
Research Methodology

Melita Balas Rant

1 The Research Focus

This research project aimed to explore multilayer organisational behaviours of companies that successfully pursue leadership in a narrow market segment. In general, this is a subgroup of business organizations that follow a variation of differentiation strategy proposed by Porter (1980). Normally such strategy fits well in the contexts in which the target customer segment is relatively price-insensitive, the market is saturated, customers have very specific needs which are to a large-extent under-served, and the firm possesses unique resources and capabilities that are difficult to imitate, plus Intellectual Property (IP), exclusive technical expertise, talented personnel, a brand, or innovative processes (Porter 1980).

Hermann Simon (1996) undertook research on the internationalization patterns of small and mid-sized companies pursuing such differentiation strategies in a German context. He named this strategy “Focus & Depth & Internationalization” and labelled the companies “Hidden Champions (HCs)”. The name was chosen because such companies were not well known to the general public since they mainly operated in the business-to-business market, producing inconspicuous, technologically complex products. Simon attributed their strong and sustainable market leadership to factors such as stability of ownership and governance structures, commitments and loyalties of local communities, intense and successful innovations resulting in high rates of patents, employee trust and closeness to customers, and strong, passionate, family-run leadership.

In 2008–2009, Simon re-examined his HCs to check how well they were doing a decade later and, more specifically, how resistant they were to the compression of market demands and financial volatility experienced with the financial markets melt-down in 2008. He discovered that the survival rate of HCs was significantly higher than the average in their sector. Besides, demand shrinkage had not affected

M. Balas Rant (✉)

Management and Organization Department, University of Ljubljana, Ljubljana, Slovenia
e-mail: melita.balas.rant@ef.uni-lj.si

their market strength; on the contrary their market share grew on the account of bankrupt competition. If the organizational and leadership behaviour of HCs was more resistant to market instabilities, then this called for a deeper understanding of what accounts for this competitive superiority. Hence, *the primary purpose* of this study was to delve deeper into the phenomena of HCs to clarify and deepen the understanding of key factors contributing to competitive superiority indicated through consistency of revenue growth and growing market leadership strength. Special attention was given to the interpretations of core decision-makers (CEOs and/or founders) on factors that, in their minds, contributed the most to business growth and market leadership. Put differently, what core strategies do HC companies see, think and interpret as relevant and vital element to their business success? Coupling their interpretations with the original survey questionnaire developed by Simon (see below) allowed us to acquire an improved understanding of the drivers behind HC success.

In addition, *a secondary purpose* of this study was to touch upon patterns of the evolution of the HC phenomenon in an institutional context that was less stable and homogenous than that of Simon's original study. Contrary to HCs in the well-developed German context, CEE companies originated from the institutional environments characterized by only a short-history of market economy where the "rules of the game" were less clear (Boycko et al. 1995; Williamson 2000). Geographically, this research covered countries of the CEE region and beyond (Albania, Belarus, Bosnia and Herzegovina, Croatia, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Macedonia, Poland, Romania, Russian Federation, Serbia, Slovak Republic, Slovenia, Turkey, and Ukraine).

2 Choices in the Research Design

The research endeavour aimed to "be rigorous while staying relevant" (Mirvis and Lawler 2011). To prevent the loss of relevancy and increased chance of coming up with novel understandings and relevant explanations of HC phenomena, the research design was deliberately conceptualized to allow for experimentations and adaptations to surprises (Campbell 1987, 1998). The design purpose was to produce a refined map of factors that contribute to the success (or, if missing, to the failure) of HCs (Azevedo 1997, 2005).¹ Presuming and hoping that such a map

¹ Azevedo (1997, 2005) compares theories with maps. Maps are selective representations of the world, and their content and form are selected by the map used in relation to the problems they are intended to solve. For example, if a map user wants to come from place A to place B in a city, a topological map of that city would be of smaller value than a quick sketch of how to come from point A to point B. So, because the usefulness of a map can only be assessed by how well it helps solve the problems of the user, its validity is interest-related as well. Hence, the interests of the user very much affect the methods used to construct maps. Since theories serve the same function as maps, being guides to action and decision making, this analogy of theories as maps is very useful. The validity depends on the interest of the user and the map. Reliability depends on how efficiently it meets these interests. Accordingly, our goal was to produce a more detailed, higher-resolution map of understanding the factors that drive the success and failures of HCs.

would, and could, be used not only by companies that wish to enact the HC successes but also by other stakeholders interested in the HC phenomena, the research deliberately invited and co-involved the interested stakeholders (academics, employees, managers, owners, investors, educators, governments) in the research process (Flyvbjerg 2006). In the approach to knowledge generation, the research design aimed to be positivistic whenever possible, but also interpretive at points when more meaningful and appropriate. In addition, it remained flexible in using both deductive reasoning derived from Simon's framework and employing inductive case-based reasoning when dealing with surprises from the field. The choice for such flexible and loosely structured research design was justified when dealing with ambiguous contextual properties (e.g., organizational, historical, political, and evidential). Ambiguity in contextual properties calls for an evolutionary approach to the research design (Buchanan and Bryman 2007).² Acknowledging Eisenhardt and Bourgeois' (1988) view that research methods should be regularly adjusted according to circumstances in a flexible manner as initial plans become inappropriate and as fresh lines of inquiry become apparent, researchers deliberately reflected on the signals from the field whether and where they could employ Simon's research methodology and where a more exploratory approach would create more value. Regardless of that deliberate incorporation of the reflection and exploration in the research design, Simon's past experience with the HC research to a significant degree constrained this research endeavour. In particular, Simon's conceptualizations of HC characteristics served as the research window through which researchers observed CEE companies. This window paid more attention to aspects of the HC phenomena as proposed by Simon in a mature market context and hence might have blinded the research to other, equally relevant aspects of the HC success that might have been overlooked.

Following the advice of Mintzberg (1979), Yin (1984), Miles and Huberman (1984), and Eisenhardt (1989), in each case multiple methods of data collection, qualitative and quantitative methods were employed. In addition to Simon's survey questionnaire (see below), interviews, observations and archival analysis from secondary sources were adopted. The interests of multiple stakeholder groups (management, investors and academic audiences) can be incongruent; e.g., academic colleagues expect new knowledge and theoretical insight; HC managers anticipate practical recommendations; field researchers wish to know that their contributions have been interpreted and used in an appropriate manner. Hence, this research adopted process theories (Dawson 2003; Pettigrew 1985) focusing more on local causality rather than the pursuance of the universal laws. To sum up, in order to come up with a relevant and useful map for HC stakeholders, flexibility and non-predetermination of the research design was applied, the merging of positivistic and interpretive epistemology; the incorporation of deductive and inductive reasoning; the co-involvement of multiple-stakeholders in the process,

² Predetermined and inflexible methods are less appropriate (perhaps inappropriate) where organizational context is changing (Buchanan and Bryman 2007, p. 488).

and a focus on local causalities rather than universal laws were all deliberate choices of our research design.

3 The Research Questions

Aligned with the flexible research design, the research questions were from two paths, confirmatory and exploratory. The confirmatory part of the research addressed questions such as: “Did the CEE region have Simon’s HC type of companies and, if not, what could be the best approximation to Simon’s HCs? How similar and different were these when compared to Simon’s HCs?” The exploratory part of the research delved into: “How and why did these differences occur? What worked well in the specific cases and why? Was there a pattern? What important determinants of superior performance were missing and why?” In addition, the research incorporated extensive reflexivity. Hence, all researchers were continuously exposed to a series of value-related reflective questions (Flyvbjerg 2006) such as, “Where were you/we going? Was this development desirable? What, if anything, should you/we do about it to maximize research relevance and usefulness while preserving research reliability and validity?”

4 Frame of Reference

This research primarily addresses the phenomena of HCs through the eyes of the main company leader. He/she was the main decision-maker, the strategist. Most frequently in companies set up after the 1990s, this was the company founder who also stood in the shoes of CEO; in companies set up before the 1990s, this was usually the CEO and other members of the management board who, in most cases, also co-owned the major share of the companies. To reduce the subjectivity, the perspective of company strategists was supplemented with the archival data (mostly media articles and financial reports). In some countries, such as Kazakhstan, Belarus, Ukraine, and Albania among others, it was extremely difficult (or even impossible) to balance data from other sources (financial reports, media, web pages). Therefore, in a few case descriptions the interests and viewpoints of company strategists were favoured alone. However we do not consider this potentially in-balanced representation of HCs to be a problem as we were not “silent or naïve about whose interests are served and ignored in any study” (Van de Ven and Poole 2005, p. 868).

5 Entering the Field and Selecting the Cases

Overall 32 field-researchers from 18 countries³ (Albania, Belarus, Bosnia and Herzegovina, Croatia, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Macedonia, Poland, Romania, Russian Federation, Serbia, Slovak Republic,

³The list of field-researchers is included in the appendix to the book. All field researchers had training and knowledge of the organisation research methods. The majority of them came from faculties and universities that were members of CEEMAN association, a professional body for

Slovenia, Turkey and Ukraine) worked on the research project. They followed precise guidelines in each case. First, field researchers received Simon's book (2009) to inform themselves about the HC phenomena and then create a list of potential HCs in their respective countries by applying Simon's definition of HCs as the company search criteria. According to this definition, the company qualified as a HC if it was number one, two, or three in the global market, or number one in CEE region, as determined by market share.

In the process of the creation of the list of potential HCs, the field researchers carefully scanned various sources of information ranging from national and international statistical reports, economic studies; databases and networks of research and educational institutions; business rankings, articles in business magazines and other media; consultancy reports, information available through ministries, chambers of commerce, and other public bodies.

Despite this extensive search of multiple sources, Simon's search criteria proved insufficient and unsatisfactory due to four main research challenges:

- Research challenge 1: Companies, once identified, liked to stay hidden;
- Research challenge 2: Some countries did not have public reporting and so a systemic search for HCs was not possible;
- Research challenge 3: In some countries, Simon-like HCs did not exist;
- Research challenge 4: Even if researchers applied Simon's search criteria and identified the company whose leader confirmed that the company was first in the CEE in the specific market segment, the market segment might have been defined in a creative and narrow enough manner that even a small company could be positioned as first in the world or the continent.

To resolve the four research challenges in the best possible manner, the company search criteria were adjusted marginally and the following accommodation to the sample design enacted:

- Resolution of research challenge 1: Identified companies that wanted to stay hidden stay hidden; these were not included in the study. Roughly 45 % of identified companies (135 out of 300 identified companies) fell into this category.
- Resolution of research challenge 2: Any information that the researcher could get about the company was considered to be better than nothing. If the only informant was the company CEO and the researcher could not access the financial records and other information through other sources, trust was placed in their figures, for example, regarding growth of export and revenues.
- Resolution of research challenge 3: If Simon-like HCs could not be identified in a specific country,⁴ field researchers looked for the best approximation of HC types in that local context. Therefore, if the company held market leadership in a narrow product category in a local geography extending over neighbouring

teaching and accreditation of business and management schools/departments in the CEE and beyond. EQUIS would be a similar global body based in Brussels in Western Europe.

⁴This was the case in seven countries: Bulgaria, Hungary, Bosnia and Herzegovina, Macedonia, Albania, Kazakhstan, and Belarus.

countries (Balkan, CIS region, Baltic region) and exhibited a consistent growth pattern over the last 3–5 years, the company was included in the sample. Though such companies were also incorporated in the research sample, they were categorized as “potential” hidden champions.

- Resolution of research challenge 4: If the company attributed itself as a market leader in a very narrow market segment by using creative market definition, the field researcher carefully scrutinized the market segment size and its specific regularities to assess the relevance of the self-stated market leadership. If this was considered to be weak and questionable, the field researchers were entitled to exclude the company from the sample.

6 Gathering the Data and Crafting Research Instruments

There were three stages to the data gathering section of the research design:

a) Adoption of the Resolutions

Field-researchers created their country list of HCs by applying the proposed resolutions outlines above.

b) Simon’s Original Questionnaire; the Abridged Design

Field-researchers completed Simon’s diagnostic questionnaire⁵ on their target company. The concepts of HC phenomenon covered by this questionnaire were: general information about the company, nature of market leadership, growth indicators (revenues, export rates, employees), geographic markets in which the company held the strong market position, the nature of competition at these markets, nature and diversity of customers, factors driving the customers’ purchasing behaviour, characteristics of the company products (life cycles stake, technological complexity, capital intensity), aspects in which the company product was superior to products of main competitor(s), general competence of the company (e.g., leadership, patents, financial strength, reputation, history), innovation practices, IP protection, performance indicators, financing instruments, and information about the general board. Each concept was assessed through multiple items and cross-examined through multiple questions. Both closed and open questions were used and closed questions applied a 1–7 Likert scale.

Initially, Poland was used as a test case for refining questionnaire for the CEE. This test proved invaluable as the original version proved to be too long and detailed for the context of the CEE. This forced the re-design of a shorter, more precise version. Hence, in other countries the new abridged version of Simon’s questionnaire was applied. The latter covered exactly the same concepts as the original version, but used fewer indicators for each concept.⁶ The abridged questionnaire was of the same reliability as the extended one, though shorter and

⁵ The list of the HCs is included in the appendix to the book.

⁶ Only the most reliable indicators of each concept were selected.

less time-consuming. Accordingly, it carried higher chances of completion by CEOs.

c) Company Interviews

In addition to the abridged questionnaires, the field researchers conducted in-depth exploratory interviews. In most cases, these were with the company founder and CEO. Questionnaires were used to study 165 companies; 95 of their leaders were interviewed for at least 90 min. In 30 cases, more than one interview was conducted on the company site where field researchers had requested a visit to the production area, R&D departments. This was done, among other reasons, to supplement the data from the interview with the researchers' own observations. In 10 cases, other members of the board and employees were interviewed. Field researchers started each interview by describing the research purpose, exploring the interviewee's background, and asking the interviewee to recount how they explain the nature of the company's market leadership and how they developed it. Most interviewees were eager to tell their stories and needed little prompting.

During the interviewing process, the field researchers probed into the nature of company leadership. Whenever possible, they inquired into aspects of company performance that were suggested by the interviewee as critical to company success. The field researchers tried to explore these aspects of company success deeply enough to comprehend how the relevant business issues interacted. In addition, they tried to capture the novel aspects of HC behaviour that were not initially addressed by the questionnaire (Dougherty 2005). The majority of interviews were audio-taped and later transcribed by the field researchers into extensive field notes. If interviews were not allowed, field researchers made short notes during the interviews and extensive notes after the interviewing process. Field researchers requested in-house memos, reports, and promotional material, and searched for stories about the organisation that appeared in trade journals or newspapers over the period 2000–2010, which was the temporal focus for the research. All these data were gathered with a retrospective method.

At the beginning of February 2011, all field researchers convened at a joint workshop to review and compare their data and early findings on the HC phenomenon. This meeting explored the joint sharing of unique data-gathering experiences (what approaches worked well and what approaches did not work), and the collective search resolution of specific data-gathering challenges (i.e., how to detect the company, how to probe their claims on stated nature of market leadership, how to gain additional material on companies, how to deal with information not to be disclosed in public). In this way, cross-learning was maximized and a uniform approach to data gathering was maintained across the CEE.

After the workshop, the field researchers produced their first drafts of the case studies. These write-ups aimed to unpack the main elements of the business success story for each of the companies in their countries. The first drafts were cross-examined by the research project leaders (Melita Rant of IEDC Bled and Marek Dietl of the Warsaw School of Economics) in order to pinpoint any discrepancies and insufficiencies in the interpretations, as well as to advise on additional data searches. At each opportunity, the project leaders advised all field researchers to

remain committed to rigour in the data collection process with a deliberation to stay open-minded, ask the right questions, and to listen attentively to gain additional insights into the companies and their leaders.

After a further round of collecting the missing and supplementary data, field researchers re-wrote their cases to portray important “structures of meaning” as well as significant “repertoires of actions”⁷ that contributed the most to the companies’ success. While composing business success stories, the field researchers were asked to reflect on three important aspects: “Did the story articulate well the core themes of the HC phenomenon and the central dynamics among these themes? How could I best get an honest story honestly told?”⁸ How did the context-specific information, like regulatory and other institutional changes, affect the company path?” After completing the case writing stage, the field researchers circulated the final case studies write-ups to the interviewees, who re-examined and edited the writings with their own interpretations and reflections (Eisenhardt 1989). Though the case studies produced by the field researchers were infused by personal subjectivity (Dougherty 2005), the fabrication of a mass of subjective case studies allowed production of classification themes relevant to the HC phenomenon that tend to be fairly stable over these cases (Mohr 1998). The contributions to this book worked around these stable themes in the case studies.

To enable consistency of approach across the many country domains, the field-work was integrated by the project leaders, Melita Balas Rant and Marek Dietl. Their core role, besides project consistency, was to preserve the relevancy of the research. Accordingly, the coordinators frequently challenged themselves and other research colleagues with “so what” questions. Following the practice of Flyvbjerg (2006) to stay relevant in organizational science research, one needs to ensure the “fusion of horizons” on research findings by involving parties outside the research team in the research process. To achieve this fusion of horizons, an open conference on “Hidden Champions in CEE and Dynamically Changing Environments” was organized in Vienna, Austria on 17–18 November 2011 at the Austrian Federal Economic Chamber.⁹ The conference served as the meeting platform where different parties interested in the HC phenomenon were invited to exchange their views and interpretations on findings and ideas proposed by the research team. At the conference, all researchers deliberately exposed their results to positive and

⁷ Orlikowski and Yates (1994) showed how stylized conventions of communication genres make us see how organizational activities are bundled in standardized “repertoires of action”.

⁸ This important question is advised by Geertz (1988).

⁹ The event brought together over 130 participants from 31 countries—HCs and other business leaders, business thinkers in the area of economic growth, international entrepreneurship and innovation, venture capital funds and other investors, management educators, and government officials. It enabled a rich exchange of viewpoints, insights and ideas, addressing developments down the championship road and beyond, more specifically: the economic, technological, and social importance of HCs; growth and financing issues; competitiveness, cooperation and cohesion; as well as leadership and sustainability aspects. More about the event can be found on <http://www.ceeman.org/pages/en/hidden-champions.html>.



Fig. 1 Flow of the HC research activities and challenges

negative reactions from the audiences interested in the HC phenomenon. In consequence, the conference created a set of novel interpretations, perspectives, insights and meanings about the HC phenomenon. Chapters in this book present the summary of a collectively improved understanding of the CEE HCs through this multilayer research process.

The summary of the temporal unfolding of the research activities with accompanying research challenges is presented in the Fig. 1.

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Hidden Champions in CEE and Turkey

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