Identifying Success Factors for Rapid Growth in SME E-commerce

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ABSTRACT. With high unemployment rates and major companies downsizing, SME policy has started to move centre stage. The small business job-creation thesis can be traced to David Birch, who placed great emphasis on the job generation process of very rapidly growing businesses he termed Gazelles: "In fact most firms don't grow. Gazelles do. And that is only 3% of all small companies." This paper focuses on the baby gazelles of the Internet economy. It looks at critical success factors that fast growing E-commerce ventures need to take into account in the start-up phase. Based on the results of the EU project KITE, the article demonstrates links between critical success factors, and highlights the competitive advantage deriving from the application of a certain critical success factor. It will compare the critical success factors identified for high growth E-commerce ventures in the start-up phase in KITE with research into the success of high growth companies in general.

1. The KITE sample: selecting high growth E-commerce SMEs

With high unemployment rates and major companies downsizing, SME policy has started to move centre stage. The small business job-creation thesis can be traced to David Birch, who placed great emphasis on the job generation process of very rapidly growing businesses he termed Gazelles: "In fact most firms don't grow. Gazelles do. And that is only 3% of all small companies" (Hopkins, 1997). Most firms that do not die only grow in the first few years after start-up and then stabilise to provide the owner manager with an acceptable income. Most owner-managers seem satisfied with this comfort level of activity and do not actively grow their firms beyond it (Burns, 1996). In the EU there are 16 Million companies, 99% of them employ fewer than 250 people; 93% are micro-enterprises with fewer than 10 employees. The net employment effects of these European SMEs were created by ". . . only a relatively small number of more dynamic and innovative SMEs" (EIMS, 1996) or, *pace* David Birch, by the European baby gazelles.

The paper is based on research undertaken in the framework of the ESPRIT project KITE[1] which collected information about 150 SME E-commerce ventures world-wide demonstrating the range of ideas and activities that is currently unfolding in SME E-commerce. To compile data, 1000 E-commerce activities were contacted. Instead of inflating numbers by including multiple companies serving the same market, e.g. 20 Internet-based music suppliers, KITE's effort has been directed at finding innovative SMEs across a wide range of sectors, and covering micro-SMEs, medium-sized companies, electronic marketplaces and auction sites serving whole SME communities, Internet-only start-up companies, and SMEs for which E-commerce is a new market channel.

For the KITE best-practice study, the team initially selected a sub-sample of 46 Internet SMEs from the inventory. These were chosen because they were viable Internet businesses that had reported high growth and/or had been going concerns for a minimum of six to nine months. Phone interviews were conducted in August/September 1999 to establish their strategies and objectives. Twenty-seven of these ventures showed a positive attitude to growth, and were retained as best practice, 17 of which were baby

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gazelles. These 17 baby gazelles come from eight different European counties.

KITE has classified its SMEs by growth and motivation as more traditional categories such as size, market sector or business-to-business or business-to-consumer E-commerce proved to be inappropriate for E-commerce. KITE adapted a classification system originally developed by David Birch at MIT, which identified gazelles, growth-orientated companies that have achieved a minimum of 20% compound sales growth each year over the previous five years, starting from a base of at least $100,000. Gazelles are primarily medium-sized enterprises (i.e. with 100–499 employees). Looking at the KITE sample we identified the KITE "baby gazelles". A baby gazelle is a very innovative micro or small enterprise (i.e. with 5–49 employees) with the clear aim of wealth creation. These companies have the greatest potential to become a gazelle, i.e. their owners are consolidating the company and marshalling resources for growth.

Deriving from the three generic strategies of Porter (1984), the fast growing KITE companies fall into two distinct groups:

- Baby gazelles with a differentiation strategy (broad market);
- Baby gazelles with a cost focus (niche market).

Unlike much larger companies, SMEs taking up E-commerce have very little choice of strategy. All must start out in a niche market, with some means of differentiating themselves from their competition (differentiation focus). From this competitive position, they may move into a broad market based on differentiation, or, in a few cases, into a niche market where they can offer a cost advantage (cost focus). Many of the KITE baby gazelles are seeking broad markets for their differentiated products and services, by replicating their success in other geographic areas and market sectors. Others are seeking to become price leaders in very focussed markets: As SMEs, they cannot hope to become cost leaders in a broad market, however.

The 17 KITE baby gazelles comprise retail, wholesale, manufacturing business and other services companies. They range from an online auctioneer, telecom wholesale trader, software and electronics suppliers and third party secure trading service provider, to an online publisher, market researcher, online supermarket, specialist food broker, vendors of groceries, fruits, delicacies or sunglasses, as well as a digital network for intermediaries in the footwear industry. Of the 17 baby gazelles 14 were created in 1997 or later, thus they can all be considered to be at an early stage of growth although in terms of Internet time they are already legacy companies. The two oldest companies are a manufacturing company and a software house, which were created in 1979/1980. Of the 17 baby gazelles nine had or have, in the meantime, obtained external capital. Three baby gazelles have floated on the stock market and have thus certainly grown to gazelles.

KITE as a whole focused on SMEs that generate at least part of their revenues over the Internet, which represented a small share of the overall SME population in Europe in 1999. According to the European Observatory for SMEs (2000) 42% of European SMEs had currently direct access to the Internet, but only 7% used it for distribution of sales and goods. As this paper focuses on fast growing Internet ventures in the early stages of their businesses, these represent an even smaller, but as we believe a highly interesting category. Critical success factors derived from this group are of interest to growth oriented SMEs entering the Internet. The article will demonstrate links between the critical success factors, and highlight the competitive advantage deriving from the application of a certain critical success factor. It will compare the critical success factors for the start-up phase of E-commerce ventures identified in KITE with research into the success of high growth companies in general.

2. High growth companies: the current research

The following studies have looked at the factors influencing high growth SMEs. However, they have not looked specifically at SMEs engaged in E-commerce, which we took as the focus of the KITE study. The results of the research are outlined to enable a comparison with the success factors identified by the KITE project.

Analysis of the growth of SMEs has been addressed in a range of theoretical and empirical studies. Theoretical work includes models for the growth of a firm in stages, such as the models of

Greiner (1972) and Churchill and Lewis (1983). Each offers a framework for considering the development of a business in five stages. In the Greiner model each of the five stages has a particular management style (creativity, direction, delegation, etc.), faces a particular management problem and is characterised by a crisis which has to be overcome before the business can move on. In the Churchill and Lewis model the stages are differentiated by the changing importance of financial or personnel factors and business resources on one hand and the owners' personnel goals, managerial and delegative capabilities, and strategic abilities on the other. A key contribution of this model is the Success-Disengagement stage, where after reaching a level of stability, the firm's owner-manager may voluntarily choose not to pursue further growth as an objective. This article concentrates on the start-up phase.

In her analysis of success factors of SMEs in Taiwan Yeh-Yun Lin (1998) draws five major lessons: Parallel progress in activities related to structure, technology, and people is crucial for success. Successful SMEs place greater emphasis on soft issues (people) than hard issues (technology, structure). The management skills and concepts of the founders are deemed much more important than their technical skills. Employee skills are of crucial concern and can be most effectively developed in a nurturing working environment. Nevertheless the impact of business founders on organisational success remains the leading factor. A report from the London Business School identified six common factors associated with successful growth companies which partially corresponds to the list of Yeh-Yun Lin (Burns and Harrison, 1996):

1. An experienced owner-manager with a good knowledge of the market and industry;
2. Close contact with customers and a commitment to quality of product and/or service;
3. Innovation and flexibility in marketing and technology;
4. A focus on profit not sales, with good management systems controlling costs;
5. Attention to good employee relations, often backed by a bonus scheme;
6. Operating in a growing market.

As will be shown later, these factors apply to the KITE sample, although employee relations and skills have not been investigated in our survey. A KITE gazelle, however, remarked that in order to tie good employees to the company they need to hold a stake in it. As a result the venture changed itself into a joint-stock company.

Other empirical studies such as the article of Lew Perren (1999) identified four interim growth drivers that influence micro-enterprise development: owner's growth motivation, expertise in managing growth, resource access and demand. These interim growth drivers are in turn influenced by a myriad of independent factors. Other publications are more sectorally oriented, such as the article of Ralf Müller (1999) which outlines the ideal development process of a software company. Based on an empirical study with 53 software houses, the article describes market, product, co-operation and financing strategies in the different life cycle phases – idea, start, growth, maturity and revitalisation.

A study commissioned by the Dutch Ministry of Economic Affairs on high growth companies in the Netherlands surveyed almost 300 high and low growth companies. The two main conclusions were that firstly, the original founder often still plays a crucial role in the performance of high growth companies. Secondly, while there is no blueprint for growth, high growth companies manage to effectively break through the "growth barriers" that they encounter. Generally their internal business processes are better organised than in low growth companies. Thus growth appears to be primarily a matter of good entrepreneurship. (SME Policy Unit, Ministry of Economic Affairs, 1999). Also Hay concluded in its investigation why some firms grow and others don't that, "over the long term it is the internal rather than external barriers to growth that exert the decisive influence upon SMEs' rate of growth. The key internal growth constraint is managerial capacity and the unwillingness on the part of the owner-managers to incur risks associated with growth" (Hay, 1994, p. 288).

A study by the European Innovation Monitoring System (EIMS) focuses on innovative fast-growth SMEs in industrial manufacturing sectors. They represent a small but special subset of fast-growth SMEs and innovative SMEs who have succeeded in combining technological novelty with significant and sustained business expansion. The study identifies three key processes which are critical to small firm growth (EIMS, 1996):

- Generating capabilities: recognising and developing a distinctive capability with sufficient competitive advantage compared to other firms;
- Mobilising resources: securing necessary financial, human and technological resources to enable growth;
- Negotiating transitions: making effective adjustments in the company with regard to the chances in organisation, products and markets that are associated with the different phases of growth.

The EIMS study reported a reliance of all innovative fast growing companies on an innovative product even if there is a considerable diversity in the type and combination of capabilities on which the firm relies for its innovative competitiveness. Most of the companies researched avoided dependence on a small number of large customers but also stayed clear of mass markets of individual consumers. However, most of them operated internationally. The majority of companies rely on their customer closeness and specialised know-how along with the dynamic development of their tacit capabilities as the basis for maintaining their technological advantage against competitors. Accordingly internal R&D plays an important role in over 90% of the investigated cases. However, few businesses can be described as innovative in the literal sense – completely new. The majority of owners may not be entrepreneurial in the dynamic, glamorous interpretation of the word. They may be entrepreneurial in the way they use their resources to grow their businesses (Burns and Harrison, 1996).

3. Identifying the KITE critical success factors

Critical success factor (CSF) analysis is associated with the Sloan School of Management and has been used as a model for information systems development and integration. The idea of critical success factors was developed by Rockart (1979) to help executives define their information needs. They are defined as "the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organisation." KITE sought to identify the areas in which satisfactory results ensures successful E-commerce performance for SMEs, and to find, for each CSF, a set of best practices that supports it.

CSFs are applied within the context of business objectives. We expected an SME to have 1 to 3 objectives, with each objective supported by between 3 and 8 CSFs. We drew up a questionnaire in which we took a two-step approach to determining the CSFs applicable to SMEs:

- We asked SMEs about their objectives. An objective was described as a specific target that the company wanted to achieve within a particular time scale. The example given was "To gain 5% of this year's revenues from sales generated by the Web site".
- We asked SMEs to identify the set of factors critical to success in meeting these objectives. The questionnaire provided a set of nine categories of CSF, with examples. Thus the example given for the CSF, Content, was "by providing additional product information on the Web pages". This set of CSFs was based on our initial desk research into the factors relevant to the competitive performance of small businesses entering the e-commerce market.

We analysed the sets of CSFs that emerged from the research to determine a list of factors that are critical to the competitive performance of SMEs undertaking e-commerce. We have followed Rockart in looking for CSFs in key areas. Rockart identified four areas where executives should search for critical factors:

- The industry in which the firm operates. All organisations within the industry will share some CSFs (e.g. access to raw materials).
- The company itself. These CSFs depend on its competitive strategy/industry position. Large players may determine these for the others.
- Environmental factors and temporal factors (e.g. economy, country or politics). Not normally of concern but may be for a time.
- Time-dependent organisational areas. The business unit is the key area for determining CSFs.

SMEs, by virtue of their size, do not tend to be structured into business units, so we have ignored this area as a source of CSFs. Regulatory issues have affected some SMEs: for example, the costs of telecommunications infrastructure, and consumer protection legislation. However, it is beyond the scope of this study to assess how SMEs can mitigate the effects of regulation and use it to their competitive advantage. Therefore we have not identified CSFs relating to environmental or temporal factors.

As companies carrying out E-commerce have particular characteristics in common with each other, regardless of the industry sector in which they operate. This has prompted us to add a fifth area to Rockart's list: the E-commerce space itself. We have therefore related this extended list to the KITE inventory by identifying three sets of CSFs:

- CSFs relevant to all companies engaged in E-commerce;
- CSFs relevant to all companies in a particular industry sector;
- CSFs relevant to individual companies.

The three tables below list the three sets of KITE critical success factors relevant to the e-commerce space, the industry sector and the individual company. All critical success factors are defined and their competitive advantage is indicated.

The role of technology is to support the critical success factors, rather than act as a critical success factor itself (Chappell and Feindt, 2000). Certainly the technology matters, it helps to put a business strategy into effect, but it is just a means to an end. An ambitious E-commerce venture needs to decide how much technology it wants and needs to do itself and how much it wants to outsource. Few companies will want to build and manage everything themselves. All in all, E-commerce is more about strategy than about technology. Early E-commerce ventures have used their understanding of the technology's potential and the absence of any baggage to rush into markets that would previously have been closed to them. But in the future simply having a good business idea and being technologically smart is unlikely to be enough (The Economist, 26/6/99).

TABLE I
CSFs relevant to all companies involved in E-commerce

Critical success factor	Definition
1. Content	The presentation of a product or service offered over the Internet in a way that is attention-grabbing and compelling.
2. Convenience	The usability of the web site for the purpose for which it was designed: for example, to assist, buying or selling, to find information, to track a process.
3. Control	The extent to which organisations have defined processes that they can manage. For example, an SME may have an agreed process with its fulfillment company whereby it is informed when its products are delivered to customers; or an SME may have a process for responding to customer queries within a certain timeframe; or for changing and updating information on its web site.
4. Interaction	The means of relationship-building with individual customers by providing timely pre-sales information and excellent after-sales support.

TABLE II
CSFs relevant to all companies within a particular industry sector

Critical success factor	Definition
5. Community	The means of relationship-building with groups of like-minded individuals/ organisations by enabling the exchange of information and services tailored to the needs of the community.
6. Price sensitivity	The sensitivity of a product or service to price competition on the Internet.

TABLE III
CSFs relevant to individual companies

Critical success factor	Definition
7. Brand image	The ability to build up a brand name for the E-commerce business, and its products and services, using online and offline brand-building techniques.
8. Commitment	A strong motivation for using the Internet and the will to innovate.
9. Partnership	The extent to which an E-commerce venture uses partnerships to leverage Internet presence and expand its business.
10. Process improvement	The extent to which companies can change and automate business processes.
11. Integration	The provision of links between underlying IT systems in support of partnership and process improvement.

4. KITE CSFs for high-growth E-commerce ventures

The eleven critical success factors that emerged as a result of the qualitative analysis for SMEs in E-commerce were segmented into three phases to match the different phases of growth through which an SME may pass. Some will be required in the start-up phase, some will become important when growing and establishing the business, and some are important to ensure the business can support high volume E-commerce activity.

A SME with a determination to grow and create wealth has to take into account most of the critical success factors at an early stage in its development. A cost focus baby gazelle has to take into account as many as seven critical success factors right from the start, whereas a differentiation focus baby gazelle has to handle the first six critical success factors to compete effectively. The table below shows the critical success factors, which baby gazelles have to take into account in different phases of their E-business.

4.1. *CSFs in the Start-up phase*

A start-up baby gazelle with a cost focus will need to consider seven critical success factors (listed in Figure 1) in order to compete effectively. As their E-commerce business grows, the baby gazelles will need to add the critical success factors community, partnership, process improvement and integration to maintain competitive advantage. Such critical success factors are added incrementally: they are not replacements for those in earlier phases of growth. Commitment and

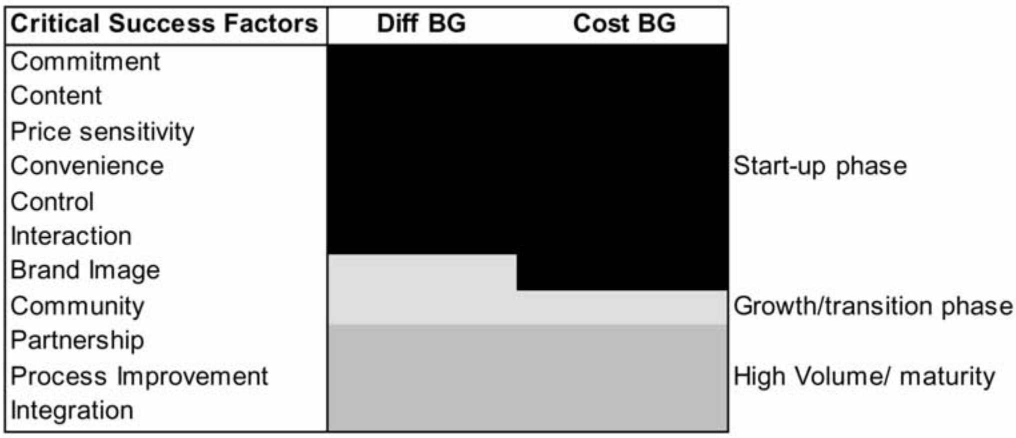

Figure 1. Critical success factor appropriate for SME category and phase of growth.

content remain just as important in a high volume business phase as at start-up, for example.

Some baby gazelles may address most or all of the critical success factors in their start-up phase, whether or not they will deliver competitive advantage at that point. The critical success factor, Integration, is an example. A baby gazelle may wish to implement a scaleable integrated systems platform capable of supporting a high volume E-commerce business from day one. However, in a start-up phase, such integration represents a cost: the baby gazelle needs a business plan that justifies its investment. By the time high volume has been achieved, however, the fact that the baby gazelle has the necessary integration in place to support it will give it a competitive advantage over others that do not.

The 14 baby gazelles that existed for a maximum period of nearly 2 years by the time we undertook the interviews, had on average implemented 5.7 CSFs out of the 7 CSFs that we recommended in the start-up phase. This high overlap of best practices of the successful companies in the KITE sample, suggested that there is a general set of best practices. All of these 14 companies provide high levels of commitment, i.e. a strong motivation for using the Internet and the will to innovate. Thirteen companies address the success factors content and brand image and ten convenience and price sensitivity. Price sensitivity has clearly been omitted by those companies who pursued either a community approach or are providing value added services. The lowest grade nine obtained the critical success factors control and interaction. Interaction includes responsiveness, pre-sales information, order fulfilment, product performance, post-sales service and support aiming at the creation of a critical mass of loyal customers. The relatively low grading of this CSF suggests that perhaps some of the KITE baby gazelles are not doing enough.

The grading of control is perhaps relatively low as these KITE baby gazelles are still in their early phase of development, and perceive this as not necessary at this stage. However, as baby gazelles are aiming from the start for high growth, they will need defined and repeatable procedures in place to cope effectively with increasing transaction volumes. Certain business processes are specific to managing an E-commerce business. Other processes are common to both real world and cyber businesses. Successful baby gazelles maintain tight control over all their business processes in order to maintain their responsiveness to customers and to outperform the competition.

4.2. *CSFs related to all companies in E-commerce*

When mapping the identified critical success factors to be taken into account in the start-up phase against the three sources of CSFs identified before – E-commerce space, industry sector and individual company – it emerges that all critical success factors relevant to the E-commerce space have to be taken into account at the very beginning of the venture. All these success factors are peculiar to E-commerce. Content and convenience relate to the virtual shop, which as the window to clients, is an important differentiation factor on the Web. The Web is anonymous and global which requires SMEs to work much harder in terms of content, convenience and interaction to differentiate themselves from competitors. In this respect KITE baby gazelles try to continually enrich content in response to requirements arising from continuous research and form partnerships to provide other content providers' content. Even Baby gazelles with a cost focus find that content is important as a way of attracting people to their sites. Here, the emphasis is on the range of products offered, the ease with which customers can retrieve information about prices and compare them with the prices of competitors, and the "fun" element of the content, such as bargains, sales, auctions.

Also, E-commerce SMEs need to ensure that their sites are set up conveniently from the start in order to capture maximum business. Convenience techniques enable visitors to fulfil their purpose on the site and encourage them to do so because the site is so convenient to use. Customers will more readily return to a site where it is easy to do what they want.

The CSF convenience is closely linked to the KITE success factor interaction. Interaction activities help to build relationships with the people, who visit and use the site, by making the SME appear highly responsive to their inquiries, orders and needs. Simple interactive activities can be highly effective: for example, responding to customer inquiries very quickly establishes “real” presence and shows interest. Interaction with customers builds their trust and loyalty, ensuring new and repeat business. Loyalty is still about earning the trust of the right kinds of customers. Contrary to the common view that the Web is populated with volatile customers, the Web is actually a very “sticky” space. For building on long-term customer relationships KITE baby gazelles follow membership strategies, offer access to additional information to registered clients, or excellent customer support. Others make the whole delivery process, including production and processing of orders, completely transparent to the client. Authorised customers have access to all business transactions within the company: orders, past purchases, repairs, and so on, which make the relationship transparent. There is a clear focus on long-term relationships with customers. In addition, national offices deal with localisation of content, which is of key importance, as public organisations tend to buy locally. Customers also prefer to contact a national organisation in case of complaint or enquiry. Successful E-commerce ventures need to comply with this success factor right from the start to build a critical mass of loyal customers.

Also, the importance of the success factor, control, is peculiar to SMEs engaging in E-commerce: as they are potentially aiming at the world market, they are likely to use external providers right from the beginning, in particular, for delivery and customer support. SMEs will not be able to carry out all the processes internally themselves – they will rely on partners to carry out certain processes. It is important that they have, right from the start, systems in place to control processes external to the company as well as internal processes, because the customer perception is that the SME is responsible for both. Control means thus reliability of partners in terms of timeliness and delivery, but also trust in, and the integrity of the partners, particularly in knowledge-based ventures. The reliability of partners that provide delivery or support services is often checked via customers’ response. Ensuring the proper functioning of these support services is an important element of a customer loyalty-building strategy.

4.3. *CFS related to individual companies or industry sectors*

The other three critical success factors, price sensitivity, brand image and commitment, are not particular to the E-commerce space, but have – as defined by KITE – a particular connotation for E-commerce. This applies in particular to price sensitivity and brand image (only for cost focus baby gazelles). Price sensitivity is a particular issue for E-commerce ventures, as customers tend to expect lower prices on the Web. Companies need to develop clear strategies either to avoid price competition or to maintain a value-for-money image. For differentiated goods/services customers could not obtain locally, such as sunglasses, high quality seafood or other delicacies, they are often happy to pay higher prices. On the other hand, customers will be attracted to the site of a cost focus baby gazelle primarily because of its pricing strategy for the goods and services offered. These companies tend to sell considerably cheaper than real world shops, consciously maintaining their value-for-money image. Cost focus baby gazelles tend to offer a mix of cost reductions on common goods and services with premiums on specialist services. The low prices on commodity items will attract customers, and the price reductions can be subsidised by the premiums on specialist services, such as personalisation.

Brand image does not matter so much to SMEs in the real world as they are integrated in their local/regional markets with personal contact with customers. On the Web, where the next shop is only a click away and the potential customer base is defined by the language addressed by the Web site, brand building activity is thus a necessity in order to become known to the larger market. Baby gazelles with a differentiation strategy may find their differentiated product/service enough in a start-up phase to recommend them to early customers. However, in order to reach a wider market that will underpin growth, they will need to promote their brand widely and energetically. Cost focus baby gazelles will also need to build a brand image at an early stage of the business in order to build a critical mass of customers quickly. Its strategy of being a low cost provider will depend on its ability to achieve high sales volumes and win market share. It will only achieve these objectives if customers know about the company, are convinced of its value proposition, and perceive it to be a better alternative to buying through other channels. This means advertising effectively to its potential customer base and associating its brand with qualities/sites/personalities that will help promote it to its target audience.

Finally, commitment is a success factor that is important for all start-up companies. Particular to the Web economy is the pace of change requiring innovation, openness and flexibility combined with a profound understanding of technology.We therefore defined commitment to mean the preparedness of a baby gazelle (under the direction of its owner) to continuously innovate and reinvent its business strategy. This requires the company to be open and flexible to new ideas, new technologies, new customer behaviour, market opportunities and partnerships, and to be able to quickly incorporate these into its business strategy. All the KITE baby gazelles demonstrated commitment to such flexibility by:

- Continuously developing new products to stay ahead of the market. Although very small, some of the baby gazelles put considerable effort into product development, even pioneering developments in their markets. As a reward these ventures tend to be extremely successful.
- Opening offices, forging partnerships or purchasing smaller/competitive ventures to aggressively conquer new markets. This strategy acknowledges that, although the Web can be accessed from anywhere, localised sites are more successful and high quality support needs to be close to the customer. Also, public organisations, which represent a considerable purchasing power, prefer to buy locally.
- Expanding their business through the extension of the offered products and services without losing focus. Existing product ranges were expanded by adding related products and services: dairy products, for example, were extended to all kinds of food, CDs to books and videos, wholesale of telecom capacity to IP capacity. In one case the business was split in two in order not to lose the simplicity of the original idea: fruit baskets, as a healthy gift would have lost its focus if extended to delicacies and liquors. Thus two, interrelated sites with distinct business cases were created. In the same way, the online auction segments content according to two business models: business-to-consumer and consumer-to-consumer.

The senior managers of baby gazelles are usually entrepreneurs who have invested considerable sums of their own money in their Internet ventures, and have worked hard to attract external investment. They have put effort into developing detailed and ambitious business plans and continually seek innovative ways of delivering against their plans. In fact, of the 17 KITE baby gazelles, nine had, or have in the meantime, obtained venture capital. One baby gazelle is a joint venture between a glass manufacturer and a small Internet design house, thus combining the know-how of two companies in a strong commitment. Another three baby gazelles have floated on the stock market and have thus certainly grown to gazelles. If strategic partners provide capital for the venture, the pressure to succeed is not as strong as if venture capitalists provide the funding. Often strategic partners are interested in new technologies or complementary products. Venture capitalists provide not only liquidity but also management expertise and the use of their contact networks, which are of high value to some businesses. In return, however, they expect ambitious goals, against which the performance is measured regularly (Müller, 1999). While most of the KITE baby gazelles which obtained external funding, secured venture capital, a few such as a fruit/delicacy retailer received funding from strategic partners. A manufacturer/distributor which was successfully in business for more than 15 years explicitly avoided venture capital and went to the stock market to raise capital.

5. A comparison of KITE critical success factors in the start-up phase with other research into high growth companies

The KITE set of critical success factors for the start-up phase of E-commerce ventures does not map one-to-one on any success factors set as outlined in the literature review. It does, however, comprise most of them directly or indirectly. The only factor that has been ignored in the KITE survey is the relation to and the qualification of the employees.

The table below maps the set of KITE SME E-commerce venture success factors that baby gazelles need to take into account in the start-up phase, against success factors identified in the literature.

The KITE success factors correspond most closely to the processes defined in the EIMS study of generating capabilities, mobilising resources and negotiating transitions. The critical process of generating capabilities, which is defined as the process of recognising and developing a distinctive capability with sufficient competitive advantage compared to other firms, comprises the KITE success factors commitment, content, price sensitivity, convenience, interaction and brand image. The combination of these factors will lead to an E-commerce venture with a strong vision, a clear target and strategy, able to build customer trust and loyalty with attractive content, pricing, convenience and customer support. The critical process of mobilising resources which entails the securing of financial, human and technical resources, corresponds to our success factor, commitment, i.e. strong motivation for using the Internet and the will to innovate. A committed owner will mobilise financial and human resources necessary to develop his venture – which did indeed happen to a different extent in all KITE baby gazelles.

As we have concentrated on the start-up phase, it is not surprising that the process 'negotiating transition' corresponds only to the KITE start-up critical success factor, control. Critical success factors that we have identified for later growth phases, such as integration and process improvement, are essential for managing the change in the state of the company. We have included the critical success factor, control, in the start-up phase of an E-commerce venture, as these fast growing ventures need to define processes to manage fulfilment through third parties or to respond to customers in a particular timeframe. Customer trust and loyalty will depend on the quality of customer support, and on-time and convenient delivery. To ensure customer convenience and interaction, the company needs to control its processes from an early stage.

The success factors defined by Perren and the London Business School overlap only with individual KITE critical success factors. The KITE critical success factor, commitment, is very broad, comprising in many cases more than one factor defined by others. For instance, it corresponds to the first three of Perren's (1999) four growth drivers: owners' growth motivation, expertise in managing growth and resource access; as well as to four of Yeh-Yun Lin's factors: the parallel progress infrastructure, technology and people, emphasis on soft issues and the importance of the business founder and his management skills. Also the success factor "experienced owner-manager" of the London School of Economics relates to this factor. KITE has combined, in a single success factor, all the issues centring on owner motivation and abilities defined in other literature. The

TABLE IV
Mapping KITE E-commerce venture success factors against SME success factors of other studies

KITE success factors	EIMS important processes	Perren's success factors	London Business School
Commitment	Generating capability Mobilising resources	Owners' growth motivation Expertise in managing growth Resource access	Experienced owner-manager
Content	Generating capability		
Price sensitivity	Generating capability		
Convenience	Generating capability		
Control	Negotiating transition		Cost control
Interaction	Generating capability		Close contact with customer
Brand Image	Generating capability		

critical success factor, commitment, is as important to E-commerce ventures as it is to real world business.

The critical success factor, control, is related to the factor "a focus on sales, with good management systems controlling costs" identified by the London Business School. Apart from financial control, the control of internal procedures and fulfilment partners to ensure customer satisfaction are understood in the KITE success factor.

The KITE critical success factor, interaction, corresponds to the factor "close contact with customers and a commitment to quality of product and/or service" identified by the London Business School. As the WWW is a very new and direct channel to the customers, fast growing E-commerce ventures will have to spend more effort in customer interaction than their real world counterparts. Whereas the real world SME is known through its physical presence and has personal contacts with its customers, the Web is anonymous and SMEs have to work much harder to differentiate themselves from competitors.

The KITE critical success factors content, convenience, price sensitivity and brand image, do not map directly to success factors identified in the literature. All four success factors are, however, an integral part of a market positioning strategy and thus of the EIMS' process of generating capabilities.

6. Conclusions

All KITE baby gazelles are innovative fast growing SMEs, innovative in terms of products, application of technology and/or the business concept they are pursuing. Some of them are pioneering their field of activities, such as market research or online trading of telecom capacity. Maturing of E-commerce ventures can happen extremely fast. One of the KITE gazelles was created in 1997 and entered the stock market in September 1999, employing more than 100 people. It has thus passed the processes defined in the EIMS study of generating capabilities, mobilising resources and negotiating transitions in a record time.

The KITE research has identified 11 critical success factors, out of which 6–7 need to be taken into account by the fast growing baby gazelles right at the start of their business. Following Rockart we have defined three sources for critical success factors for fast growing companies in E-commerce. A group of success factors applicable to all companies operating in the E-commerce space – content, convenience, interaction and control – is essential for all E-commerce ventures from the start of their business. The three other success factors for the start-up phase relate to individual companies or the industry they are operating in. Some of these factors such as commitment are equally important for all SMEs, however, as defined by KITE they have a particular connotation for E-commerce ventures. In addition, success factors, such as branding are important for high growth Internet ventures at an earlier stage than for real world companies. In fact, most baby gazelles of the KITE sample do take into account a majority of these factors.

This paper has shown that the KITE CSFs for E-commerce ventures do not map one-to-one onto any set of CSFs outlined in the literature review. It has, however, to be kept in mind that these factors were developed for real world business. Nevertheless, the KITE CSFs comprise most of them directly or indirectly. The combination of the KITE CSFs described for the start-up phase will lead to an E-commerce venture with a strong vision, a clear target and strategy, able to build customer trust and loyalty with attractive content, pricing, convenience and customer support.

Commitment is derived as one of the KITS CSFs, which comprised the owner's wealth-creating motivation and his/her capacities – a factor highlighted in all publications outlined above. Given the critical role of the entrepreneurial individual for the success of the E-commerce venture, further research into owner profile, background and motivation could provide interesting insights into the reasons for success and failure. Also it would be interesting to determine the level of technical skills or know-how required by the e-commerce entrepreneur.

Note

[1] Within the context of the G8 pilot project 'A Global Marketplace for SMEs' the project KITE set out to collect, illustrate, analyse and inform on the diversity of E-commerce that is undertaken specifically by small and medium sized

companies (SMEs). To achieve these goals an Inventory with a self-registry mechanism was set up, an analysis and a best practice guide were produced. In addition, the project supported the activities within the G8 pilot project and disseminated best practice in E-commerce.

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