1 INTRODUCTION

The study aims to analyze different stages of growth followed by the small business firms, here after referred as (SBFs) engaged in manufacturing and export of metal ware (originally brass only but gradually others also) products at Moradabad (UP). Most of these small business firms demonstrate typical small firm characteristics such as flexible operating model with few people, lack of formal hierarchy, owner run and short term orientation (Majumdar, 2008). Small firms are quite different from large firms in terms of capital structure decisions (Berger and Udell, 1998), resources, management characteristics, choice of strategic possibilities (Dandridge 1979; Robinson and Pearce, 1984). Over the years, this subject has been researched from various theoretical perspectives and the researchers have suggested numerous stage models of firm growth. Usually, these studies describe the conceptual progression of firm through stages of emergence, growth, maturity and decline. However, the number of stages varies significantly across researchers (O’Farrell and Hitchens, 1988). In their study on stage models, Levi and Lichtenstein (2008) have found that there are examples of models with up to eleven stages, although such cases are not common and most prevalent models still exhibit three to five stages of development. Additionally, though the usage and the meaning of the term “growth stages” differs across research work of different authors, the phases and milestones through which each firm passes remain more or less the same. There are two main set of thoughts among researchers on this topic. While some suggest that the growth stages followed by the firm are linear or predictable (Churchill and Lewis, 1983; Adizes 1979; Hanks et al. 1993; Kimberly 1979; Greiner 1972), others advocate growth is opportunistic or unpredictable (Levie and Hay 1998; Rutherford et al. 2003; Phelps et al. 2007; Stubbart and Smalley, 1999; Aislabie 1992). The firm’s competitiveness continuously increases from the emergence to maturity stage. However, unless the firm upgrades itself, its competitiveness deteriorates progressively, eventually resulting in decline.

The stage model theory has been criticized by various authors who have suggested to seize the use of this theory for future research (Phelps et al., 2007; Levi and Lichtenstein, 2010). However, the model still serves as the basis of research for numerous studies conducted in various countries or sector specific research across the globe. In many recent studies, it has been argued that firms do evolve in phases. In many recent studies on stage models conducted by (Coad and
Holzl, 2010; Rialp-Criado et al., 2010; Khan, 2012; Lipi, 2013; Shah.S et al., 2013; Aghion.P. et al.2013; Campos et al., 2014; Gabrielsson and Gabrielsson, 2013), researchers have argued that firms do evolve in phases. Rialp-Criado et al. (2010) have proposed the configuration-holistic approach to development. As per them, firms are born-global and this happens through unique phases of venture creation, pre-internationalization and post-internationalization. Lipi (2013) has done an empirical study of the approach and application of growth and firm life cycle stages model in Albanian firms. In a different context Campos et al. (2013) talked about strategic decision making during different stages of organisational life cycle. Finally, in their paper on growth of international business firms Gabrielsson and Gabrielsson (2013) have proposed a dynamic model for international new ventures (INVs), which explains the different phases through which INVs in high technology business progress as they grow/mature. Considering that the stage model continues to be referred and studied in such diverse contexts, it may not be practically possible to completely side line these models. In light of the criticisms of lifecycle models, more empirical research should be carried out to develop appropriate theories of growth taking in to account holistic approach to study the growth and survival of the firms.

1.1 Firm Growth

Growth has been considered as the key measure of a firm’s success (Phillips and Kirchhoff, 1989; Roper, 1999; Bergstrom, 2000). Growth directly benefits the business owners in the form of return on their investments. Growth typically signifies high performance and therefore the firm owners gain monetary returns from it. Financial gains aside, growth also improves chances of survival for the firm to a great extent (Taylor and Cosenza, 1997; Davidsson and Delmar, 1997). It enables the company to add value and in turn strengthens the firm (Phillips and Kirchhoff, 1989; Khan, 2012). Growth oriented firms also contribute significantly to economic development of our nation. In case of SBFs, the most cited benefit of business growth is the positive impact on employment. Quite a large number of studies across the globe have acknowledged the critical role that small business firms have played in job creation (Smallbone and Wyer, 2000). In order to understand growth of SBFs, it is essential to first study the definition of growth, management of growth transitions and the patterns followed by the SBFs.
The concept of growth differs across firms. It can be defined in terms of quantitative measures such as income generation, business expansion, value addition or qualitative features like market position, product quality and customer goodwill (Kruger, 2004). Therefore, clear understanding of a firm’s growth depends on our understanding of definition of firm itself and its offering to market, quantum of growth, assets and legal configuration.

Most widely used theoretical framework to study firm growth has been the life cycle analysis. Marshal (1895) first used the life cycle analogy and linked it to growth of the firms (Levie and Lichtenstein, 2010). Models based on life cycle analysis are based on assumptions that a firm’s growth is considered as organic and firms are assumed to grow linearly over time. However, many researches have suggested that it may not be the case with every firm (Levie and Lichtenstein, 2010; Bridge et al. 2003; Aislabie 1992, Rutherford et al. 2003; Levie and Hay 998). Most firms don’t follow the linear path because it is not possible for them to move through each stage. The order in which firms grow, stagnate and decline will differ across firms, in some cases firms may go through these more than once while in some there may be reversal of steps.

1.1.1 Growth Perspectives

According to Davidsson and Wiklund (2006), firm growth can be studied from four theoretical perspectives – resources, motivation, strategic adaptation and configuration. The first three perspectives are based on the studies of factors of the firm where as the last one i.e. configuration perspective is based on process related studies.

Originating from the economic theory (Penrose, 1959), the resource-based perspective considers a single firm and its business activities as the unit of analysis. It focuses on the usage of firm’s resources such as financial capital, educated staff, skills and reputation which are the source of competitive advantage, which are difficult to imitate and substitute (Grant, 1991; Peteraf, 1993; Collis and Montgomery, 1995; Mahoney and Pandian, 1992; Barney, 1991; Prahalad and Hamel, 1990 and 1994; Stalk et al., 1992, Amit and shoemaker, 1993; Porter, 1991). This perspective informs about abundance of opportunities in the market. However, in order to exploit these opportunities, resources need to be reconfigured during the transitions between stages and management of these transition is extremely critical for a business to achieve growth (Gupta et al.,
In the case of SBFs, real competitive advantage evolves from availability of labour resources at cheaper price which is often a strong factor in them choosing their operating location (such as Moradabad in the case of SBF under study).

Strategic adaptation perspective focuses on the governance structure as unit of analysis. Power distribution, structural complexity and control mechanism are studied under the strategic adaptation perspective. Hence it is not meant for single unit of analysis or a firm. As per (Low and Macmillan, 1988), this perspective suggests that for entrepreneurial success it is very crucial that the entrepreneur does opportunity identification, develop strategies, assemble resources and take correct and timely decisions.

Motivational perspective is focused on psychological aspects of individuals and their actions (Bhidé, 1999; Venkataraman, 1997; Davidsson, Delmar, and Wiklund, 2002; Delmar and Wiklund, 2008). Under this perspective the relationship between an individual (unit of analysis) and firm is taken into account. Hence the focus of the study is individual’s motivation and its effect on the firm growth.

In contrast to the first three perspectives, the configuration perspective deals with growth process (Davidsson and Wiklund, 2006). It focuses on managerial problems which appear during the typical stages (presumed) of firm development. It deals with questions such as what processes are followed by the firms during its growth stages, what kind of challenges are faced and how the management reconfigures its practices, operating procedures and organization structure to overcome these challenges. Product life cycle theory (Day, 1981) can also be considered as a variation of configuration perspective considering the product development/ manufacturing nature of the SBFs in Moradabad. In line with market dynamics and changing customer demands, the SBFs have to manage the lifecycle of their product lines constantly and this leads to reconfiguration of firm’s resources. However, in this perspective, the focus is mostly on the activities adopted by decision making / governing bodies (Steffens, Davidsson, and Fitzsimmons, 2009) as the unit of analysis as the policies adopted by these bodies impact the extent of reconfiguration.
1.2 Focus of the Study

The focus of this study is applicability of the stage model to assess the growth of small business firms in Moradabad district of Uttar Pradesh in India. The study is based on data collected from the sample firms and their owners in Moradabad. Case study method of social science is used to get a holistic and in-depth understanding of the growth of these firms under study. The stage model of growth has been employed for this study as there is apparent lack of research administered on the metal art ware sector of Indian handicraft industry. The purpose of the thesis is not to explain the existing growth models, but to determine what are the growth stages followed by these SBFs, their growth path and influence of environmental factors (internal and external) on their growth. Firms selected for the study are from the industry engaged in manufacturing and export of giftware and art ware made of brass, iron, copper, aluminium and stainless steel, wood glass and wax etc. This study’s research contribution lies in exploring the growth stages of these firms at Moradabad (UP). It will seek to determine how growth is perceived by the entrepreneurs, what are the growth stages followed by these firms and how a particular firm reaches a particular stage i.e. what path they follow to reach a stage as described by different researchers. It will also make an attempt to explore the influence of environmental factors (internal and external) on the firm and its growth. The study endeavours to explore if the firms really follow definite stages of growth as emphasized by most researchers or there is heterogeneity in the stages of the growth (firms following alternative growth patterns such as jumps and skipping stages) depending on the business environment, especially in Indian context.

1.3 Background of the study

According to (Annual Report SME, 2011-12)\(^1\), the current global handicraft market is valued at more than US $ 100 billion. India is one of the biggest suppliers of handicrafts to global markets. Though India’s share is less than two percent of the global market, it is known for quality of craftsmanship. Indian producers have specialized in handmade products. Admired for the special workmanship, finesse, colour, exclusive design and raw material, Indian products have greater global acceptance in comparison to its competitors from China, Thailand, Taiwan, Korea

\(^1\) [http://www.msme.nic.in](http://www.msme.nic.in)
and Philippines (Planning Commission Report, 2014). A broad range of products such as utility goods, clothing and variety of life style items are produced here.

About one million people are employed in the handicraft export segment of India. Over the years there has been a constant rise of small business firms entering into handicraft exports. (Annual Report SME, 2011-12). Indian handicraft sector is a major source of trade in India and contributes significantly in earning foreign revenue, specially the state of Uttar Pradesh (UP). According to National council of applied economic research (NCAER Report, 1999), 29% of the Indian artisans are in the State of Uttar Pradesh which accounts for about 60% of the India’s handicraft exports. Cities like Moradabad, Saharanpur, and Aligarh are the prominent handicraft centres in U.P. India.

Moradabad is the biggest export hub of metal ware products in Uttar Pradesh. Roy (1999) mentions that Moradabad’s brassware business is unique in its own sense and one can find a perfect example of the integration of home market and the creation of export market in this city. Moradabad is the oldest brassware cluster in India and is also called 'Peetal Nagri', meaning Brass City. This cluster has an annual turnover of Rs 3,500 crore, majority of which is exports (approx. Rs 2,700 crore) – close to 20% of the total handicraft exports from India\(^2\). The factors which distinguish Moradabad brass sector from other prominent brass ware sectors in India, like Jaipur and Bidar are the range of products, impetus given to standardization, durability and innovation to adjust with rising raw material cost. Moradabad handicrafts are also known for its superior lacquering and cost effective mass production methods. Moradabad handicraft sector enjoys certain unique advantages such as availability of skilled local labour and special binding quality of sand in river Ramganga, which is used for casting of handicraft products. Bhattacharya (1930) has pointed out that the demand of Lucknow brass wares had declined due to the rise in demand of Moradabad brass ware products. Moradabad was chosen for the study for its long lineage in hand crafted products. According to Sekar (2007), almost 90% of the goods in Moradabad are exported. Around 80% of the total brass ware products and 33% of the total handicraft items in India are originated from this city.

\(^2\) Diagnostic Study of Moradabad art metalware cluster, prepared by IL&FS for NInC, 2008
Like most industrial town of India, Moradabad’s metal artware firms have faced their own set of challenges. With increasing globalisation, the handicraft products at Moradabad are becoming more and more commoditized and this sector is competing with different foreign countries all over the world. The artisan community at Moradabad are no longer working in isolation and is matching up to the global market trends and competition. Handicrafts of Moradabad are a part of much larger lifestyle products market which has changed with time. Originally, handicrafts in Moradabad’s business firms used to include only handicraft items, usually using simple tools but now it has expanded to incorporate handcrafted, semi handcrafted and machine made goods. The industry is strongly influenced by fashion trends, consumer purchasing power and global economic conditions. Since the industry is mostly export oriented, it is highly sensitive to the global economies and changes in the same.

In spite of so much potential and promise in the metal art ware sector of Moradabad, one can find limited studies on this sector – Bhattacharya (1930), Chaturvedi (1950), Singh (1961), Roy (1999), Garg (2012), Majumdar and Choi (2012) have covered this sector in their respective studies. Most of these studies concentrate on historical aspects, cluster dynamics, and quality and health issues. However studies on factors affecting the growth of this sector are very limited. It is of great interest to find out the growth aspects of handicraft industry of Moradabad, which has high employment potential and has a rich tradition of excellence in arts and crafts.

As mentioned above, growth of a firm has been an area of interest for different researchers, but there is dearth of research on Moradabad’s metal artware business. Considering this, the researcher sought to explore the growth stages of these business firms in Moradabad. SBFs engaged in manufacturing and export of art ware and giftware made of Brass, Iron, Copper, Aluminium and Stainless steel have been covered. This study will provide a base for future research in brassware sector by contributing empirical evidences of the growth stages followed by these SBFs, their growth path and influence of environmental factors (internal and external) on their growth.
1.4 Organization of Thesis

This chapter has been segregated into eight chapters. Chapter One introduces the background and rationale for the study. It introduces the firm growth as a topic, specifies the focus and background of the study and provides a brief overview of the area under study.

Chapter two gives a detail understanding of the growth, small business firms, growth in these firms and business environment through review of literature pertinent to this study and highlighting research gaps identified by the researcher. This chapter also outlines the key objectives of the study and proposes the conceptual framework as the theoretical foundation for this thesis.

Chapter three provides a justification for the preferred research strategy and methodological considerations. It discusses the choice of sector, selection of cases, sampling technique used, instruments, methods of data collection and other procedural details.

Chapter four gives an overview on handicraft sectors of India and describes the brassware sector of Moradabad in terms of its structure, key stakeholder, industrial demographics and members of the value chain in business of brassware exports.

Chapter five provides detailed case studies covered in this research. Starting with brief outline of the eleven cases, the chapter presents, for each firm, a detailed account of its background, operating model, business growth, current state of business and focus areas of future growth.

Chapter six presents the detailed analysis of the data collected during the study. Experiences and viewpoints shared by respondents of the study have been correlated with theoretical viewpoints of various researchers and the resultant analysis of aspects such as meaning of growth, stages of growth followed by firms and the impact of internal and external factors on growth is provided.

Chapter seven provides a detailed description of the key findings related to core objectives of the study and presents some additional insights related to firm growth enablers others than internal and external factors. Through synthesis of these findings, a model for firm growth study
has been presented in this chapter. Theoretical and practical implications of the study are also captured in this chapter.

Chapter eight culminates the thesis by providing a summarized view of the research and conclusions drawn from this research work. It also outlines the key limitations of the work and potential for future research in this area.

The thesis also contains a number of analytical tables, figures and models explaining the findings. All the literature work referred during the study has been enlisted in the form of appendix, the thesis also contains supporting data, tables, check-list etc. referred or generated during the study. In addition, some relevant details on the people, process and practices studies during the research to support understanding of the area under study.