A Functional Elaboration Theory Perspective on Management Accounting in Small Firms

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We note a lack of theoretical explanations in a recent review of small-firm management accounting research and draw on recent organizational research (functional elaboration theory and theory of asymmetric effects of misfit, specifically) that may further illuminate findings in some small-firm management accounting studies. After briefly discussing how the functional elaboration process model in Wilkerson and Seers (2019) may be adapted to small-firm management accounting research, we offer recommendations for questionnaire measures of management accounting's qualitative functional elaboration and underfit in small firms. Finally, we discuss implications for practice and entrepreneurship education.

Keywords: *small-firm management accounting, functional elaboration of management accounting, underfit, overfit, qualitative functional elaboration*

INTRODUCTION

The questions of how, why, in what ways, and when small firms establish and develop various business functions (e.g., accounting, production, human resource management [HRM], marketing) have inspired research among business disciplines, especially in the past 20 years or so as the formal study of entrepreneurship became so well established. Entrepreneurial ventures and small-business management form a context and moderating boundary conditions that, as researchers in these disciplines often remind readers, are different from those encountered in venturing and managing in large firms. Management accounting research is no exception to these observations. As a discipline and business function, management accounting focuses heavily on business controls (e.g., operating budgets, performance monitoring and reporting, inventory control, pricing routines) and business costs of all kinds (Davila & Foster, 2005, 2007; Moores & Yuen, 2001; Van der Stede, 2015), and research has established that the quality of a small firm's management accounting system (MAS) is associated with better firm performance across a variety of outcomes (Davila & Foster, 2005; López & Hiebl, 2015; McChlery, Godfrey, & Meechan, 2005; Mitchell & Reid, 2000). It is also well established that small firms, especially while still in startup mode, tend to lack qualified accounting staff and formal, fully developed management accounting functions (López & Hiebl, 2015; McChlery et al., 2005; Moores & Yuen, 2001; Perren & Grant, 2000; Quinn, 2011).

López and Hiebl (2015) published a much-needed review of management accounting research in small firms. They described and summarized a number of findings and also identified avenues for future research, but in some respects lacked theoretical explanations for findings and recommendations. This does not reflect badly on López and Hiebl; instead, it reflects the state of theorizing in management accounting research up to the publication time. Particularly with regard to issues of small firms' adoption and use of management accounting systems and practices, López and Hiebl could have benefitted from drawing on organizational research and theory that have addressed other business functions in small firms.

Some management accounting researchers have tapped classic organizational contingency theory (e.g., Reid & Smith, 2000), organizational structuration and configuration concepts (e.g., Cassia, Paleari, & Redondi, 2005), and social construction concepts in the institutional theory vein (Burns & Scapens, 2000; Perren & Grant, 2000; Quinn, 2011), but such efforts are relatively rare in management accounting research. However, relying on relevant analogies from research in business disciplines other than management accounting would be consistent with, for instance, Labro's (2015) recommendation that management accounting researchers build more bridges to disciplines beyond accounting. Similarly, Van der Stede (2015) suggested management accounting researchers should not place arbitrary limits on, or have undue preference for, disciplinary lenses used in their research.

As to organizational research that may be relevant to small-firm issues noted and recommendations made in López and Hiebl (2015), we suggest functional elaboration theory (Wilkerson & Seers, 2019; Wilkerson, Seers, & Johnson, in press) and the theory of asymmetric effects of misfit (Klaas & Donaldson, 2009; Klaas, Lauridsen, & Håkonsson, 2006) could help. Our aim herein is to "connect dots" between these conceptual bases and a few elements of López and Hiebl's review. We will also briefly discuss how the process model in Wilkerson and Seers (2019) may be readily adapted to small-firm management accounting research. Then we will give a few recommendations regarding questionnaire measures of management accounting's qualitative functional elaboration process (versus state) and underfit in small firms. Finally, we will mention some implications for practice and entrepreneurship education.

THEORIES OF FUNCTIONAL ELABORATION AND ASYMMETRIC EFFECTS OF MISFIT

Functional elaboration is essentially an organizational structuration process (Giddens, 1984; Mintzberg, 1980) whereby a business function (e.g., production, marketing, accounting, HRM) is established and developed in the small firm. This process is comprised of "a series of decisions, resource allocations, task assignments, policy making, authorizations, patterned actions, related communications, and the like, often all done or at least initiated by the owner-manager" (Wilkerson & Seers, 2019, p. 163) in small firms. When functional elaboration achieves more depth (more complexity and sophistication, as well as more connection with firm performance and strategy) in, for instance, management accounting activities and processes, it is *qualitative functional elaboration* of management accounting. When functional elaboration simply establishes the rudiments—the breadth—of the business function or adds a new activity that does not advance sophistication, it is quantitative functional elaboration of the business function (Wilkerson & Seers, 2019; Wilkerson et al., in press). A small firm's management accounting function may display more or less of the *state* of functional elaboration, but the functional elaboration *process* that establishes that state is what entrepreneurs, owner-managers, and in-house accountants and bookkeepers first and foremost must do and manage.

Wilkerson and Seers (2019) posited that qualitative functional elaboration is linked to proximal business outcomes, a notion that is certainly consistent with findings that the small firm's management accounting system (MAS) is associated with better firm performance. Wilkerson and Seers held that this linkage is mediated through whatever degree of fit with various owner-manager, firm, and business environment contingencies the business function displays. They drew on the theory of asymmetric effects of misfit (Klaas & Donaldson, 2009; Klaas et al., 2006) to warn of the risk of functional underfit that small firms especially face. This theory takes issue with imprecision in classic structural contingency

theory that spoke in terms of misfit without regard to the "direction" of the misfit (i.e., underfit versus overfit). The ill effects of underfit and overfit are not symmetrical for the small firm; underfit is worse. According to the theory, overfit entails costly inefficiency but does not jeopardize firm goal attainment, whereas underfit can prove to be much costlier since it results in the small firm not meeting its goals (Klaas & Donaldson, 2009; Klaas et al., 2006; Tushman & Nadler, 1978).

Applied to management accounting, *underfit* exists when qualitative functional elaboration (e.g., actions to establish thoroughness and currency of expense budgeting) is insufficient for addressing structural factors (e.g., firm size, departmental/functional interdependencies) and environmental factors (e.g., economic inflation, governmental strictures on purchasing sources) affecting firm performance. Misfit in the other direction, *overfit*, exists when, for instance, the MAS is excessively elaborated relative to contingencies, such that inefficient redundancies and unnecessary control activities occur or aspects of the MAS lapse and stand idle (Wilkerson & Seers, 2019). Luo and Donaldson (2013) and Klaas et al. (2006) described underfit in terms of firm structuration yielding deficient information processing that cannot accommodate contingencies such as firm size, strategy, and uncertainty. We see this as particularly applicable to the question of whether qualitative functional elaboration enables management accounting that delivers the type, nature, accuracy, and speed of financial information the small firm's owners and managers need to make good business decisions and to control firm resources.

Davila and Foster (2007) essentially voiced the need for going beyond mere quantitative functional elaboration (reflected in typical intensity measures that count numbers of MAS features) to knowing more about small-firm management accounting's qualitative functional elaboration. They observed that some small-firm participants in their study's sample described their management accounting as "evolving from fairly straightforward systems to more sophisticated ones" (p. 934) and recommended future research to "examine potential variation in the quality or depth of" MAS adoption (p. 934). Although this recommendation focused more on the elaborative state than process, and the management accounting discipline did not respond much to this call for future research, it does nicely reflect the notion of the function's qualitative elaboration in small firms.

How might these concepts of the functional elaboration process, qualitative and quantitative functional elaboration, underfit, and overfit relate to research on management accounting in small firms as reviewed in López and Hiebl (2015)? For one thing, some management accounting researchers (e.g., Burns & Scapens, 2000) have observed a tendency for research to regard the form of and change in the firm's management accounting function as a rather matter-of-fact outcome versus an endogenous process of, as Wilkerson and Seers (2019) put it, "evolving from *what* to *what*, and *how*" (p. 166; italics in original). Understanding qualitative functional elaboration processes can help researchers know where management accounting's routinization begins in small (and especially growing) firms, how technological changes in the MAS are authorized, why certain accounting control rules are adopted, and so forth.

López and Hiebl (2015) noted the widely held understanding that management accounting is both structured differently and used differently in small firms versus large firms, that small-firm management accounting is markedly "less sophisticated…or not used at all" (p. 82), and that researchers often attribute this to the small firm's relatively limited resources. Certainly, resource constraints can be associated with low qualitative functional elaboration (Wilkerson et al., in press), but an additional consideration reflected in López and Hiebl's summary is that the form of any potential functional misfit may be either underfit, as would be implied by "less sophisticated," or overfit, as would be possible if portions of whatever MAS exists in the small firm are "not used at all." Underfit due to unduly low qualitative functional elaboration is not hard to imagine in the case of small firms, but as to the overfit possibility, we note that resource constraints do not relate solely to funds availability. Time and employee ability are also firm resources, so it is entirely possible for small firms' decision-makers initially to overelaborate the MAS relative to actual firm needs and contingencies (e.g., low environmental uncertainty; López & Hiebl, 2015), only later to abandon certain MAS routines due to time constraints, be slow to learn certain needed procedures or MAS software functionalities, and so on. Underfit and overfit logically require different managerial solutions (beginning with different qualitative functional elaboration efforts), so small-firm management

accounting research should address the full implications of what it means to acknowledge that the function differs in small versus large firms.

López and Hiebl (2015) identified a number of future research opportunities in small-firm management accounting. One involved how small firms adopt and adapt management accounting techniques used in large firms. Clearly, this implicates the small firm's need, relative to contingencies and imperatives the small firm faces, to avoid functional overfit in its MAS lest it incur the costs of maintaining excess capacity, excess reporting, excess controls, and excess software functionality that the theory of asymmetric effects of misfit would predict (Klaas & Donaldson, 2009; Klaas et al., 2006). Just as clearly, the answer to if and how such adjustment is made can be found in the small firm's functional elaboration efforts regarding the adopted management accounting practices. With contingencies like tight resources, venture capital sources' reporting expectations, his or her own knowledge (or lack thereof) of accounting, and the like holding sway, the owner-manager is most likely to lead these efforts with meetings, discussions, authorizations, task assignments, and decisions all aimed at clarifying how the proposed MAS aligns with the firm's needs (Wilkerson & Seers, 2019).

Another future research opportunity López and Hiebl (2015) identified was determining how firm growth and performance targets influence the "tipping point" at which the small firm must invest in and use management accounting despite resource limitations. Functional elaboration theory suggests that the opportunity costs of underfit drive the issue, and that having a bare-bones, simplistic management accounting function "becomes a problem only when resolved against contingencies that render the…function consistently deficient for supporting the small firm's performance goals and needs" (Wilkerson & Seers, 2019, p. 162). Again, excessively deep and complex management accounting results in the function's overfit relative to contingencies, and inefficiency costs attend this. On the other hand, asymmetry in misfit's effects dictates that shallow, overly simplistic management accounting can imperil the small firm's goal attainment, a potentially far costlier risk (Klaas & Donaldson, 2009; Klaas et al., 2006). Note, too, that this "tipping point" López and Hiebl wrote of may precede the small-firm owner's elaborative response by an uncomfortably wide timespan. Entrepreneurs are typically very busy people, especially during venture startup, and their attentional and time resources are stretched thin. Whereas some evidence may suggest that relatively early establishment and even functional overfit of the MAS may be more likely than for other functions in small firms (Cassia et al., 2005; Davila & Foster, 2007), the small-firm owner-manager is more likely not to notice the "tipping point" has occurred until a business goal is missed or threatened. Qualitative functional elaboration to address the underfit is more likely lagged than anticipatory in the hectic startup context (Wilkerson & Seers, 2019).

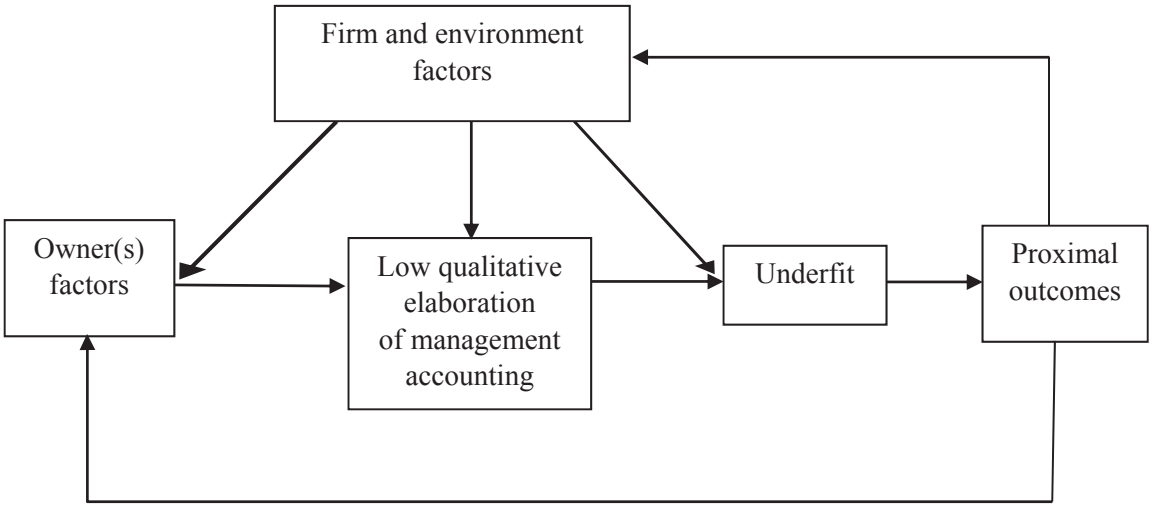
ADAPTING A USEFUL PROCESS MODEL

López and Hiebl (2015) reviewed a number of factors that affect small-firm management accounting as antecedents, moderating contingencies, or both. These factors include firm size (e.g., very small/micro up to medium-sized) and growth; resources, especially financial; environmental uncertainty and environmental factors like competition, economy, and national politics; owners (and their families, as applicable) and their abilities, knowledge, attitudes and motives; staff competency; business networks; and others. López and Hiebl categorized these factors and associated issues into five thematic clusters that emerged across articles reviewed. Four of these thematic clusters (firm size, environmental issues, sectorial/industrial issues, and organizational factors) relate to direct antecedents of functional elaboration and contextual contingencies influencing the link between functional elaboration and underfit in Wilkerson and Seers (2019). The fifth thematic cluster was "adoption of new management accounting techniques" (López & Hiebl, 2015, p. 97), a topic reflective of qualitative and quantitative functional elaboration.

Although initially articulated in terms of low functional elaboration and underfit of small-firm HRM, the process model in Wilkerson and Seers (2019) may be usefully adapted to other business functions, including management accounting as in Figure 1 (adapted from Wilkerson & Seers, 2019, p. 170). This basic model serves to organize, sequence, and highlight relationships of the thematic clusters and related

elements in López and Hiebl (2015). Extant management accounting research has addressed many of the relevant owner-manager, firm, and environment factors that would apply in this process model, as well as outcome variables such as enhanced decision making, improved quality control and resource application, and overall business performance in small firms (López & Hiebl, 2015). What extant management accounting research apparently has not coherently or sufficiently addressed are the antecedent factors' interaction, the qualitative elaboration processes affecting the MAS, and the precise nature and form of misfit such as underfit of the MAS to the small firm's contingencies and needs.

FIGURE 1
INFLUENCES ON AND OF MANAGEMENT ACCOUNTING'S LOW QUALITATIVE FUNCTIONAL ELABORATION IN SMALL FIRMS



Wilkerson and Seers (2019) and Wilkerson et al. (in press) mentioned organizational factors that, both directly and in interaction with owner-manager factors, influence qualitative functional elaboration in small firms. These organizational factors include financial resources, employee headcount growth, expanding business functions and operating locations, firm strategy and plans, business model, and the entrepreneur's family's involvement. Recognizing that the owner-manager has heavy influence on MAS implementation in the small firm (López & Hiebl, 2015; Wilkerson & Seers, 2019), relevant owner-manager factors include the founder's dominant influence in the firm, formal business education and prior exposure to the business function, reliance on external advisors such as outside public accounting services, and attitude toward the business function (Wilkerson et al., in press). As to environmental factors, Wilkerson and Seers mentioned governmental regulation, economic downturn, and untapped market opportunities. Extant management accounting research has explored virtually all of these factors, mostly as they relate to the small firm's use of management accounting (López & Hiebl, 2015). This exploration has been somewhat piecemeal, however, and not coherently unified by an overarching model. Future research should explore the relationships depicted in Figure 1, testing the moderated mediation shown and taking care to account for qualitative functional elaboration instead of having a "black box" kind of gap between antecedents and the MAS's form (including its degree of misfit, if applicable) and usage.

As to interacting effects in the process model, an example could be the interaction of the small firm's growth and the founder's attitude toward management accounting. We know that small-firm growth is associated with more elaboration of management accounting and of management control systems generally (Davila & Foster, 2007; López & Hiebl, 2015). This should be especially so for entrepreneurs who have relatively more negative attitudes toward accounting. We expect this because such an entrepreneur would tend to elaborate MAS little, if at all, when the small firm is not growing or just

starting up, but high growth would force that entrepreneur's hand toward elaborating MAS at least enough to accommodate pressures from the growth (Moores & Yuen, 2001; Reid & Smith, 2000). Entrepreneurs who have relatively more positive attitudes toward accounting should always be somewhat more likely to elaborate and to formalize their small firms' MAS; thus, their starting point at low growth or startup is likely higher and the increase to more functional elaboration under higher growth conditions is less dramatic for such entrepreneurs. This and other such interactive relationships suggested in Figure 1 bear testing so as to know the boundary conditions of management accounting's establishment, modification, relative fit, and effect on small-firm performance.

SOME BASIC MEASUREMENT ISSUES

Analogous to how researchers typically measure formalization (operationalized as counts or existence of documents and rules) by merely asking someone in the organization, researchers could measure at least perceptually how elaborated the small firm's management accounting is. Researchers doing so, however, would need to acknowledge whether they are measuring the elaborative outcome (a state of elaboration, or elaborateness) versus the formative process (i.e., elaborating). Such a cross-sectional measure may be the only thing that time and organizational access permit in most cases. A true measure of the functional elaboration process for management accounting, however, would entail tallying and classifying occurrences, and sequences of occurrences, of meetings, decisions, communications, purchases, and the like in which management accounting functions and activities are authorized, established, or modified.

Researchers most often note whether or not a firm uses a particular management accounting practice or routine when operationalizing quantitative functional elaboration (e.g., Davila, 2005; Davila & Foster, 2007). The state of quantitative elaboration of management accounting may be readily operationalized in terms of either a proportion of distinct practices in use among all entries on a check-off list (Davila, 2005) or an additive index that sums the number of existing MAS practices in use (essentially the sum of binary codes like 0 = practice not in use, 1 = practice is in use; Davila & Foster, 2007). Such functional "intensity" measures are common in other disciplines' studies, too (e.g., in small-firm HRM studies, as in Patel & Cardon, 2010).

Qualitative elaboration of management accounting, on the other hand, could be operationalized, at least indirectly, by way of scaled perception of a given MAS feature's complexity or sophistication. Relatedly, the MAS's underfit or overfit could be assessed in like manner, except that the emphasis would be on judging the qualitative elaboration as either inadequate or excessive relative to firm needs and business conditions (contingencies). Qualitative elaboration, at least with respect to complexity or detail, could also be reflected in terms of the existence of more or fewer aspects, or dimensions, within a given management accounting activity or practice.

Clearly, qualitative elaboration of a given MAS activity or practice, in making the activity deeper and more complex, makes the issue of measurement specificity more important than when management accounting activities are in "bare bones" form at their quantitatively elaborated inception in a small firm. Using a Likert response scale (1 = never, 2 = rarely/very few times, 3 = occasionally/somewhat frequently, 4 = quite often/many times, 5 = constantly) and prefacing items with "In the past year, I and/or my management team," questionnaire items that could be validated and used for a measure of qualitative functional elaboration might include these:

- Changed reporting relationships or company structure to improve the company's accounting.
- Met to discuss or to plan improvements in the company's accounting.
- Created a new position to handle some or all of the company's accounting/bookkeeping.
- Established new or additional procedures or policy to improve the company's accounting.
- Authorized spending or specific purchases (like buying Software) to improve the company's accounting/bookkeeping.
- Took action or made decisions to make the company's accounting more sophisticated.

Questionnaire items that could be validated and used for a measure of the function's underfit might include these (using Likert response scaling, 1 = strongly disagree and 5 = strongly agree, and reverse-scoring the third item):

- My company's accounting function cannot quite keep up with business demands for budgeting, cash management, payables and receivables tracking, tax reporting, financial statements, inventory valuation, knowing cost of goods/services sold, and so on.
- My company's accounting function struggles to meet our need for budgeting, cash management, payables and receivables tracking, tax reporting, financial statements, inventory valuation, knowing cost of goods/services sold, and so on.
- My company's accounting function is set up very well for challenges we face in budgeting; managing cash, receivables, and bills we owe; reporting and paying taxes of all kinds; tracking payroll; tracking inventory and cost of goods/service sold; and so on. [R]
- My company's accounting function is too under-developed to handle accounting-related pressures that are typical in our business or industry.
- Successful companies in my company's overall business situation probably have a stronger accounting function than we do.
- My company's business environment presents more accounting and bookkeeping demands than our accounting function's capacity can meet.

IMPLICATIONS FOR PRACTICE AND ENTREPRENEURSHIP EDUCATION

The foregoing conceptual material is primarily aimed at management accounting researchers exploring small-firm issues. These concepts may also inform small-firm management accounting practice and entrepreneurship education, however. For instance, consider how many entrepreneurs—nearly half by some measures—dislike accounting and bookkeeping (Kappel, 2015), sometimes regarding them as irrelevant to core venturing efforts (Aronsson, 2004) or not even understanding how management accounting can help them make good business decisions, often erroneously assuming that MAS information is useful only for external tax and bank reporting (Halabi, Barrett, & Dyt, 2010). Functional elaboration theory would suggest that the entrepreneur's negative attitude or ignorance could result in lower elaboration of needed management accounting, ultimately leading to underfit of the business function and negative impact on the business, especially if the startup turns out to be a fast-growing, scalable venture (Wilkerson & Seers, 2019; Wilkerson et al., in press). Sensitizing practitioners to the effects of their own attitudes toward accounting could help them avoid trouble as their small firms grow. They need not necessarily change their attitudes; they need to realize how their attitudes can hurt their small firms, though, and take compensatory measures (e.g., retain outside professional accounting help).

Entrepreneurs who do not take the time to elaborate management accounting can come to find that the unanswered and unasked questions, ignored resource allocations, and other inaction constituting low functional elaboration result in internal accounting that is both qualitatively weak and underfit relative to the demands on the small firm. For instance, consider small, growing service businesses using an engagement (discreet jobs, cases, and assignments) business model (e.g., home appliance repair firms, law firms, landscaping firms, firms that empty restaurants' grease traps, management consulting firms, etc.). As such small firms grow and seize opportunities to offer more services to clients, the entrepreneurs involved must develop and adjust their pricing strategies accordingly. In order to sustain growth, the small service firm must charge enough to net a profit after covering both direct and indirect costs for each commercial service engagement.

An entrepreneur may certainly be able to trace direct costs to each engagement with relative ease, depending on the services offered. Indirect costs (e.g., all manner of occupancy expenses, insurance expenses, administrative labor not tied directly to the services rendered), however, could prove difficult to allocate for a service firm that has not elaborated its accounting function (López & Hiebl, 2015). In this scenario, a qualitatively weak and underfit MAS—rendered so by insufficient thought, decision making,

resource allocation, and so forth (i.e., low qualitative elaboration; Wilkerson & Seers, 2019)—could quickly deter or halt the firm's growth. Incorrectly allocating these indirect costs could result in prices that are too low to cover all applicable costs, leaving little to no profit. Alternatively, incorrectly allocating indirect costs could result in prices that are too high, leaving room for competitors to woo away customers by offering better prices while still adequately covering their own direct and indirect costs.

Our conceptual explanation also implicates collegiate entrepreneurship education. As Wilkerson and Seers (2019) implied, entrepreneurship courses should clarify the effects of both functional underfit and functional overfit and emphasize the risk that especially resides in underfit (cf. Kuratko, 2005). Wilkerson and Seers also recommended that entrepreneurship students be educated and trained in what are essentially various soft skills (e.g., making and communicating goals, negotiating task assignments, communicating functional changes and addressing employee reactions to such changes) and general analytical skills (e.g., detecting looming or incipient underfit, making detailed plans [cf. McGee, Peterson, Mueller, & Sequeira, 2009], prioritizing, analyzing costs versus benefits) that entrepreneurs need when qualitatively elaborating management accounting or any other business function.

These educational recommendations run counter to some criticism that claims entrepreneurship cannot be taught, at least not effectively by any university (Aronsson, 2004; Klein & Bullock, 2006; Lautenschläger & Haase, 2011). Particularly when viewed through a lens of prior experience in successful serial entrepreneurship, however, it is possible to sense that the interviewee in Aronsson (2004) was much more focused on venture startup skills and knowledge than the longer-run requirements of managing a small but growing firm. When we consider that startup mode yields to scaling up in most successful ventures, it would seem that entrepreneurship education and small-business management education are very well served by incorporating notions of functional elaboration, as the functional configuration that got the business established is not the configuration that supports the small firm's later growth in employee headcount, output and associated revenue, diversification, and so forth.

We are by no means suggesting that opportunity recognition, product/service ideation and creation, selling, and other startup skills and knowledge are unimportant. To the contrary, they are crucial to entrepreneurial success and, as critics have correctly noted, most universities have not done a good job of teaching and developing entrepreneurial startup skills and competencies (Lautenschläger & Haase, 2011; Morris, Webb, Fu, & Singhal, 2013). What we are suggesting, though, is that startup ventures, if successful, become small firms that typically grow in a variety of ways that make management accounting relevant and qualitative functional elaboration knowledge useful. If college students are to be educated in ways conducive to sustainable success in their entrepreneurial ventures, then universities must learn how to teach both venture startup and small-firm management as a seamless set of knowledge and skills that enable that success.

As to management accounting knowledge specifically, we acknowledge that it is not at all the same thing as any of the 13 entrepreneurial competencies Morris et al. (2013) identified. These competencies included opportunity recognition, resilience, building and using networks, and conveying a compelling vision, among others. What we do note, however, is that management accounting knowledge and the qualitative elaboration of the function arguably can support some of the competencies Morris et al. identified. For instance, the competency of risk management/mitigation is well-served by the information the typical MAS produces. The competency involving leveraging efficiencies (what Morris et al., 2013, termed "do more with less;" p. 358) and "low-cost tactics" is also one that management accounting can readily inform. Thus, understanding management accounting and other business functions enough to elaborate them well when contingencies demand it remains important to entrepreneurs' success. As Morris et al. (2013) themselves noted, entrepreneurs establish routines and structures, allocate resources, and make a host of other decisions that we know are part and parcel of functional elaboration that is critical to establishing functional fit that enhances the small firm's performance.

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