The Role of Serendipity in Fast Growth Entrepreneurial Firms

Introduction

Growth is an important consideration in any business and more so for entrepreneurial firms. Many fast growth firms are considered entrepreneurial and pursue growth using innovative strategies (Das & He, 2006; Larson, 1992). However, there is anecdotal evidence that some firms achieve growth because of favourable circumstances such as being in the right industry at the right time. The purpose of this study is to investigate the role of serendipity, on the growth of fast growing entrepreneurial firms. Exploring this factor will potentially shed some understanding on how firms exploit new opportunities that lead to intended or unintended growth.

Growth Literature

“Growth” and its interpretation is a much-debated topic especially among researchers. Generally, a two-fold meaning is perceived of growth; “change in amount” and “process of development” (Davidsson, Achtenhagen, & Naldi, 2005; Penrose, 1995). Growth literature indicates that the main emphasis of researchers is on the amount of change rather than the process of change and necessary factors for growth (Davidsson et al., 2005). Despite growth heterogeneity and several indicators representing growth which are discussed in the literature (Delmar, Davidsson, & Gartner, 2003), the main question here is why and how firms grow (J. Brown, Earle, & Lup, 2005; Hansen & Hamilton, 2011; Traù, 1996).

To address this question, various studies have developed growth models and processes in entrepreneurial firms. For example, Storey (1994) elaborated on the role of firm, strategy and the entrepreneur. In another study, Hansen and Hamilton (2011) observed four main factors in growing firms: opportunistic approach, innovation, networks, and entrepreneur’s ambition while Garnsey and Heffernan (2005) reported that new entrepreneurial firms seldom experience substantial growth and that continuous growth is an unusual phenomenon hindered by internal and external dynamism.

The Concept of Serendipity

Although serendipity is a less popular research subject in many fields, there is a growing literature on the role of serendipity in science. The history of some scientific discoveries demonstrates the significant role of serendipity such as in the discovery of X ray by Rontgen; volume of irregular solid by Archimedes, and gravity by Isaac Newton (Friedel, 2001; Merton & Barber, 2004; Roberts, 1989; Stoskopf, 2005). Friedel (2001) has categorised three distinctive patterns of serendipity in science as characterised by their historical background which are pure instances of serendipity: a) Archimedean Serendipity (when one is looking for A and finds A); b) Columbian Serendipity (when one is looking for A and finds B); and c) Galilean Serendipity (unsought).

In entrepreneurship, serendipity’s effect, particularly on exploration and exploitation of opportunities is well-discussed in Dew’s (2009) conceptual model. Dew defines serendipity as a search leading to unintended discovery. He argues that, “entrepreneurship is a series of random collisions” (p. 735); and that although serendipity seems to occur accidentally, he suggests a domain of opportunity discovery, which consists of three conceptual building blocks that can facilitate serendipitous discovery. Briefly, serendipity revolves around the interaction of three elements: knowledge, search, and contingency. S.Brown (2005) also investigated the history of
companies like Nike, Apple, Harley Davidson, Procter and Gamble, and McDonalds and found that serendipity plays a significant role in their success.

**Methodology**

Our research aims to explore the role of serendipity in fast growth firms. We intended to synthesize existing theoretical frameworks and allow the emergence of new theoretical insights towards our main research question. Due to the nature and scope of the study, it was deemed appropriate to use qualitative methods. More specifically, we applied multiple case study and cross-cultural approaches to discover the effect of our constructs in an international and cross-cultural setting. Using semi-structured interviews, (Littunen & Niittykangas, 2010; Storey, 1996) we investigated 5 fast growth entrepreneurial firms from New Zealand and another 5 from Iran. These firms have an average growth rate of 400% and belong to various business sectors. Causal mapping is employed to further explore emerging issues arising from the interviews with key informants from the selected businesses (Ackermann & Eden, 2011; Axelrod, 1976; Narayanan & Armstrong, 2005).

**Conceptual Model**

Opportunity recognition (OR) is a much-deliberated topic in entrepreneurship. According to traditional marketing principles, new opportunities emerge from traditional marketing research (Hultman & Hills, 2011), but in entrepreneurship, the process is much more complicated than traditional marketing. Ardishvili and Cardoz (2000) have found that discovery of opportunity is not a goal-oriented search process but could happen for example through entrepreneurial networks that assist entrepreneurs to recognise opportunities (Vasilchenko & Morrish, 2011). This discussion draws an elegant interrelationship between serendipity and OR. Therefore, we suggest serendipity as a source of opportunity in which something happens through search, knowledge, experience, chance, and even just a happy event. Given this background, we propose that serendipity leads to opportunities that when explored can lead to fast growth. The conceptual model is illustrated in Figure 1 (see Appendix 1).

**Findings and Discussions**

The main contribution of this study is largely on the evidence (hence existence) of serendipity in the businesses we investigated. All participating entrepreneurs believe in some form of serendipity or another that leads to opportunities that are pursued through hard work and perseverance. There is also strong evidence that personal and business networks and close relationship with customers facilitate serendipity occurrence (See Appendix 2). The majority of the entrepreneurs did not believe in chance or luck and view chance as something like winning the lottery. However, chance or luck can trigger their enthusiasm towards business or personal goals. Thus, entrepreneurs convert unexpected events to a new opportunity by working hard, and utilizing their skills and power in the market. All three patterns of serendipity are observed in businesses but Galilean serendipity appears to be the most dominant in the day-to-day operations of our participating businesses.

Serendipity seems to occur in different patterns between two types of businesses depending on previous business experience of the founders. The first group (those with no business background before launching the current business) has experienced serendipity more than the second group (where the founder has had previous business experience). The second group is
more likely to be plan/strategy oriented perhaps due to their background and the way they exploited opportunity.

Culturally, there is a difference between how Iranian and New Zealander entrepreneurs view serendipity. Some Iranian entrepreneurs relate serendipity to “divine will”. They believe that their faith leads them to behave in “the right way” and guides their intent to serve people better (especially their customers) and this leads them to serendipity. Despite the spiritual differences which are associated with the entrepreneurs’ religious beliefs, there are a number of similarities that could be observed in both Iran and New Zealand. For example, they share similar views on the existence on serendipity, the value of perseverance and the use of strategic marketing methods to exploit discovered opportunities.

Other finding indicates that serendipity could happen at any stage of the business life cycle. Of the 10 cases, 6 businesses have experienced serendipity in the early stages of their business while others encountered serendipity in later stages. Early stage examples include TIM8’s entrepreneur who was invited to join his current business, because of his college reputation and his sport achievement and CNE4’s entrepreneur who met a friend who was looking for a new job and they decided to establish their own firm.

In terms of the interrelationship between serendipity and growth, our findings show that serendipity has an indirect rather than direct effect on fast growth firms. Serendipity serves as an enabler or facilitator of growth occurring at the start of the growth process. Thus, serendipity alone does not lead to fast growth but is an antecedent to the pursuit of growth opportunities. Causal maps show that well-executed marketing methods follow serendipitous events in order to achieve fast growth.

Among the methods used, we observed that entrepreneurial marketing (EM) is a dominant marketing strategy in fast growth firms. Most firms have focused on the premium quality of their products and services along with higher prices. Entrepreneurs believe that if they offer high quality products at a higher price, there will be non-price sensitive buyers in the market. Additionally, innovation is another important element that assists fast growth firms. In particular, innovation plays a major role in high technology industries (e.g. ICT) where entrepreneurs put a lot of effort in increasing the rate of innovation in their companies to gain a competitive advantage. There is also evidence that although entrepreneurs are risk takers, they manage the financial risk by keeping focused on their business vision.

Additionally, market intelligence is gained by keeping close to the market and looking out for subtle changes that are likely to affect their business. “Marketing by walking around” is the main entrepreneurs’ strategy to obtain market and customer information instead of traditional marketing research. Entrepreneurs spend plenty of time around the market to strengthen their relationship with their customers.

Based on the evidence presented, we conclude that serendipity does play a role in fast growth albeit as an antecedent to opportunity recognition. Previous experience, knowledge, and readiness of entrepreneurs and their firms to exploit opportunities can lead to fast growth. In these instances, the use of entrepreneurial approaches such as entrepreneurial marketing (Morris, Schindehutte, & LaForge, 2002; Morrish, 2011) are suitable strategies to achieve fast growth.
Appendix 1

Figure 1. The pathway from serendipity to growth
## Appendix 2

<table>
<thead>
<tr>
<th>Code</th>
<th>Core Business</th>
<th>Year founded</th>
<th>No. Of Employees</th>
<th>Markets</th>
<th>Growth</th>
<th>Age/gender of entrepreneur</th>
<th>Education of Entrepreneur</th>
<th>Source of serendipity</th>
<th>Source of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIR1</td>
<td>Producing different kind of tools (hand, air, power, wood working tools)</td>
<td>2001</td>
<td>72</td>
<td>Iran</td>
<td>200% in last four years</td>
<td>37-M</td>
<td>High school diploma</td>
<td>Perseverance, networks, divine will</td>
<td>Perseverance, high quality of products, market thirstiness, innovation</td>
</tr>
<tr>
<td>TIB2</td>
<td>Confectionary cream production</td>
<td>2008</td>
<td>28</td>
<td>Tehran, and 5 other cities</td>
<td>600% in 2009, 15% in 2010, 15% in 2011</td>
<td>38-M</td>
<td>Masters degree in Architecture</td>
<td>Perseverance, networks, divine will</td>
<td>High quality product, expert consultants in production and marketing, innovation</td>
</tr>
<tr>
<td>TID4</td>
<td>Review and Online shopping website (Computers and digital products)</td>
<td>2006</td>
<td>About 70</td>
<td>Iran</td>
<td>Average: 100% 2007 100% 2008 100% 2009 100% 2010 100% 2011</td>
<td>32-M</td>
<td>MBA degree</td>
<td>Perseverance, search</td>
<td>Innovation, premium services, high standard website, serendipity</td>
</tr>
<tr>
<td>TII7</td>
<td>Fresh and frozen fruit distributor to juice bars</td>
<td>2010</td>
<td>About 10</td>
<td>Tehran</td>
<td>600% in 2012</td>
<td>30-M</td>
<td>MBA degree</td>
<td>Perseverance, networks, relationship with customers</td>
<td>Perseverance, pricing strategy, serendipity</td>
</tr>
<tr>
<td>TIM8</td>
<td>Industrial paint research institution</td>
<td>2002</td>
<td>32</td>
<td>Iran, Iraq, Emirates, Georgia</td>
<td>300%-year not declared</td>
<td>38-M</td>
<td>Master degree in Polymer engineering (Paint technology)</td>
<td>Perseverance, networks and communication, unique services, market presence</td>
<td>Unique and high quality services, innovation, portfolio creation, risk taking, some serendipities</td>
</tr>
<tr>
<td>CNO1</td>
<td>Asset management consulting and outsource services</td>
<td>2004</td>
<td>10</td>
<td>New Zealand, Australia</td>
<td>227% in 2010</td>
<td>39-M</td>
<td>Mechanical engineering degree and MBA degree</td>
<td>Perseverance, networks</td>
<td>Knowledge based experience, pricing strategy (shared benefit with customers), some serendipities</td>
</tr>
<tr>
<td>CNP2</td>
<td>Full service design studio</td>
<td>2007</td>
<td>19</td>
<td>Christchurch</td>
<td>195%, in 2011, 288% in 2012</td>
<td>30-M</td>
<td>High school</td>
<td>Perseverance, market presence , visible to customers</td>
<td>Skilled based staff, innovation in services, flexibility, plan and strategy</td>
</tr>
<tr>
<td>CNK3</td>
<td>Pet food manufacturing</td>
<td>2006</td>
<td>-</td>
<td>NZ and 19 Countries</td>
<td>641% in 2010, 797% in 2011, 163% in 2012</td>
<td>M</td>
<td>-</td>
<td>Perseverance, networks, high quality of product</td>
<td>High quality products, nature of market, some serendipities</td>
</tr>
<tr>
<td>CNE4</td>
<td>Energy efficient lighting manufacturing and supplier</td>
<td>2005</td>
<td>13</td>
<td>New Zealand</td>
<td>1081% in 2010</td>
<td>38-M</td>
<td>Withdraw mechanical engineering from Polytech.</td>
<td>Perseverance, credit, growth</td>
<td>High quality products, direct marketing strategy</td>
</tr>
<tr>
<td>CNS5</td>
<td>Dairy processing</td>
<td>2007</td>
<td>130</td>
<td>Export to 40 countries</td>
<td>165% in 2011, 468% in 2010, 608% in 2009, 644% in 2008</td>
<td>43-M</td>
<td>PhD in Animal science</td>
<td>Perseverance, smart work, relationship with customers</td>
<td>Flexible and aggressive strategy, perfect discipline, learning process, some serendipities</td>
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References


