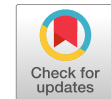


Teaching notes

Is growing easy? That is what you think! – The July Beauty and Makeup case

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Abstract

Objective: The case reports the difficulties found by entrepreneurs Isabela and Daniel in the implementation and growth of July Beleza e Makeup. The company's history, which emerged from a business plan prepared by Isabela, portrays the traditional barriers faced by entrepreneurs in business growth, such as lack of access to credit and low credibility on the part of suppliers. Although the company has enjoyed a good period of leadership in the market and high revenues, entrepreneurs are faced with new and peculiar challenges that affect the growth of the organization. The discussion of the present case seeks to promote reflections on the difficulties encountered by entrepreneurs in the process of growing a business. The data for the construction of the work were collected from an unstructured interview, carried out with the founders of the company in question. The application of the case is indicated in subjects related to the development of competence and skills for entrepreneurial training, such as entrepreneurship, strategy and business games.

Keywords: entrepreneurship, business growth, effectuation, causation.

Resumo

Objetivo: Este Caso de Ensino relata as dificuldades encontradas por Isabela e Daniel na implementação e no crescimento da July Beleza e Makeup. A história da empresa, que surgiu a partir de um plano de negócio elaborado por Isabela, retrata as tradicionais barreiras enfrentadas por empreendedores na ampliação do negócio, como a falta de acesso ao crédito e a baixa credibilidade por parte dos fornecedores. Embora a empresa tenha aproveitado, de forma satisfatória, um período de liderança no mercado, com alto faturamento, novos e peculiares desafios passaram a afetar o negócio. A discussão deste caso, portanto, tem a finalidade de promover reflexões acerca das dificuldades encontradas pelos empreendedores no processo de crescimento de um negócio. Para tanto, dados foram coletados a partir de uma entrevista não-estruturada, realizada com os fundadores da empresa em questão. A aplicação deste estudo é indicada para disciplinas relacionadas ao desenvolvimento de competências e de habilidades para a formação empreendedora, tais como empreendedorismo, estratégia e jogos empresariais.

Palavras-chave: empreendedorismo, crescimento de empresas, *effectuation*, *causation*.

TEACHING NOTES

Educational purpose

Promote reflections on the difficulties encountered by entrepreneurs in the business growth process, and hold a debate about possible strategies to overcome these obstacles and boost the business.

Source of data collection

Data for the case construction were collected from an unstructured interview with the founders of the company in question. The method choice was related to the possibility of acquiring more details of the situations experienced by entrepreneurs in the idealization and development of the business.

The interview took place in September 2019 and lasted 73 minutes. It was recorded with the permission of the interviewees and later transcribed for further case structuring – which also featured photos provided by the entrepreneurs to illustrate the situations described.

Relationships with course or discipline objectives

This case is integrated with the development of competencies and skills contemplated both by entrepreneurial training and the practice of organizational management, namely: (a) understanding the nuances of organizational management as a whole, as well as its specificities; (b) understanding what an organization is, its areas and intersections, in addition to the interfaces with the micro and macro environment; (c) dealing with the management of activities and processes in organizations; (d) analyzing the organizations' internal and external environments and their influence; (e) making decisions regarding work in organizations; and (f) relating to people in the organizational context.

Recommended use

The case can be used in technical and undergraduate courses, such as Administration, Accounting, Economics, Finance, and others, related to management and applied in subjects such as Entrepreneurship, Business Development, Business Games and Strategy, etc.

Possible organization of the class for case use

Preparation

To carry out the activity, we suggested that the teacher makes the case available at least two weeks before the discussion in the classroom. Likewise, he should recommend that students read articles that will serve as a theoretical basis for solving the case. As a bibliography, the following references are indicated:

Dobbs, M., & Hamilton, R. T. (2007). Small business growth: recent evidence and new directions. *International journal of entrepreneurial behavior & research*, 13(5), 296-322. <https://doi.org/10.1108/13552550710780885>

Fisher, G. (2012). Effectuation, causation, and bricolage: A behavioral comparison of emerging theories in entrepreneurship research. *Entrepreneurship theory and practice*, 36(5), 1019-1051. <https://doi.org/10.1111/j.1540-6520.2012.00537.x>

Machado, H. P. V. (2018). Crescimento de Empresas na Perspectiva de Pequenos Empreendedores de Base Tecnológica. *Revista de Administração Contemporânea*, 22(6), 817-840. <https://doi.org/10.1590/1982-7849rac2018170255>

Application of the case

Class theme

Small business growth.

Duration of the class

140 minutes.

Start

In the initial part of the class (20 minutes), the teacher welcomes the students and briefly presents the case, telling the narrative covered.

Classroom organization

The class should be divided into groups of three to five members to carry out the activity, which will have a total duration of one hour. The teacher will then communicate to the groups that they will receive questions about the case, to be answered in writing and discussed in class.

Questions for discussion of the case

The following questions are suggested for the discussion of the case based on the proposed literature:

- (a) In the process of origin and growth of July Beauty and Makeup, which aspects can be identified as a causation and effectuation approach? Which approach is predominant? Illustrate your answer by indicating clippings from the case.
- (b) What are the main difficulties encountered in the growth of July Beauty and Makeup? What is the attitude of entrepreneurs towards them? What different actions would you take in this situation?
- (c) What should entrepreneurs do concerning the stores in Crato and Barbalha? How do decisions about these stores affect the company's growth?

Discussion of the case

When the time for solving the case is over, the students should position the chairs in a circle to debate the answered questions. At this point, the teacher's role is to encourage discussion and participation by students, who should have the answers to the questions at hand. It is suggested that each question be discussed for about 12 minutes. The estimated time for this step is 40 minutes.

Closing

In this last stage, the teacher must resume the discussion and make comments, making a "picture" of the class, highlighting the main points and their association with the theory studied. Likewise, we suggested that the teacher request feedback from students about the activity performed (the estimated time for this phase is 20 minutes).

Evaluation

Upon choosing to use the case as an evaluation process, the teacher is recommended to establish scores, individually or in groups, considering criteria such as (a) written submission of the proposed questions; (b) participation in case discussions; (c) relevance and association of responses and arguments with the theory studied; (d) consistency of responses with the reality of the case; and (e) quality of arguments and responses presented.

Case analysis and theoretical discussion

The July Beauty and Makeup case shows the difficulties encountered by Brazilian entrepreneurs in the conception and growth of their businesses. Initially, it is interesting to observe how the business was conceived and implemented: the preparation of a business plan and the use of planning and control tools by the entrepreneur, as well as her conservative profile, denote that, at the origin of the business, causal aspects are predominant.

Sarasvathy (2001) conceptualizes the causation and effectuation approaches as two distinct ways of directing the processes of an organization: in the first one (causation), the effect is specific, as determined and based on available information, with a selection between the means to create the desired results; and, in the second (effectuation), a set of means is determined, focusing on the selection among the possible effects that such a set can create.

Sarasvathy (2001) emphasizes that the processes of causation and effectuation are not mutually exclusive and can happen in an integrated manner in the business in different contexts. Thus, although Isabela's entrepreneurial profile in the business formation highlights aspects of the causation approach, the characteristics of Daniel, her husband, faced with the risks and opportunities presented throughout history, evidence the presence of the effectual approach.

Developed by Fisher (2012), Tabela 1 highlights the differences in behavior between the causation and effectuation approaches.

After highlighting the two forms of entrepreneurial approach, the discussion focuses on business growth. Although this theme has been explored to a limited extent in the entrepreneurship literature, several studies denote important findings that help to understand the process of small business growth.

In a given period, for example, changes in size can be understood as a company's growth (Dobbs & Hamilton, 2007). This measurement is also varied, for example, based on the number of employees, revenue, increase in assets or company value, and internal development (Machado, 2018).

In this sense, Dobbs and Hamilton (2007) identified six theoretical approaches to the growth of small companies, which are:

- (1) stochastic - considers several factors relevant to the growth and decline of a company, such as the quality of management, the preference of the customers, government policies and a host of other forces that individually account for a small part of business growth;
- (2) descriptive - concerned with the form of internal adaptation of a small company, so that it continues to grow;
- (3) evolutionary - model indicating that the growth of a company, over a period, depends on the interaction of various internal and external forces;
- (4) resource-based - the company's growth depends on the managerial resources available, over time, to plan, manage growth and maintain the company's current activities;
- (5) learning - perspective whose critical resource is the knowledge generated by the company's managers, enabling the subsequent evolution of the business; and
- (6) deterministic - identifies a stable set of explanatory variables related to people, the company and the industry environment, to understand business growth rates, thus focusing on the cause of that growth, not adaptation to "accommodate" growth.

In the case of *Jully Beauty and Makeup*, the company's growth can be better explored from the resource-based approach – a perspective listed by Dobbs and Hamilton (2007). The restrictions on financial resources for the company's development are circumvented by the entrepreneurs' initiative to accept financial help from their parents at the beginning of the business or in the administration of their resources to provide for the opening of new stores.

Clippings of the case, such as the use of social networks (as it is a cheap form of dissemination), negotiation, and payment in cash to suppliers (to bring new brands to the store), show that entrepreneurs resorted to strategic resources, aiming objectively at the company's growth.

There are several factors capable of positively or negatively interfering with the growth of a business, such as those listed by Morrison, Breen, and Ali (2003), which highlight three dimensions:

- (1) intention – entrepreneurs' personal characteristics, values and beliefs help to drive the growth of the business, while the lack of ambition and vision, protectionism and the mature position in the life cycle are aspects that inhibit growth;
- (2) skill – educational level, knowledge of different business areas, real perception of owners and proactive learning in social and informal networks are favorable factors; unlike narrow managerial competencies, a narrow skill base, physical expansion or production limitations, and an organizational structure that results in a lack of time and resources are threatening factors; and
- (3) opportunity – market conditions, access to finance, public sector regulation and the labor market are all pro-growth factors; the weak power position in the sector, high dependence on externalities, adverse economic and financial conditions, and an insufficient approach by the local government to business development are factors inhibiting this growth.

Table 1

Behaviors underlying entrepreneurship theories

Approach	Behavior
Causation (Chandler et al., 2011; Sarasvathy, 2001) Causation processes have a specific effect, as determined, focusing on selecting among means to create that effect.	Identifies an opportunity before developing anything: gathers information about customer needs to identify gaps and analyzes technology trends.
	Identifies and evaluates long-term opportunities in the company's development; maps (writes and discusses) scenarios for its future and creates and compares financial projections for its growth.
	Calculates returns from multiple opportunities: performs net worth or probability analysis to choose between multiple alternatives.
	Develops a business plan; produces a written document and presents it to the external public.
	Organizes and implements control processes; establishes an internal reporting structure (management accounts and reports); and designs and implements a clear organizational structure.
	Collects and analyzes market size and growth information; gathers market data and interviews potential customers.
	Collects competitor information and analyzes their offerings; gathers and analyzes competitor data, and uses that data as input to key decisions.
	Expresses either a vision or objectives for the enterprise; articulates the vision or objective; holds strategic sessions in which goals are discussed.
	Develops a plan/project to create a product or services; produces plans/projects and monitors product and market development based on the produced plan/project.
	Creates a marketing plan to bring products/services to market: creates a marketing plan and implements and monitors marketing activities according to the plan.
Effectuation (Chandler et al., 2011; Sarasvathy, 2001) Effectuation is a process in which a set of means is taken, as determined, and the entrepreneur focuses on selecting among the possible effects created with that set.	Items belonging to the "effectiveness" construct are loaded on four factors.
	<i>Experimentation</i>
	Develops numerous variations of a product or service (prototypes) to arrive at a commercial offering.
	Experiments with other ways of either selling or delivering a product or service: using different distribution channels and revenue models.
	Substantially changes the product/service as the enterprise develops.
	<i>Affordable loss</i>
	Contributes only limited amounts of resources to the venture at a time: looks for cheaper ways of doing things; limits the resources committed to the business, considering what can be lost; and develops product or service, using only personal resources.
	<i>Flexibility</i>
	Responds to unexpected opportunities as they arise; quickly changes the supply/revenue model; adapts what they are doing to available resources; focuses on what is readily available when deciding on a course of action; consciously avoids and rejects courses of action that constrain flexibility and adaptability.
	<i>Pre-commitments</i>
Signs agreements with customers, suppliers, and other organizations; negotiates with other parties before having a fully developed product or service.	

Note: Adapted from Fisher (2012).

Regarding the case presented, in the “intention” dimension, the conservative position adopted by Isabela can be identified as a growth-inhibiting factor, while Daniel’s vision and ambition are treated as factors favorable to the expansion of Jully Beauty and Makeup. In the “skill” dimension, on the other hand, the two entrepreneurs’ professional experience and degree in Administration are points that favor the company’s growth. Finally, in the “opportunity” dimension, the banks’ restrictions on access to capital and the disclosure of new brands made possible by the suppliers hampered the business’s growth. On the other hand, the positioning acquired by the company in the region and the opportunity to open a store in the mall are factors that favor the organization’s growth.

Throughout the history of Jully Beauty and Makeup, access to financial resources has been the main obstacle to growth, as financing was made difficult by financial institutions, leading entrepreneurs to invest their capital for the business to grow. The lack of access to credit is one of the biggest obstacles to the growth of small businesses, especially in Brazil.

According to a study by FIESP (2017), only six banks are responsible for 81% of loans granted to micro and small companies. Among the reasons for not obtaining financing are excessive requirements for documents, lack of guarantees or the need for very high guarantees, reduction of the financing limit, and very high-interest rates. In the case reported, Isabela portrays the bureaucracy and lack of support from the banks, and when she finally gets the financing of R\$ 50 thousand (30% of what she needed for the renovation of the mall store), it is postponed due to a bank strike.

Studies show that small entrepreneurs resort to strategies to circumvent credit difficulties and boost business growth. Among them is the franchising of the company. The franchising system can be an option for growth, given the scarcity of resources – not only financial resources but also employees, management, and even information, in terms of knowledge of markets and locations of operation (Melo et al., 2014). Therefore, franchising becomes a strategy to acquire capital from third parties and reduce time and effort in identifying and entering other markets (Combs et al., 2004).

Would a franchise be a growth option for Jully Beauty and Makeup? This is an alternative to promote the company’s expansion quickly and without needing a high equity investment or bank financing dependence. However, before franchising, the company must be structured and prove profitable. The peculiar problems involving the low revenue of the store located in the city of Crato and the possible opening of a store in Barbalha must be solved before implementing any other growth strategy.

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Case study

This teaching notes is an integral part of the case study:

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Conflict of interest statement

The authors declare that there is no conflict of interest.

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Authors' statement of individual contributions

Roles	Authors contributions	
	Santos IAT	Brandão HA
Conceptualization	■	■
Methodology	■	■
Software		N/A
Validation		N/A
Formal analysis	■	
Investigation	■	
Resources	■	■
Data Curation	■	
Writing - Original Draft	■	
Writing - Review e Editing		■
Visualization	■	■
Supervision		N/A
Project administration	■	■
Funding acquisition	■	■

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