal environment is composed of the entrepreneur or current business leader and the organizational configuration. The external environment takes into account the task environment that has direct impact on the organization and the macro-variables that affects all businesses and industries whether directly or indirectly. Moreover, since firms operate in an open system, it is possible that the older and larger businesses would influence the external environment

The framework also takes into account the element of change. The circular arrow within the boxes that represent the entrepreneur, firm, micro and macro variables indicates that the elements within each box will change as the business evolves. Consequently, the strategies will change. But that that would remain constant would be the guiding philosophy that is passed on from one generation to another.

In a stable environment, change is prompted by a natural evolution. With passage of time, businessmen would normally anticipate changes in their internal and external environment and are more likely to prepare for this. However the true test of mettle of business is in surviving through unanticipated, dramatic changes beyond the control of any individual business. Consequently, this research considers exogenous factors as the independent variable.

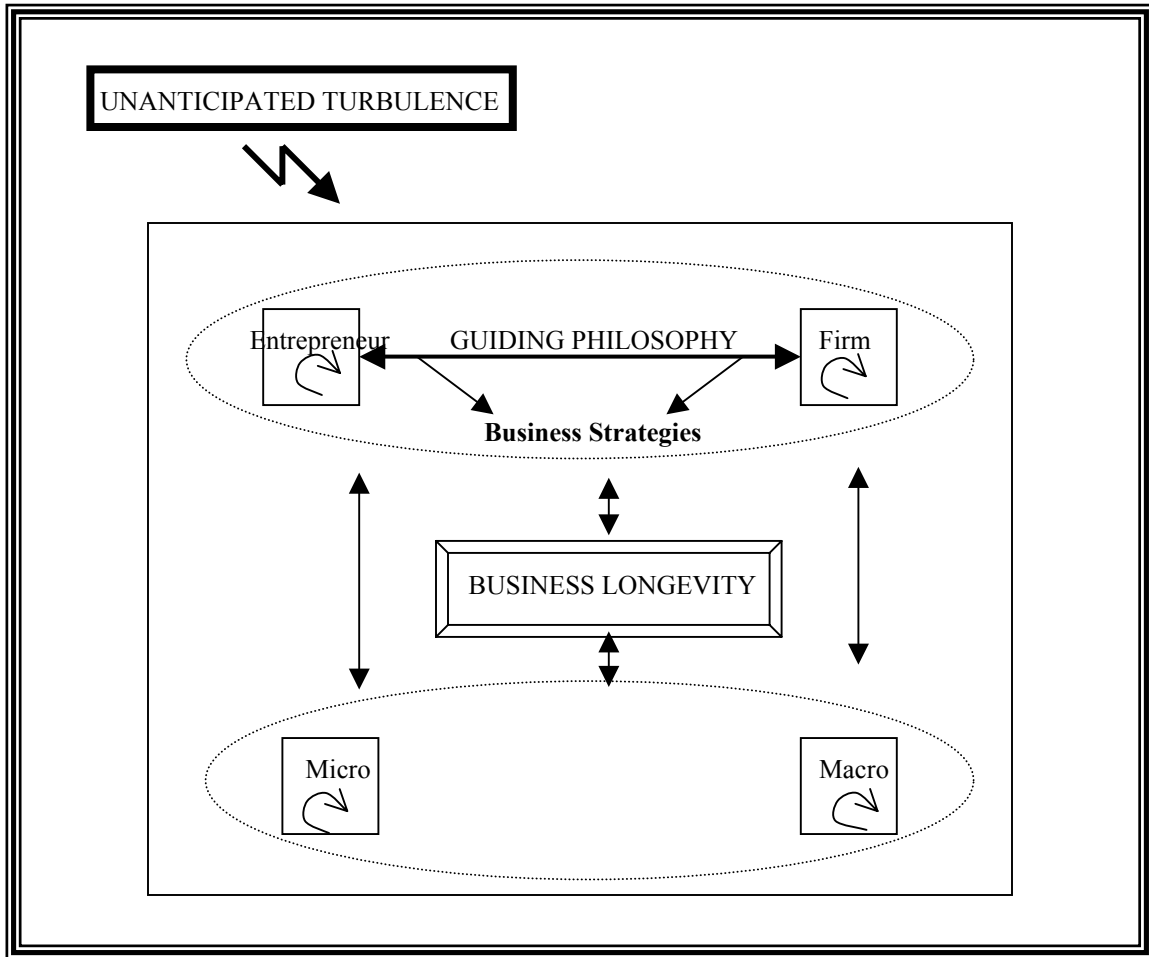


Figure 3-1. Integrating Framework to Explain Business Longevity in Response to Turbulence

### 3.2 Research Design

There are various non-experimental techniques available to researchers to address research questions (Borden & Abbott, 1988). The more traditional survey methodology is the favored approach as the results thereof are generalizable, provided the appropriate research protocol was adopted. However to understand individual behavior and build theories, which is the focus of this research program, the case methodology becomes the more relevant technique in data gathering. While the case results cannot be statistically generalized across a population, it can be “analytically generalized” to theoretical propositions (Yin 1994, p.10). Thus it can substantiate or dispute existing theories.

To guard against criticisms of validity and reliability with the use of the case method, Yin (1994) suggests various case study tactics that include multiple sources of evidence, explanation-building, “time-series analysis”, replication logic, and the case

study protocol, to name a few. Essentially the purpose of the tactics is to ensure that data is accurate, reliable, and verifiable.

Since one of the objectives of the research program is to develop a database of case studies of local businesses, the multiple case method shall be used. As more and more cases are collected and analyzed, robustness is enhanced and consequently the confidence level is increased. Figure 3-2 illustrates the case study method espoused by Yin (1994).

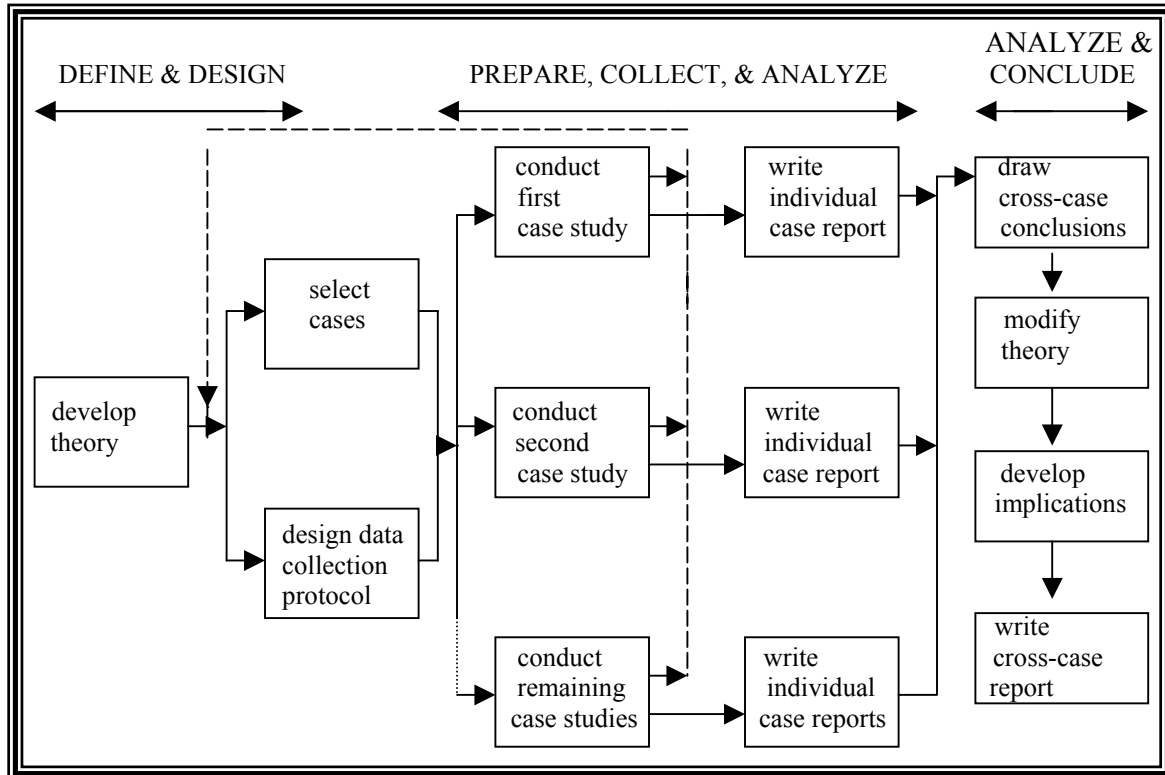


Figure 3-2. Case Study Method used by the Cosmos Corporation  
 Source: Yin (1994, p. 49) "Case Study Research: Design and Methods"

To manage the entire research program, there shall be a principal or lead researcher. It is the responsibility of the lead researcher to provide the focus and framework for the studies. It is also the responsibility to coordinate with the professors and students to ensure that the gathering of information can withstand internal and external validity tests. The individual and cross analysis shall be the responsibility of the lead researcher together with research reporting.

The research program requires the help of at least two (2) researchers who will be tasked to conduct research on the external environment of each of the case profiles. This includes gathering data on the political and economic condition of the country given a particular period in time as well as collecting data on particular industries including the competitive condition. Moreover, the research assistants are expected to corroborate the primary data gathered by each of the research teams through secondary means. They will

be responsible for securing necessary information from government offices such as those coming from the National Statistics Office, the Securities and Exchange Commission, the Department of Trade and Industry, to name a few.

The research assistants shall also help review, categorize, and analyze the different cases. They are to maintain the physical and computerized database. They are to provide clerical assistance as well.

The primary interviewers for this research program shall be La Sallian students enrolled in Strategic Management, Family Business Management, and Seminars in Entrepreneurship. Normally, a group of 4-5 students shall form one research team assigned to handle one case study. Each research team shall write the individual case reports.

To control for the quality of information gathered, each research team shall be given a set of guide questions. This is included in the research protocol as discussed in section 3.5.1. The purpose is to have a focused interview, open-ended yet controlled. Admittedly, the research team may encounter problems of poor recall, hindsight reasoning and inaccurate articulation. Consequently, the research is designed such that the information can be corroborated with other sources of evidence as discussed in the next section.

### 3.3 Research Tools

Based on the limitations mentioned in Section 1.5, the research program shall utilize multiple sources of evidence. This is supported by Yin (1994) who asserts that it is necessary to increase the reliability of information gathered.

**3.3.1 Primary Source.** A great deal of information is expected to be generated through personal, face-to-face interviews with business owners. To corroborate the information, key executives shall likewise be interviewed.

The research team shall be given a pre-tested interview questionnaire found in the case study protocol, described in section 3.5.1. The guide questions are expected to help the novice interviewers to generate the same kind of information that can be compared across other cases. However the questions were designed to be open-ended to allow the interviewees to freely express their views and provide the necessary insight to develop a theory.

Basic information about the business owner, company, and industry shall be required as part of the data gathering phase. To ensure the accuracy of the information, the research team is required to verify information with secondary sources.

**3.3.2 Secondary Source.** For additional information on the business and industry, data shall be taken from industry and corporate publications, newspaper reports,

published annuals, media interviews, books and other archives. Any financial data necessary for the analysis shall be taken from directly from the case participants or from the files of the Securities and Exchange Commission.

**3.3.3 Statistical Tools.** Depending on the type and amount of data generated, the appropriate statistical tools shall be used for analysis. This may include multi-dimensional statistical tools.

### 3.4 Research Criteria

Depending on the focus of the smaller studies that will comprise the research program, the appropriate set of criteria shall be generated. The general criteria however is that the business to be studied should be a locally owned business, begun by an entrepreneur or entrepreneurial couple. Moreover, the current business owners should be willing to provide the information needed by the research program. They should be willing to be interviewed for a lengthy period of time. Preferably, these should be businesses of the families of the interviewers.

Moreover, the business should be at least a second-generation business, meaning it has survived at least one leadership transition, or at least 25 years old. These are important criteria in studying business longevity. The business should have been in existence long enough to, and must, have hurdled major turbulence before it can be considered as having survived. However, if the subject of the smaller studies are business failures or comparisons with businesses that have failed, then first-generation businesses and those that are less than 25 years old shall be considered.

Finally, while there will be no restrictions on the size of the business operations. Businesses of the “sari-sari” type are excluded from this research endeavor.

### 3.5 Research Procedures

Generally following the guidelines set forth by Yin (1994), the research program shall adhere to the procedures enumerated below.

**3.5.1. Development of a Case Study Protocol.** According to Yin (1994), the case study protocol is essential for multiple-case studies to ensure improved reliability. The case study protocol, found in Appendix A, shall be given to each research team as their constant reference or research “bible.” This case study protocol provides a briefer on the research program and enumerates the procedure, analysis, and format required for each case study. A structured format for data gathering is likewise explained in this protocol, including the training procedure that is necessary to improve interviewing skills. Thus it is expected that if a third party would follow the case study protocol, then the same results will be generated.

3.5.2. **Conduct Pilot Case Study.** Similar to the survey method that requires pre-testing of questionnaires, the case study method supports the pilot case study to reveal inadequacies in the research design (Yin, 1994, p. 52). For instance, the pilot case study may reveal practical problems to data gathering or may reveal that the research questionnaire fails to produce the information required to address the research question. Whatever the inadequacy, the pilot case study allows corrections to be made prior to actual data gathering. Should there be corrections, these would be properly documented and disclosed in the case study report.

3.5.3. **Coordination with Concerned Faculty Members and Research Team.** Prior to each school term, the lead researcher shall coordinate with faculty members teaching subjects related to Strategic Management, Family Business Management and Seminars in Entrepreneurship.

3.5.3.1 The lead researcher shall secure the support of the chair of the business management department as well as the subject coordinators.

3.5.3.2 The lead researcher shall request from the professors that instead of the regular term-end integration paper, the students be allowed to participate in this research endeavor.

3.5.3.3 The lead researcher shall request that that the students of each class be divided so as to form groups of 4-5 students, with each group assigned to handle one case subject.

3.5.3.4 During the course of the term, the lead researcher shall be available for consultation.

3.5.4. **Training the Research Team.** On a designated time and place, the lead researcher shall conduct a training program to assist the research team in their research efforts. This training program may be considered an “alternative” class to ensure a high level of attendance. During this training program, the research teams shall be briefed on the research objectives, conceptual framework, particular turbulence and expected research output. Moreover, the training program shall be the venue to tutor the research team on the basic rudiments of interviewing.

3.5.5. **Selection of Case Study Participant.** Each research team shall be allowed the discretion to select their case study participant provided the research criteria are met. The rationale for this is to take advantage of the personal network of the La Sallian students. Ideally, the research team shall tap their relatives to participate in the research endeavor. By doing this, it is likely that the case study participants shall be more open and thus reveal more insights.

It is expected that the case profiles shall be varied. It is likely that the case study participants will be of different ages, sizes, industries, ethnic origins, and ownership structures. This is intentional. The differences in the cases are expected to provide richer insights. Moreover, since this is envisioned to be an ongoing program, the wealth of varied of information lends itself better to more in-depth cross-case analysis.

3.5.6. **Data Gathering.** Each research team shall secure information about the case study participant from primary and secondary sources. Information about the business shall be gathered during the interview while information on the industry and crisis shall be gathered using secondary sources.

The use of multiple sources of evidence is meant to increase construct validity. This means that information gathered can be augmented and corroborated, thus minimizing or eliminating subjectivity and arbitrariness.

3.5.7. **Verification of Case Study Information.** Considering the limitation on utilizing students as members of the research team, the following is adapted to further enhance construct validity. Essentially, this includes investigator triangulation (using multiple evaluators), establishment of a chain of evidence through a lot of cross-referencing, and the review by the case study participants of research output. The latter allows case participants to clarify any discrepancies.

- 3.5.6.1 The research team shall transcribe their interview and request the case study participant to edit the transcript and sign on each page of the transcript.
- 3.5.6.2 The research team shall submit together with the case report, the cassette tapes, case notes, and the signed transcript.
- 3.5.6.3 The research team shall attach copies of all secondary material gathered.
- 3.5.6.4 The research team shall orally present their case findings to the professor, lead researcher, and research assistants.
- 3.5.6.5 The research assistants shall conduct a separate but thorough research, using secondary data, on the case subject, industry and crisis.
- 3.5.6.6 The lead researcher shall verify information directly with the interviewees should discrepancies arise.

3.5.8. **Data Analysis.** The data analysis shall be conducted on two levels. The research team shall perform the initial data analysis that is complemented by a within-case analysis by the lead researcher. Then the lead researcher shall perform the second and more comprehensive data analysis to arrive at the conclusions for the research program. The analytical framework is discussed in section 3.6.

The lead researcher shall use the explanation building tactic and “time-series analysis” of Yin to strengthen internal validity. Using the explanation building tactic, findings from one case study shall be compared against subsequent studies. Then as more and more findings are individually analyzed and cross-analyzed, an explanation can be derived.

The cross-case analysis can be done on several levels. The case studies can be group in terms of stages in the life cycle, size, ownership, or ethnic origins. The case studies can likewise be analyzed on the basis of industry category, level of competition, industry volatility and factor intensity.

On the other hand, the time-series analysis tactic is a natural consequence of the historical approach adapted by this research endeavor. Since events shall be traced over time to explain the evolution of a business, it is possibly that patterns will become evident. For instance, it may be possible that certain events will happen before other events or certain events are contingent on other conditions.

For each case study, the chronology of events shall be depicted on a time scale to show the natural evolution of the business. The steps follow closely those discussed by Mintzberg and Waters (1982, p. 466-467). Then inference shall be made from the graphical representation of chronological events. At the same time, the individual time scale shall be superimposed against the political, technological, and economic development of the country. After the individual case analysis, the time scales of the other cases shall be compared against each other and against the events transpiring in the general environment.

**3.5.9. Case Writing.** Each research team shall be required to submit a manuscript for the case subjects. A descriptive approach to the case shall be taken. The guidelines and format for the case manuscript are also included in the research protocol.

The final manuscript shall be turned-over by the subject professors to the lead researcher. After the manuscripts in one term are reviewed and compared against each other, the lead researcher shall prepare an interim report. Then after one school year, a more comprehensive report shall be prepared. Finally, after the five-year research program, the appropriate books and international articles shall be submitted for publication.

**3.5.10. Creation of Case Study Database.** All documents pertinent to each case study shall be systematically filed. These documents include the case study notes, tape recordings, acknowledged transcript, secondary material, and the case study report.

The establishment of a database allows a third party to review the information gathered and draw his/her own conclusions. This increases the reliability of the information gathered.

**3.5.11. Post Review.** After each term, the lead researcher shall initiate a post-review inviting the research team leaders and professors. The post-review is designed as a forum to air problems and concerns experienced during the past term, with regards to both content and process. Suggestions and corrections that may improve the research program shall be adapted. Any changes shall be properly documented and reported in the final study report.



### 3.6 Research Analysis

The companies shall be tracked throughout their history and this shall be depicted in a time scale as discussed in section 3.5.8. The corporate milestones shall be enumerated and the internal and external turbulence identified. These shall then be analyzed against the different variables. The details of these variables were taken largely from Chrisman et al. (1998).

1. The entrepreneur's skills, experiences, personality, and values, as it affects the formulation of the firm's business strategy. The entrepreneurial variables are found in Figure 3-3.

<p><b>Personality</b> (autonomy, confidence, initiative, locus of control, need for achievement, need for affiliation, need for power, personality type, risk-taking propensity, self-reliance, tolerance for ambiguity)</p> <p><b>Values and Beliefs</b> (contribution to society, power, security, status, wealth)</p> <p><b>Skills</b> (communication, financial, interpersonal, managerial, manufacturing, marketing, organizational, personnel, technical)</p> <p><b>Experience and Education</b> (age, entrepreneurial parents, experience in founding companies, experience in high-growth organizations, experience in large firms, experience in similar position, formal education, general management experience, industry experience, pre-startup training, shared experience of founders, start-up experience)</p> <p><b>Behaviors and Decisions</b> (ability to focus on essentials, decisions-making process, flexibility, goal direction, length of work day, management style, organizing, planning, problem analysis, risk-reducing behavior)</p>
---

Figure 3-3. Entrepreneurial Variables Affecting Business Strategy

2. The configuration of the firm's structure, processes, and systems, as it affects the formulation of the firm's business strategy. The organizational variables are listed in Figure 3-4.

<p><b>Corporate Governance</b> (leadership, crisis management, succession management, centralization/decentralization, management style)</p> <p><b>Corporate Ownership</b> (family, non-family, employees)</p> <p><b>Corporate Configuration</b> (size, structure, number of hierarchical levels culture)</p> <p><b>Corporate Resources</b> (availability of finance—debt/public offering, labor, technology, intangible assets, tangible assets)</p> <p><b>Corporate Efficiencies</b> (capacity, management of technology)</p> <p><b>Corporate Culture</b> (values, beliefs, practices, rituals, relationships)</p> <p><b>Products and Services</b> (how and why products/services selected)</p> <p><b>Corporate Performance</b> (cashflows, revenue/profit levels, rates of return, liquidity)</p>
--

Figure 3-4. Organizational Variables Affecting Business Strategy

3. The nature of the industry as it affects the formulation of the firm’s business strategy (figure 3-5).

<p><b>Structural Characteristics</b> (degree of industry concentration, elasticity of demand, entry barriers, exit barriers, industry profitability, industry value added, industry failure rate, industry sector, key success factors, opportunities to create high barriers subsequent to entry, product heterogeneity, stability of demand, stage of industry evolution, size and growth rate of industry, substitute products, technological and regulatory changes)</p> <p><b>Industry Rivalry</b> (aggressiveness of competitors, competitor’s commitment and dependence on industry, competitor diversity, degree competitors have established positions, degree of exposure to competitive attack, excess capacity, excess cash/borrowing position, level of competition, presence of small firms with weak positions)</p> <p><b>Nature of Buyers and Suppliers</b> (concentration, heterogeneity, importance to success, number, relative size)</p>
--

Figure 3-5. Industry Variables Affecting Business Strategy

4. The Philippine business environment, including the effect of the global environment, on the formulation of the firm’s business strategy (table 3-6).

<p><b>Global Environment</b> (opening of economies, GATT)</p> <p><b>Political Environment</b> (political leadership, policies on state intervention, government attitude towards industry, regulation/deregulation)</p> <p><b>Economic Environment</b> (volatility in exchange rate, interest rates, unemployment rate)</p> <p><b>Technological Environment</b> (technological infrastructure)</p> <p><b>Socio-Demographic Environment</b> (consumer tastes/preferences, values, demography, attitudes)</p>
---

Figure 3-6. Environmental Variables Affecting Business Strategy

5. Strategic content and process (figure 3-7). Strategic options available to business owners as response to turbulence as well as the processes adopted to arrive at these strategies.

<p><b>Planning and Strategy Formulation</b> (breadth of planning efforts, depth of planning efforts, formality of strategic planning, frequency of planning, functional area planning, consideration of multiple alternatives, quality of strategic planning, rational and rapid decision making)</p> <p><b>Goals and Objectives</b> (ambitiousness of goals, targeted market share, targeted profitability)</p> <p><b>Scope</b> (Breadth of products/services offered, breadth of customer groups served, breadth of customer functions satisfied, breadth of technologies utilized)</p> <p><b>Directional Strategies</b> (status quo, market concentration, market penetration, product development, product proliferation, horizontal diversification, vertical diversification, horizontal integration, vertical integration, harvest, retrench, restructure)</p> <p><b>Generic Business Strategies</b> (cost leadership, differentiation, focus)</p> <p><b>Investment Strategies</b></p> <p><b>Political Strategies</b> (alliance with competitors, alliance with customers, alliance with government, alliance with suppliers, alliance with other stakeholders)</p> <p><b>Strategic Processes</b> (command, symbolic, rational, transactive, generative)</p>
---

Figure 3-7. Strategic Content and Processes Available to Entrepreneurs

Using the framework as a guideline, it is expected that a substantial amount of the information gathered shall come from the open-ended responses of the case participants. The set of “stories” should explain how and why the business leader adopted the strategies they did adopt. These responses shall be sorted and classified. The objective would be to find patterns among all the case studies. For one, it is expected that by looking at the decision-making process, the underlying philosophy is expected to emerge.

Finally, when there is sufficient information for cross analysis. The appropriate statistical tool (depending on number of samples) shall be applied. The different strategic content, process, and philosophy shall be examined in the light of the demographic information that shall be gathered for each case.

## CHAPTER 4

### Recommended Research Studies

#### 4.1 Range of Research Studies

Research suggests that failure rates are higher for firms that are smaller in size (Gaskill et al., 1993; Penrose, 1995). The reasoning is that the smaller businesses do not have ready access to finance that is considered critical for growth. This is on top of so-called managerial deficiencies that result from inexperience and the lack of technical and managerial skills. And yet, smaller firms are said to have the advantage over larger firms because of the elements of flexibility, innovation and responsiveness (Fiegenbaum & Karnani, 1991). While the larger firms can take advantage of economies and can compete globally, it is stereotyped as being sluggish, rigid and complacent (Majumdar, 1999). Given the differing views on the competitiveness of small and large firms, a research study can determine if size has a significant impact on business performance.

Similarly, research can look upon the growth rate of a business as it affects business longevity. According to Hoy et al. (1992), fast growing companies are in a better position to respond to competition. They reason that through the adoption of the iterative strategic process, manager of these companies learn from their experience and are thus in a better position to make the appropriate strategic choices.

Still looking at the inner component, logical reasoning would make one conclude that the philosophy of a company in a first generation company is tantamount to the philosophy of the founder. It would be interesting to find out how philosophy evolves as the business is passed on to succeeding generations.

Also taking into account the change in leadership, the change in ownership structure brought about by leadership change over generations, opening up of shares to the public, and merger/acquisition strategies lends to a more complex ownership structure. Does this affect business performance?

Moreover as more and more third parties begin to own the organization, there is a tendency to hire more professional managers. The reasoning is that professional managers have an objective stance and may adapt better strategies leading to improved financial performance. And yet the other view, known as the agency theory, is that managers do not necessarily have the same goals as the owners. Thus financial performance may be affected but on a negative way (Oswald & Jahera, 1991). A research study can better explore the impact of professional management on business performance, and consequently, business longevity.

The growth of organizations over time may result in multi-business operations. Since business units may take advantage of synergies, it is possible that overall performance of the organization may improve. Thus, research can compare longevity rates of single-business versus multi-business operations.

Looking at the external environment, another angle to look at is the difference in longevity rates across industries. There are industries that lend itself to relative stability while there are those that are highly volatile. Is it possible that small businesses are better able to survive certain industries over others? Are some businesses more suitable for fragmented industries?

On a similar reasoning, it is believed that industries go through life cycles. At the same time, organizations go through their own life cycles. Would performance differ if the organization's life cycle does not coincide with the industry? For new businesses in particular, do they become more vulnerable during the emerging or growth stage of the industry rather than entering the industry on its mature stage? This implies that business longevity may be affected by the timing of entry into the industry.

In terms of strategies, it is suggested (McGee et al., 1995) that strategic alliances are important for business survival especially at the point of entry into the industry. Cooperative strategies can center on marketing, manufacturing, and technology depending on management experience. Moreover, it is also possible for businesses to establish a network of operations similar to the keiretsu Japanese model (Commonwealth, 1995). Under what circumstances will networking improve business performance?

Finally, while there are no records readily available, there is a possibility that failure rates may differ depending on the political or economic crisis experienced by the country. This implies that there may be differing reasons for failure, depending on time specific environments. Thus finding out more about this is bound to assist policy makers in particular.

#### 4.2 Proposed Research Studies per Program Year

The following are possible research studies that may comprise the research program.

Response to the Asian Financial Crisis - 1997

Response to the Asian Boom of 1994-1996

Response to the Financial, Energy, & Oil Crisis 1990-1992

Response to the Political & Economic Crisis of the 1980's

Response to the Information Revolution

Response of Specific Industries to Turbulence

Response of Specific Industries to Turbulence

## References

- Acar, W. & Winfrey, F. (1994). The resilient organization: Sustaining organizational renewal and performance. *Journal of Strategic Change*, 3, 165-173.
- Acs, Z. & Audretsch, D. (1992). The social and economic impact of entrepreneurship. In D. Sexton & J. Kasarda (Eds.), *The State of the Art of Entrepreneurship* (pp. 45-67). Boston: PWS-Kent Publishing Company.
- Backman, M. (1999). *Asian Eclipse: Exposing the Dark Side of Business in Asia*. Singapore: Wiley & Sons (Asia) Pte Ltd.
- Barach, J. & Ganitsky, J. (1995). Successful succession in family business. *Family Business Review*, 8(2), 131-155.
- Barnes, L. & Hershon, S. (1976). Transferring power in the family business. *Harvard Business Review*, 54(4), 105-114.
- Barney, J. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of Management Review*, 11(3), 656-665.
- Baron, R. (1998). Cognitive mechanisms in entrepreneurship: Why and when entrepreneurs think differently than other people. *Journal of Business Venturing*, 13, 275-294.
- Barringer, B. & Greening, D. (1998). Small business growth through geographic expansion: A comparative case study. *Journal of Business Venturing*, 13, 467-492.
- Beckhard, R. & Dyer W. Jr. (1983a). Managing change in the family firm--Issues and strategies. *Sloan Management Review*, 24, 59-65.
- Beckhard, R. & Dyer, W. Jr. (1983b). Managing continuity in the family-owned business. *Organizational Dynamics*, 12(1), 5-12.
- Borden, K. & Abbott, B. (1988). *Research Design and Methods: A Process Approach*. California: Mayfield Publishing Company.
- Bourgeois, L. III (1980). Strategy and environment: A conceptual integration. *Academy of Management Review*, 5(1), 25-31.
- Bourgeois, L. III & Eisenhardt, K. (1988). Strategic decision processes in the high velocity environments: Four cases in the microcomputer industry. *Management Science*, 34(7), 816-835.

- Chakravarthy, B. (1982). Adaptation: A promising metaphor for strategic management. *Academy of Management Review*, 7(1), 35-44.
- Chakravarthy, B. (Winter, 1997). New strategy framework for coping with turbulence. *Sloan Management Review*, 69-82.
- Chrisman, J., Bauerschmidt, A. & Hofer, C. (Fall, 1998). The determinants of new venture performance: An extended model. *Entrepreneurship Theory and Practice*, 5-29.
- Cliff, J. (1998). Does one size fit all? Exploring the relationship between attitudes towards growth, gender, and business size. *Journal of Business Venturing*, 13, 523-541.
- Collins, J. & Porras, J. (Fall, 1991). Organizational Vision and Visionary Organizations. *California Management Review*, 31-52.
- Collins, J. & Porras, J. (1998). *Built to Last: Successful Habits of Visionary Companies*. London: Random House Business Books.
- Commonwealth of Australia. (1995). *Overseas Chinese Business Networks in Asia*. Australia: East Asia Analytical Unit, Department of Foreign Affairs and Trade.
- Covin, J. & Slevin, D. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 106, 75-87.
- Day, D. (1992). Research linkages between entrepreneurship and strategic management or general management. In D. Sexton & J. Kasarda (Eds.), *The State of the Art of Entrepreneurship* (pp. 117-163). Boston: PWS-Kent Publishing Company.
- D'Aveni, R. (1994). *Hypercompetition: Managing the Dynamics of Strategic Maneuvering*. New York: The Free Press.
- De Geus, A. (1997). *The Living Company*. Boston, Massachusetts: Harvard Business School Press.
- De Koning, J. (1994). 'Survival of the fittest or the fitting?' A framework for integration. *Journal of Strategic Change*, 3, 281-286.
- De Wit, B. & Meyer, R. (1998). *Strategy Process, Content, Context: An International Perspective* (2<sup>nd</sup> ed.). London: International Thomson Business Press.
- Dodge, H.R., Fullerton, S., & Robbins, J. (1994). Stage of the organizational life cycle and competition as mediators of problem perception for small businesses. *Strategic Management Journal*, 15, 121-134.



- Dyer, W. Jr. (1986). *Cultural change in family firms: Anticipating and managing business and family transitions*. San Francisco: Jossey-Bass.
- Farrell, L. (1994). Searching for the spirit of enterprise. *Journal of Strategic Change*, 3, 63-70.
- Fiegenaum, A. & Karnani, A. (1991). Output flexibility: A competitive advantage for small firms. *Strategic Management Journal*, 12, 101-114.
- Gaskill, L., Van Auken, H., & Manning, R. (October, 1993). A factor analytic study of the perceived causes of small business failure. *Journal of Small Business Management*, 18-31.
- Gersick, C. (1991). Revolutionary change theories: A multilevel exploration of the punctuated equilibrium paradigm. *Academy of Management Review*, 16(1), 10-36.
- Gibbs, B. (1994). The effects of environment an technology on managerial roles. *Journal of Management*, 20(3), 581-604.
- Greiner, L. (July-August 1972). Evolution and revolution as organizations grow. *Harvard Business Review*, 37-46.
- Haines, S. (1995). *Sustaining High Performance: The Strategic Transformation to a Customer-Focused Learning Organization*. FL: St. Lucie Press.
- Hambrick, D. & Crozier, L. P. (Winter, 1985). Stumblers and stars in the management of rapid growth. *Journal of Business Venturing*. 31-46. (From *UMI Abstracts*, 1(1), Abstract No. 00322121).
- Hamel, G. & Prahalad, C.K. (May-June 1989). Strategic intent. *Harvard Business Review*, 63-76.
- Handler, W. (1994). Succession in family business: A review of the research. *Family Business Review*, 7(2), 133-157.
- Hart, S. (1992). An integrative framework for strategy-making processes. *Academy of Management Review*, 17(2), 327-351.
- Hoy, F., Dougall, P. & Dsouza, D. (1992). Strategies and environments of high-growth firms. In D. Sexton & J. Kasarda (Eds.), *The State of the Art of Entrepreneurship* (pp. 341-357). Boston: PWS-Kent Publishing Company.
- Hussey, D. (1997a). Strategic management: Past and Experiences and Future Directions. Part 1. *Strategic Change*, 6, 262-271.

- Hussey, D. (1997b). Strategic management: Past and Experiences and Future Directions. Part 2. *Strategic Change*, 6, 262-271.
- Ireland, R., Hitt, M., Bettis, R. & De Porras, D. (1987). Strategy formulation processes: Differences in perceptions of strength and weaknesses indicators and environmental uncertainty by managerial level. *Strategic Management Journal*, 8, 469-485.
- Jennings, P. and Beaver, G. (1995). The managerial dimension of small business failure. *Strategic Change*, 4, 185-200.
- Keeley, R. & Roure, J. (1990). Management, strategy, and industry structure as influences on the success of new firms: A structural model. *Management Science*, 36(10), 1256-1267.
- Kirkbride, P., Durcan, J. & Obeng, E. (1994). Change in a chaotic post-modern world. *Journal of Strategic Change*, 3, 151-163.
- Lansberg, I. (1983). Managing human resources in family firms: The problem of institutional overlap. *Organizational Dynamics*, 12(1), 39-46.
- Leavy, B. (1997). Strategic renewal—is disruptive revolution unavoidable? *Strategic Change*, 6, 284-298.
- Lim, C. & Woodruff, C. (1998). *Managing Corporate Distress in the Philippines: Some Policy Recommendations*. Unpublished Working Paper of the International Monetary Fund.
- Lim, J. (1999). Learning from the East Asian “miracle” and the East Asian crisis. In E. Gonzalez (Ed.), *Reconsidering the East Asian Economic Model: What’s Ahead for the Philippine* (pp. 15-82). Manila, Philippines: Development Academy of the Philippines.
- Majumdar, S. (1999). Sluggish giants, sticky cultures, and dynamic capability transformation. *Journal of Business Venturing*, 15, 59-78.
- Mascarenhas, B. & Aaker, D. (1989). Strategy over the business cycle. *Strategic Management Journal*, 10, 199-210.
- McGee, J., Dowling, M., & Megginson, W. (1995). Cooperative strategy and new venture performance: The role of business strategy and management experience. *Strategic Management Journal*, 16, 565-580.
- McGrath, R., MacMillan, I. & Venkataraman, S. (1995). Defining and developing competence: A strategic process paradigm. *Strategic Management Journal*, 16, 251-275.

- Miller, D. & Toulouse, J. (Winter, 1986). Strategy, Structure, CEO Personality and Performance in Small Firms. *Entrepreneurship Theory and Practice*, 47-63.
- Mintzberg, H. & Waters, J. (1982). Tracking strategy in an entrepreneurial firm. *Academy of Management Journal*, 25, 465-499.
- Murray, J. & O’Gorman, C. (1994). Growth strategies for the smaller business. *Journal of Strategic Change*, 3, 175-183.
- Naman, J. & Slevin, D. (1993). Entrepreneurship and the concept of fit: A model and empirical tests. *Strategic Management Journal*, 14, 137-153.
- Oswald, S. & Jahera, J. (1991). Research Notes and Communication. The influence of ownership on performance: An empirical study. *Strategic Management Journal*, 12, 321-326.
- Palanca, E.. (1995). Chinese business families in the Philippines since the 1890s. In R. Brown (Ed.), *Chinese business enterprise in Asia*, (pp. 197-213). London: Routledge.
- Penrose, E. (1995). *The Theory of the Growth of the Firm* (3<sup>rd</sup> ed.). New York: Oxford University Press.
- Peteraf, M. (1993). The cornerstone of competitive advantage: A resource-based view. *Strategic Management Journal*, 14, 179-191.
- Porter, M. (1985). *Competitive Advantage*. New York: Free Press.
- Porter, M. (1998). *On Competition*. Boston: Harvard Business School Publishing.
- Powell, T. (1992). Research notes and communications: strategic planning as competitive advantage. *Strategic Management Journal*, 13, 551-558.
- Prahalad, C.K. & Hamel, G. (May-June 1990). The core competence of the corporation. *Harvard Business Review*, 79-91.
- Reuber, R. & Fischer, E. (April 1999). Understanding the consequences of founders’ experience. *Journal of Small Business Management*, 30-45.
- Rock, S. (1991). *Family Firms*. Cambridge: Director Books.
- Ruhli, E. (1997). The concept of hypercompetition—a new approach to strategic management in large multinational firms. *Strategic Change*, 6, 378-390.

- Sawyer, O. (1993). Environmental uncertainty and environmental scanning activities of Nigerian manufacturing executives: A comparative analysis. *Strategic Management Journal*, 14, 287-299.
- Senge, P. (1998). Building Learning Organizations. In B. De Wit & R. Meyer (Eds.), *Strategy Process, Content, Context: An International Perspective* (pp. 285-296). London: International Thomson Business Press.
- Shane, S. (1996). Explaining variation in rates of entrepreneurship in the United States: 1899-1988. *Journal of Management*, 22(5), 747-781.
- Stacey, R. (1993). *Strategic Management and Organisational Dynamics*, London: Pitman Publishing.
- Teece, D., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533.
- Terpstra, D. & Olson, P. (Spring, 1993). Entrepreneurial start-up and growth: A classification of problems. *Entrepreneurship Theory and Practice*, 17-35.
- Vesper, K. (1980). *New Venture Strategies*. N.J.: Prentice-Hall Inc.
- Volberda, H. (1998). *Building the Flexible Firm: How to Remain Competitive*. New York: Oxford University Press.
- Watson, J. & Everett, J. (October 1996). Do small businesses have high failure rates? *Journal of Small Business Management*, 45-61.
- Yin, R. (1994). *Case Study Research: Design and Methods (2<sup>nd</sup> Ed.)*. Thousand Oaks, California: Sage Publications.

## Appendix A

### Case Study Protocol

#### I. Overview

This proposed research program would study the responses of individual businesses to unanticipated occurrences in the external environment as a result of political, economic, and technological uproar. The research intends to probe into the reasons “why” the responses were such. These responses, reflected in their business strategies, may provide information as to the variables that could affect business longevity.

The approach to this research program is to examine individual businesses and determine how each responded to a particular crisis. By first reviewing the corporate business history and then carefully analyzing the immediate circumstances that brought about the particular response, this research program hopes to yield invaluable insights not only to the field of business education but to public policy as well.

Relevant literature on business longevity is listed in Exhibit 1. Essentially, the literature suggests that an integrative approach be taken to truly understand the business responses to internal and external shocks. It would be narrow-minded to think that the effectiveness of business can be readily explained by a single factor or that the different factors may be taken separately.

According to the literature, a business is affected by its internal configuration as well as by the external environment. This means that businesses are expected to respond differently to similar turbulence if the internal make-up (meaning age, ownership and management structure, etc.) is different. Conversely, if the internal configuration of businesses is the same, but the businesses are working within different external realities (such as industries, level of competition, etc.), then these businesses would also respond differently to similar turbulence.

It is the intent of this research program to arrive at a descriptive model that would explain how local businesses have responded to different kinds of turbulence. Essentially, the research expects to address the question: “How have Philippine businesses existed and continue to exist as an economic entity through the unstable and unpredictable Philippine business climate?”

The premise of this research is that given the unstable local business climate and taking into account the periods of stability and volatility within an organization, it has become more challenging for Philippine businesses to keep afloat. For businesses that have managed to survive a series of crises, it is likely that these businesses have coping mechanisms to withstand occasional shocks. Is there a singular survival mechanism local businesspeople can use or are there as many survival mechanisms as there are businesses?

## II. Pre-Interview Guidelines

### A. Team Assignments

Each research team shall designate a team leader. The team leader shall serve as coordinator for the case study. The team leader is also expected to take the lead during the interview stage. The other team members shall support the team leader during the interview and ask probing question geared towards the “how” and “why”. One of the members shall be designated as the note taker, in-charge of taping the interview, if allowed. In either case, the note taker shall take down the necessary information to ensure proper documentation.

### B. Identification of Case Subjects

The research team is required to identify a locally owned business, begun by an entrepreneur or a couple. It is important that the current business owners are willing to provide the information needed by the research program. Consequently, it may be best if the selected business is owned by one of the members of the research team. Exhibit 2 illustrates the introductory letter, if required.

In addition, the selected business should be at least a second-generation business, meaning it has survived at least one leadership transition, or be at least 25 years old. These are important criteria in studying business longevity. The business should have been in existence long enough to, and must, have hurdled major turbulence before it can be considered as having survived.

Finally, the chosen case subject can be of any size and industry but must not be of a “sari-sari” type of operation.

### C. Training the Case Study Team

The research team is required to attend a training program. The training program is designed to provide the research teams with a better appreciation of the research endeavor. The overall objectives of the research program shall be relayed. For better appreciation and understanding, the particular crisis under study shall be discussed

The training program is also meant to elevate the quality of interviewing skills of the research team. It is envisioned that the training program shall be in the form of discussions and that the research team shall be required to participate in mock interviews.

Thus, the training program starts with providing information about the research objectives, the conceptual framework, the turbulence and the expected research output. The procedures for gathering data, documenting and analyzing the data

shall then be presented. Finally, the research team shall be exposed to the rudiments of interviewing.

### III. Field Procedures

#### A. Scheduling of Appointments

The research team is to contact the business owner and request for an interview schedule. Note that in interviewing, the research team must make themselves available depending upon the convenience of the business owner. Moreover, the research team must conduct themselves professionally by being at the appointed time and place at the designated schedule and being courteous at all times.

#### B. Primary Data Gathering

On the scheduled appointment, the research team must arrive with all its interview resources available. This includes a tape recorder, writing instruments, paper or notebook, and if possible a laptop.

Before the interview, the team leader or note taker shall secure permission from the business owner to tape the interview. Whether such request is approved or not, it is important that the note taker document the entire interview.

Immediately after the interview, the note taker shall transcribe the interview. The transcript shall be forwarded to the business owner who will be requested to review the same. The business owner may make the necessary corrections to the transcript. Whether there are corrections or not, the research team should request that the transcript be signed as confirmation that the interview transpired and contents of the transcript were actually communicated. The original tape, notes, and signed transcript shall be submitted together with case study report.

The research team is encouraged to interview as many representatives from the business as possible. This is intended to increase the reliability of the information generated as succeeding interviews may confirm or contradict information already gathered. Whenever a discrepancy arises, this shall be noted and included in the case documentation.

#### C. Secondary Data Gathering

While the research team is gathering primary data, some of the members must begin collecting evidence from secondary data. Sources of secondary data are industry and corporate publications, newspaper reports, published annuals, media interviews, books and other archives. Any financial data necessary for the analysis can be secured directly from the case participants or from the files of the Securities and Exchange Commission. Information to be gathered using secondary sources are listed in Exhibit 3. When such information is used, the

research team shall make the proper acknowledgements and include the source in the list of references.

#### IV. Case Study Protocol and Questions

Each research team shall be provided a copy of the interview guide (Exhibit 4). This guide is meant to put focus during the interview proper. While it is not expected that the questions shall be asked in the order it is presented, considering the varied responses of business owners, it nonetheless should be referred to constantly to bring back the interview towards generating the information required to address the research question.

#### V. Documentation

Immediately after the interview, the research team is to transcribe the tape recording and notes into a readable form. This transcript should be returned to the interviewee who will review the same and who will indicate corrections, if any. After the review, the interviewee shall sign all pages of the transcript. This transcript, together with the original cassette recordings and case notes, shall be submitted to the professor upon submission of the case study report.

#### VI. Analysis Plan

Given the need for an integrative approach to the study of business evolution, each individual business subject should be evaluated on the following variables: entrepreneurial make-up, organizational structure, nature of industry and the external environment. Particular attention should be given to strategic content and processes as these would be the reflection of the responses to turbulence. The particulars for each variable is found in Exhibit 5.

#### VII Case Study Reports

The research team shall follow a basic format when writing the case study report. This is shown in Exhibit 6. It is advisable that, while each member will contribute to the different sections, only one research member composes the final report for consistency in writing style.

For case study participants who wish that either their corporate identities or the names of the interviewees or both should remain anonymous, you must secure a formal letter indicating that it is so. This letter should be placed at the top most page of the case study report. Nonetheless, it is advised that the research team indicates the identities on the original case study report and the issue of anonymity shall be addressed as the case study is integrated into the research program. This is necessary since all information generated will have to be validated.



Exhibit 1  
Relevant Literature on Business Longevity

- Acar, W. & Winfrey, F. (1994). The resilient organization: Sustaining organizational renewal and performance. *Journal of Strategic Change*, 3, 165-173.
- Barney, J. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of Management Review*, 11(3), 656-665.
- Bourgeois, L. III (1980). Strategy and environment: A conceptual integration. *Academy of Management Review*, 5(1), 25-31.
- Bourgeois, L. III & Eisenhardt, K. (1988). Strategic decision processes in the high velocity environments: Four cases in the microcomputer industry. *Management Science*, 34(7), 816-835.
- Chakravarthy, B. (1982). Adaptation: A promising metaphor for strategic management. *Academy of Management Review*, 7(1), 35-44.
- Chakravarthy, B. (Winter, 1997). New strategy framework for coping with turbulence. *Sloan Management Review*, 69-82.
- Chrisman, J., Bauerschmidt, A. & Hofer, C. (Fall, 1998). The determinants of new venture performance: An extended model. *Entrepreneurship Theory and Practice*, 5-29.
- Collins, J. & Porras, J. (1998). *Built to Last: Successful Habits of Visionary Companies*. London: Random House Business Books.
- Covin, J. & Slevin, D. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 106, 75-87.
- D'Aveni, R. (1994). *Hypercompetition: Managing the Dynamics of Strategic Maneuvering*. New York: The Free Press.
- Gersick, C. (1991). Revolutionary change theories: A multilevel exploration of the punctuated equilibrium paradigm. *Academy of Management Review*, 16(1), 10-36.
- Greiner, L. (July-August 1972). Evolution and revolution as organizations grow. *Harvard Business Review*, 37-46.
- Hart, S. (1992). An integrative framework for strategy-making processes. *Academy of Management Review*, 17(2), 327-351.

- Kirkbride, P., Durcan, J. & Obeng, E. (1994). Change in a chaotic post-modern world. *Journal of Strategic Change*, 3, 151-163.
- Leavy, B. (1997). Strategic renewal—is disruptive revolution unavoidable? *Strategic Change*, 6, 284-298.
- Mascarenhas, B. & Aaker, D. (1989). Strategy over the business cycle. *Strategic Management Journal*, 10, 199-210.
- Terpstra, D. & Olson, P. (Spring, 1993). Entrepreneurial start-up and growth: A classification of problems. *Entrepreneurship Theory and Practice*, 17-35.

Exhibit 2  
Sample Introductory Letter

Date

Company Owner  
Company Name  
Company Address

Dear Company Owner,

This is to introduce (name of students), students of (course subject) at De La Salle University (DLSU). As part of their course requirements, these students have been asked to participate in the research program entitled “Evolution of Philippine Business Ventures: Response to Internal and External Turbulence.”

It is the intention of the research program, through the case study method, to identify and document answers to such questions as: What variables account for business longevity? Why is it that some businesses are able to withstand unexpected turbulence such as disruptions in the economic, political and technological environment? What coping mechanisms are available to some businesses and not to others? What can business educators do to prepare their students to face the challenges that businessmen face? What can policy makers do to cushion the impact of recession on the individual level?

This letter is directed to committed business owners who believe that their insights are worth sharing. It is in this light that we ask you to give your time, experience, and patience to these students. Your cooperation is most essential if the case studies are to generate relevant information that may eventually be used not only for business education but for public policy as well.

I wish to express gratitude for your assistance.

Sincerely yours,

(signed)  
Professor

Exhibit 3  
Information Required from Secondary Sources

I. Case History/Profile

- Verify information gathered from the interviewee.
- Some businesses have already been written about previous researchers/journalists, so secure copies of these.

II. Crisis

- Research about the particular crisis
- Research on the general impact of that crisis
- Research about the impact of that crisis to the industry of your case subject

III. Business Industry

1. Gather data about the nature of the industry.

- a. Would you consider the industry as fragmented or consolidated?
- b. How did the industry begin?
- c. How is the industry structured today?
- d. At what stage of the life cycle is the industry in?
- e. How fast is the industry growing?
- f. How easy or difficult is it to enter and exit the industry?
- g. Are there special technology or skills required to enter the industry?
- h. How would you consider the profitability potential of the industry?
- i. How large is the market potential?
- j. How risky is doing business in the industry?
- k. What would you consider as the key success factors of the industry?
- l. Has the industry diversified into value-added products/services?
- m. Are there any substitute products that threaten the industry?
- n. Has there been any technological or regulatory changes that have affected the industry?
- o. What is the rate of obsolescence?

2. Describe the nature of the competition.

- a. How did competition evolve?
- b. Who would you consider as the major players?
- c. How powerful are the major players?
- d. Would the major players each have their own distinct competency?
- e. How do the competitors fair against the key success factors of the industry?
- f. Do you think the competitors would have excess capacity?
- g. How often are marketing practices changing to keep up with competition?

3. Describe the nature of suppliers.
  - a. Describe the sources of inputs.
  - b. Are the inputs necessary for the success of the business?
  - c. Are there many suppliers of the industry's raw materials?
  - d. What is the possibility of suppliers integrating forward?
  
4. Describe the nature of buyers.
  - a. Can the buyers influence the price of your products/services?
  - b. Are there important buyers?
  - c. Do the buyers have the ability to switch from your product to your competitors and vice versa?
  - d. Do the buyers have the ability to integrate backwards?
  
5. Describe the nature of substitutes
  - a. Are there substitutes for the products of the business?
  - b. Are buyers price sensitive and therefore switch to substitutes?

Exhibit 4  
Interview Guide

A. Business History

1. Describe how the business began.
  - a. What prompted the founder to start the business?
  - b. Did the founder have previous work experience?
2. Describe how the business has grown.
  - a. Has the business grown in terms of product/services/branches?
  - b. How did these come about?
  - c. What were the products/services offered today selected?
  - d. How has the ownership structure evolved?
  - e. What were the company's milestones?
3. Describe the leadership of the organization.
  - a. How would you describe the founder? Yourself?
  - b. How would you describe your management style?

B. Strategic Process and Philosophies

1. Describe how strategies are developed and implemented.
  - a. How are goals set?
  - b. How are decisions arrived at? How long does it take for a decision to be made?
  - c. How has the decision-making process evolved?
  - d. Does the company have a well-defined strategy-making process?
  - e. What is the depth and breadth of the planning efforts?
  - f. Is the management team involved in strategy formulation?
  - g. What is the relationship among members of the management team?
  - h. How are conflicts in the business resolved?
2. Describe what you would consider as corporate philosophies
  - a. How did this come about? Is this a personal philosophy?
  - b. How has the philosophy become integrated into the business?
  - c. How has the philosophy affected how decisions are made?

### C. Turbulence Management

1. Describe the major challenges your business faced during the (Asian Financial) crisis.
  - a. What was happening to your business at that time?
  - b. What was happening with the market? Competition?
  - c. What kind of strategies was adapted to cope with the crisis?
  - d. Would you say that you successfully hurdled the crisis?
  - e. How could you have been better prepared to face the crisis?
  - f. If there was no such crisis, where do you think your business will be now?
2. Describe your organizational structure as the crisis was taking place.
  - a. What was your organizational structure like at the time of the crisis?
  - b. Was the business experiencing “personal” crisis at the same time?
  - c. Was there a change of leadership before, during, or right after the crisis?
3. Describe any other major challenges your organization had to hurdle.
  - a. What kind of crisis was this? Internal? External?
  - b. Why do you consider it a crisis?
  - c. How did the business cope with the crisis?

### D. Words of Wisdom

1. What advice would you give other entrepreneurs so they may prepare themselves for turbulence?
2. What do you think makes a business succeed in the Philippines?

Exhibit 5  
Details of Each Variable

1. The entrepreneur's skills, experiences, personality, and values, as it affects the formulation of the firm's business strategy.

**Personality** (autonomy, confidence, initiative, locus of control, need for achievement, need for affiliation, need for power, personality type, risk-taking propensity, self-reliance, tolerance for ambiguity)

**Values and Beliefs** (contribution to society, power, security, status, wealth)

**Skills** (communication, financial, interpersonal, managerial, manufacturing, marketing, organizational, personnel, technical)

**Experience and Education** (age, entrepreneurial parents, experience in founding companies, experience in high-growth organizations, experience in large firms, experience in similar position, formal education, general management experience, industry experience, pre-startup training, shared experience of founders, start-up experience)

**Behaviors and Decisions** (ability to focus on essentials, decisions-making process, flexibility, goal direction, length of work day, management style, organizing, planning, problem analysis, risk-reducing behavior)

2. The configuration of the firm's structure, processes, and systems, as it affects the formulation of the firm's business strategy.

**Corporate Governance** (leadership, crisis management, succession management, centralization/decentralization, management style)

**Corporate Ownership** (family, non-family, employees)

**Corporate Configuration** (size, structure, number of hierarchical levels culture)

**Corporate Resources** (availability of finance—debt/public offering, labor, technology, intangible assets, tangible assets)

**Corporate Efficiencies** (capacity, management of technology)

**Corporate Culture** (values, beliefs, practices, rituals, relationships)

**Products and Services** (how and why products/services selected)

**Corporate Performance** (cashflows, revenue/profit levels, rates of return, liquidity)



3. The nature of the industry as it affects the formulation of the firm's business strategy.

**Structural Characteristics** (degree of industry concentration, elasticity of demand, entry barriers, exit barriers, industry profitability, industry value added, industry failure rate, industry sector, key success factors, opportunities to create high barriers subsequent to entry, product heterogeneity, stability of demand, stage of industry evolution, size and growth rate of industry, substitute products, technological and regulatory changes)

**Industry Rivalry** (aggressiveness of competitors, competitor's commitment and dependence on industry, competitor diversity, degree competitors have established positions, degree of exposure to competitive attack, excess capacity, excess cash/borrowing position, level of competition, presence of small firms with weak positions)

**Nature of Buyers and Suppliers** (concentration, heterogeneity, importance to success, number, relative size)

4. The Philippine business environment, including the effect of the global environment, on the formulation of the firm's business strategy.

**Global Environment** (opening of economies, GATT)

**Political Environment** (political leadership, policies on state intervention, government attitude towards industry, regulation/deregulation)

**Economic Environment** (volatility in exchange rate, interest rates, unemployment rate)

**Technological Environment** (technological infrastructure)

**Socio-Demographic Environment** (consumer tastes/preferences, values, demography, attitudes)

5. Strategic content and process. Strategic options available to business owners as response to turbulence as well as the processes adopted to arrive at these strategies.

**Planning and Strategy Formulation** (breadth of planning efforts, depth of planning efforts, formality of strategic planning, frequency of planning, functional area planning, consideration of multiple alternatives, quality of strategic planning, rational and rapid decision making)

**Goals and Objectives** (ambitiousness of goals, targeted market share, targeted profitability)

**Scope** (Breadth of products/services offered, breadth of customer groups served, breadth of customer functions satisfied, breadth of technologies utilized)

**Directional Strategies** (status quo, market concentration, market penetration, product development, product proliferation, horizontal diversification, vertical diversification, horizontal integration, vertical integration, harvest, retrench, restructure)

**Generic Business Strategies** (cost leadership, differentiation, focus)

**Investment Strategies**

**Political Strategies** (alliance with competitors, alliance with customers, alliance with government, alliance with suppliers, alliance with other stakeholders)

**Strategic Processes** (command, symbolic, rational, transactive, generative)

Exhibit 6  
Case Writing Format

Acknowledgements

Table of Contents

I. Case History

- Describe how the business came to be. Specify founding date, founders, ethnic origin
- Describe the ownership structure.
- Describe highlights/milestones of the business.

II. Business Organization (use tables 1 & 2, Exhibit 5 as guide)

- Describe the nature of the business
- Describe the business vision/mission.
- Describe how the organization is set up. Specify number of employees.
- Describe how business decisions are made.
- Describe the business leaders and their management styles. Which generation is currently managing the business?

III. Current Performance (use table 5, Exhibit 5 as guide)

- Describe the performance of the business in the past year/s in terms of return on investment, market share and profitability.
- Describe the distinct competencies of the business.
- Describe current business strategies adapted by the organization.

IV. Industry Structure (use table 3, Exhibit 5 as guide)

- Describe the nature of the industry
- Describe the nature of the competition
- Describe the nature of the suppliers
- Describe the nature of the buyers
- Describe the nature of the substitutes

V. Turbulence Management (use table 4, Exhibit 5 as guide)

- Describe the nature of the crisis
- Describe the response of the business to the crisis

## VI. Case Analysis

- Analyze what was happening to the entrepreneur at the time of the crisis
- Analyze what was happening to the business organization at the time of the crisis
- Analyze what was happening to the competition at the time of the crisis
- Analyze how the response to the crisis was affected, or affected, the entrepreneurial and organizational variables.
- Was there a prevalent theme/philosophy that appeared to guide how the strategy was formulated and implemented?

## VII Conclusion

- What conclusions can you draw from the case study?

## References

## Attachments

- Case Notes
- Cassette Recording
- Signed Transcript
- Secondary Documentation