

# When Can SMEs Diversify? A Study of Growth Stage Model Analysis

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**Abstract**—Diversification is considered as one effective tool in expanding the business. However, different finding discovered in Small and Medium Enterprises (SMEs) where diversification is not the main priority even though it will help their growth. This qualitative study utilizes growth stage model as a framework to reveal in which stage SMEs can diversify. Hence, this paper aims to reveal the suitable stage where SMEs can diversify where the sample taken from SMEs in Java Island, Indonesia.

The research discover that the opposite of Large Companies (LOs), diversification is not a powerful growth strategy for SMEs. Even though diversification is still a choice for SMEs, it cannot be done especially in the stage 1 (one) and 2 (two) of their growth. In explaining the diversification decision within SMEs, this article applies Threat, Opportunity, Weakness and Strength (TOWS) analysis to gain better understanding whether to diversify or not. Finally, this article provides proposed growth stage model to illustrate the most critical stage a business has to deal.

**Index Terms**—Entrepreneurship, growth stage model, SMEs, TOWS, diversification.

## I. INTRODUCTION

Numerous researchers conducted study about firm diversification and its advantages [1]-[4]. However, those studies focus on the benefit of diversification for large organizations. The research about the diversification strategy for SMEs is still limited. Thus, this qualitative based study will discuss about diversification in SMEs by answering the major basic question which becomes the research question of this article: When can SMEs diversify?

Diversification is well-known as an effective strategy to grow the business, increase the revenue and expand the market, gain sustainable competitive advantage and counter the competitors. In reality, LOs performs either related or unrelated diversification.

Nevertheless, for SMEs this strategy needs to be carefully considered mostly due to the lack of resources and limited asset and capital. Thus, in order to discuss about SMEs diversification, this paper focuses to SMEs growth progress called as growth stage model from literatures [5]-[9]. This study discusses each growth stage to eventually discover when the suitable time for SMEs to diversify is.

The research findings provide an advice and perspective before SMEs decide to diversify. Furthermore, the novelty of

this exploratory research is: (1) to illustrate the proposed model of growth stage theory (2) to analyze when should SMEs diversify. Finally, it will contribute to literature by reconciling and expanding the existing framework and provide a deeper understanding about SMEs diversification.

Hence, the research objectives are: (1) to discover why SMEs cannot diversify in their early age, (2) to identify in which stage SMEs can diversify and what kind of diversification suitable to their business.

## II. THEORETICAL PERSPECTIVES ON SMEs DIVERSIFICATION

This part deliberates SMEs characteristic and growth stage model from literatures to be able to point out SMEs growth and its action during each stage, Threat, Opportunity, Weakness and Strength (TOWS) analysis and finally, conclusions will be derived on the diversification strategy for business growth.

### A. Characteristics of SMEs

Small business is categorized based on number of employees, annual sales, organizational structure, and assets [10]. Each variable has its limitations to be included as a small business. Reference [9] in their book, *Small Business and Entrepreneurship*, added that small and large businesses are extremely different from their size, risks, market power, owner motivation, firm strategy, innovation, and financial source [9]. The authors also argued that the other key point that differentiates small businesses from large businesses is the external uncertainty, where a small business is more affected by uncertainty compared to a large business.

In addition, SMEs are divided into three types: micro, small, and medium businesses. The European Commission defined micro business has a turnover of less than £2 million, small business has a turnover of more than £2 million but less than £10 million, and medium business has a turnover between £10 million and £50 million [11]. Addition to that, Organization for Economic Cooperation and Development (OECD) in 2016, mentioned that a micro business is a business that employs 1 to 9 people, while a small business is a business that employs 10 to 49 people, and a medium business employs 50 to 249 people [12], [13]. In conclusion, an SME is a firm that is independently run by one person and/or a small group that conducts business activities to gain profit with 1 to 249 workers with a turnover of less than £50 million.

Nevertheless, SMEs cannot be specified by the numerical form only. Reference [13] stated that “We cannot define the level of productivity, the role of owner, legal aspect and others qualitative form in SMEs”. It leads to the

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understanding that SMEs and their difference to LOs are not only numerical.

### B. Growth Stage Theory

Growth is significant; reference [9] elaborated that in order to survive in a market, a business has to grow even in a low level. However, it also proposed an interesting statement which mentioned that a young business and a small firm grow faster compared to older or larger firms. The business growth is critically substantial due to several reasons, such as it correlates to business survival, the responsibility of a firm to its employees, and the effects of the business growth on economic growth [14]. Hence, business growth can be measured through sales, profits, financial ratios, employment, and market share [9].

Therefore, in order to maintain their business' existence, the founders have to identify the growth stage of their businesses. This stage is called growth model theory, it provides clear information about the current business position in order to set a suitable strategy, encounter crises, anticipating the possibilities in the future and the decline in the market.

As mentioned above, researches concerning growth stage theory have been published by numerous authors and the theory has been modified over the years. The development of the growth stage theory is presented in Table I below:

TABLE I: EMERGING PATTERN OF GROWTH STAGE THEORY IN LITERATURE

Emerging Pattern	Discovery	Authors
4 stages of growth	There are 3 critical phases need to be encountered every time a company wishes to jump to next stage.	Steinmetz, L (1969)
5 stages of growth and revolution stages	Apart from having critical phases in each stage, this theory also introduced how to achieve growth in every stage	Greiner (1972)
5 stages of growth and management decision	The authors prompted that every business evolved through each stage. This growth model was focused in the management decision when to give up its control and when to delegate the responsibilities.	Churchill and Lewis (1983)
5 stages of growth and crisis	The curve shape changed from straight line suggested by Greiner (1972) to J-Curve. It also illustrated the possibility path if the businesses failed to accomplish a certain stage	Scott, M and Bruce, R (1987)
6 stages of growth	The growth model was expanding, revenue and earning time were included as a guidance to business owners/entrepreneurs	Storey, D and Greene, F (2010)

Among the 5 (five) models above, this article will cite the latest and most updated growth stage model as shown in the

figure below:

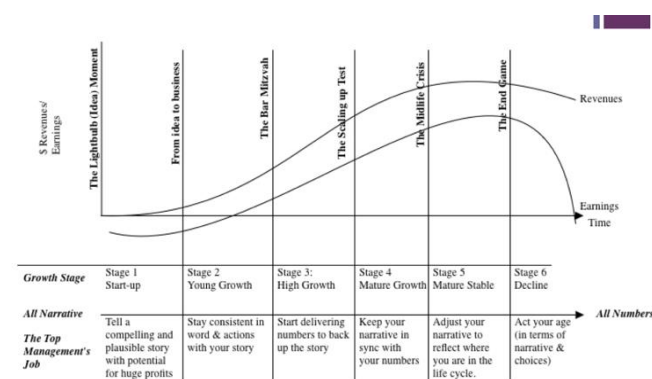


Fig. 1. Growth stage model [10].

As seen in Fig. 1 above, this theory explains that each business deals with six growth stages. As a part of that, this model also shows the graph where the revenue and earning time are improved during each stage until it reaches declining market.

#### 1) Stage 1 – Start-up stage

The start-up stage, well-known as the establishment stage, is the stage where main goal is to survive and set the foundation for future growth [15]. All businesses in this stage generally start with slow sales. The management still try to develop costumers by using inexpensive promotions due to its limited capital. It is common for newer businesses to deal with less profit or even loss in the first year of business operation.

A business in the establishment stage is a simple organization where the owner does everything [7]. Moreover, the mean age for a firm to be included as start-up business is 4.29 years. It means that a business is considered as a start-up business when it has been established for less than 5 (five) years [16]. Following to that, newer businesses in all industries generally encounter the same problems such as: finance, sales strategy, value proposition, managerial, and market-potential issues. When SMEs do not have a strong strategy to deal with these challenges, they are likely to close down before they reach the next growth stage [17].

#### 2) Stage 2 – Young growth and the proposed model

A certain business may grow due to the capital they gained before the start of business. However, spending seems to rise over time and causes the firms to spend more capital in order to survive this stage. This stage is a survival stage where overtrading and increased complexity become the main issues faced by the firm [8]. Even though the firm can commit specific actions to prevent the worst scenario such as: gaining more capital, bank credit, crowdfunding campaign and so on, but in reality, countless business failed to pass this stage.

#### 3) Stage 3 – High growth

A business will be able to jump to this stage when it succeeds to surpass the main obstacle in the previous stage, mainly correlated to financial sustainability. High growth stage is indicated by the change of role of the owner. In this stage, the owner has to act as a manager instead of a mere owner [7]. Correspondingly, the business started to be

profitable as soon as it undergoes this stage [8]. They also pointed out the formal organizational structure is finally formed in this stage as the substitute of the flat hierarchy which is common in new and small firms.

#### 4) Stage 4 – Mature growth

It differs from the high growth stage where the firm has begun to significantly evolve, mature growth is the harvesting time. Firms in mature growth are able to gain their maximum profit, the firms have established themselves in the market and achieve their competitive advantage. However, being in mature growth does not mean that the firms should lower their surveillance. Mature growth is a challenging stage where many owners or managements do not realize the upcoming of declining market and/or products, as well as the external challenges coming from innovative competitors. The market edge has moved and shifted to the center of growth stage and firms should immediately consider their business expansion before the businesses reach declining market [18].

#### 5) Stage 5 – Mature stable

Business in this stage has to be prepared for declining market and that declining market is indivertible [9]. The S-curve theory in business explained that firms in this stage have already jumped to another potential market and become independent from the previous product/service they offered [19]. Mature stable is the stage where firm has to prioritize the sustainability of the business. Jumping to another curve is entirely reasonable.

#### 6) Stage 6

Even the most successful LOs have to encounter this stage, thus SMEs are no exception. In this stage, competitive advantage of a firm will be a huge advantage in order to survive in the industry. LOs and SMES have a lot different approach in facing and dealing with declining market. SMEs in the declining market tend to engage more in marketing activities to improve their sales rather than setting other competitive strategies. On the other hand, LOs focus more on cost reduction to confront declining market [20].

#### C. Business Survival

Diversification strategy has a strong correlation with business survival since diversification may be the most suitable strategy to survive in the market. In order to provide in-depth understanding about the survival of SMEs, this study will use Threat, Opportunity, Weakness, Strength (TOWS) matrix. It is selected to explain SMEs survival majorly due to the rapid change currently happens in the world especially in millennials era where companies have to suit itself to external world.

According to a journal written by Emet Gurel and Merba Tat in 2017, TOWS analysis was firstly introduced by Heinz Weihrich in 1982 to accommodate the analysis with the current situation. However, this model has not been extensively applied until recent years [21]. This explanation strengthen other research mentioned that business owners have to look outside their business (environment) first then adjust their internal resources to it in order to survive the market and keep up with the ever-changing world [23].

Fig. 2 below describes that SMEs have to keep up with their external environment, find the threat from outsider,

discover the opportunities in the competitive market, cope with their weaknesses and finally, utilize their strength in order to pursue their growth, maintain their existence or in another word, survive in the industry.

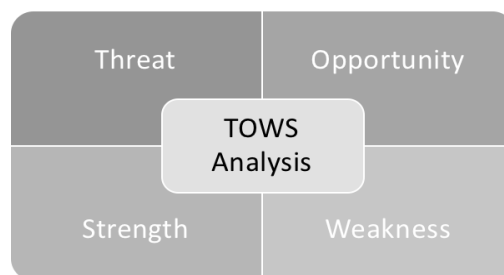


Fig. 2. TOWS analysis [22].

#### D. Diversification Strategy

As mentioned in introduction, diversification is a strong growth strategy for LOs. Heberberg and Rieple in their book “Strategic Management: Theory and Application” emphasized that a diversified company will easily decrease and spread the risk, rule the products’ price and quality due to its control over suppliers and distributors [24]. Furthermore, pursuing diversification strategy gained advantages from financial synergies to corporate growth where the top management of the company may achieve higher salary, stronger power, higher status, and better job security if the company diversifies [4].

However, other literature also pointed out that diversification strategy carried a severe impact on the company. Reference [25] exclaimed that the more business segment is built by the company, the less its productivity. It also added that developed countries such as Japan and Korea showed that diversification negatively affects the company’s performance. The study strengthen the previous research which claimed that the more diversified the company is, the less its performance [26].

Diversification itself consists of two forms: related diversification and unrelated diversification. Related diversification means creating new products which are still related to its core product. Unrelated diversification strategy means the company completely runs another business which has no relation at all with its core product.

Finally, the question arises: if diversification is a strongly essential strategy for LOs, does it apply to SMEs as well? The significance of this strategy for SMEs will be elaborated in the next part of this article.

### III. METHODOLOGY

Qualitative research emerged in the post-modern era where society became complex and closely related to social relationships [27]. Qualitative approach discovers people’s attitudes and feelings by assessing subjective opinions and behaviors [28]. This approach also enables in-depth studies and offers a better attitude in selecting topics of interest. In the same time, exploratory case study can be utilized in order to “create a plan, design, and prepare for the data collection, analysis and share findings” [29].

Hence, case study with exploratory approach by

conducting in-depth interview with the specific subjects will be applied in this study. By doing this, it is expected that in the end, complex issues faced by entrepreneurs that sometimes prevent them for growing and even force them to close down their businesses can be described by this study.

This study was completed with 7 (seven) comparative case studies as an absolute requirement in exploratory empirical study [30]. This article correlates the findings with the existing theory in order to gain wider knowledge.

#### A. Identification and Case-Firm Selections

This research followed a strict procedure in interviewees' selection. The selected SMEs were located in different islands in Indonesia, they also vary in size of the business, industry and the length of its operation. However, due to the large number (14,752) of islands in Indonesia [31] and geographical barrier, this research is focused on the biggest islands in Indonesia in terms of the size of the island, the population and the local Growth Domestic Product (GDP).

#### B. Data Collection

Qualitative data collection was performed in three different ways: in-depth interviews, phone interviews and email interviews. Firstly, 180 businesses were contacted in different cities in Indonesia. Each business was classified according to geographical location since it could deflect the analysis. For this research, Java Island was selected as the research location. This island is more develop, has more number and more various SMEs than other 4 big islands in Indonesia. From 180 businesses, two-third of the participants responded and continued to the next step. Total participant then chosen based on the length of business establishment, in this case, minimum 10 years are selected as businesses were considered in the young growth and mature growth stage when they achieve that age. In this phase, 60 participants were eligible to continue. In order to obtain various viewpoint, sample was limited by 1 business for each kind of business established in the area, 25 businesses are chosen to participate in structured interview. Finally, variables taken from structured interview as seen in Table II below then utilized in in-depth interview where 7 samples participated.

TABLE II: VARIABLES EXAMINED FROM STRUCTURED INTERVIEW  
Variables

1. Quantitative vs qualitative performance criteria	10. Diversification possibility of the business
2. Subjective vs objective performance criteria	11. Diversification planning of the business
3. Current vs future-oriented performance criteria	12. Diversification decision of the business
4. Operating vs financial performance criteria	13. Diversification type of the business
5. performance defined by strategy performed	14. Related vs unrelated diversification
6. Potential growth of a business	15. Strength vs Weakness of the business
7. Major determinant of potential growth	16. Opportunity vs Threat faced by business
8. Linkage between growth and diversification	17. Owner's future target
9. Growth motive	18. Growth and Failure

#### IV. DATA ANALYSIS

Every interview conducted has to be registered, transcribed and reviewed by the interviewees. Following the same logic to validate the accuracy of this study, each transcription is sent back to the interviewees to be checked. The characteristics of 7 (seven) SMEs are presented in this section. The characteristics will focus on the length of each business operation, products offered, the business industry, number of employees and the revenue. Table III below explains the basic data acquired from the samples

TABLE III: CHARACTERISTIC OF SMES

SMEs	Length of operation	Products	Industry	Empl.	Net Income per month
Coffee Bar	10 years	Coffee drinks	F&B	4	IDR. 5,000,000 – 8,000,000 (approx. \$ 500)
Clothing business	10 years	Fashion item and printing service	Clothing business and Service	5	IDR. 10,000,000 – 15,000,000 (approx. \$ 1,000)
Poultry shop	18 years	Farming (poultry)	Trading and Farming	50	IDR. 30,000,000 – 40,000,000 (approx. \$ 2,800)
Cellphone repairing service	12 years	Repairing service	Service	2	IDR. 7,000,000 – 10,000,000 (approx. \$ 700)
Pharmacy	22 years	Drug Store	Trading	10	IDR. 20,000,000 – 30,000,000 (approx. \$2,000)
Traditional Snack	20 years	Traditional snack/crisp	F&B, Trading	15	IDR 150,000,000 – 170,000,000 (approx. \$ 11,000)
Traditional drink	10 years	Traditional Drink	F&B	5	IDR. 9,000,000 – 12,000,000 (approx. \$ 800)

#### A. The Diversification Process of Seven SMEs

The first sample is a coffee bar in a small district, the only coffee bar with various types of coffee beans and a sophisticated brewing machine in the area. The vision hold by this coffee bar is "To introduce the richness of Indonesian coffee to people in this small district and educate them about various flavors, smell and taste of different coffee from different islands in Indonesia". With this in mind, it consistently provides the valuable coffee drink to the customers.

Developing a good relationship with the customers was the main strategy of the owner of this coffee bar. In the start-up stage, the business intended to diverse their product beyond

the coffee drinks. However, the planning has to be postponed to the long term business plan.

The next SME interviewed was clothing line. Similar to the previous business, it also began its business with limited resource, hence led this SME to focus only in its clothing business. However, at the end of 2015, this business developed its own clothing brand and finally expanded to printing service. The owner stated *"We would like to be big from the beginning but we did not have enough resources, especially for the financial needs"*.

The third SME interview sample is a poultry business established in 2000. This SME started its business by selling the poultry product to neighborhood market and then has developed widely until now. Apart from selling its product in local market, it expanded by selling the product to neighboring cities as well. Product offered by this SME also evolved over time.

The fourth sample is cellphone repairing service which focused in smart phones reparation. It started by only providing phone repairing service and these recent years, the business expands to cell phone trading business as well.

Next, an in-depth interview was conducted with the owner of local pharmacy, traditional snack and traditional drink where all of them are family-owned business. The traditional snack business is located in Malang, a big city in East Java province, Indonesia. The family started this business 20 years ago and became stronger over time. Its major product is Keripik Tempe or soy bean crisp, an exceptionally popular snack in Indonesia. This SME produces its own keripik tempe and sell it in its own store. Basically, there is no diversification process in terms of product type occurred in this business. The owner mentioned that *"we have not thought about diversifying yet because we intend to stick to the originality of the flavor of our product. In the other hand, we wish to satisfy our both new and returning costumers"*.

The final SME is the owner of traditional drink-Dawet ireng vendor in Magelang, Central Java. Dawet ireng is a traditional drink made from rice flour and tapioca starch which processed in such way to produce small elongated shape, added with brown sugar and ice. As mentioned by the

owner: *"I want this business to be the first choice when people think about drinking Dawet Ireng. I want Dawet Ireng mbak Jum becomes recognised as a specialist in Dawet Ireng with its unique taste"*.

## V. DISCUSSION OF FINDINGS AND IMPLICATION

### A. Towards the Diversification Decision of SMEs

SMEs decision to diversify their business strongly depends on the intention of the owners. The owners have thought about whether they will diversify their business or not from the beginning the business. Hence, this article will elicit the findings and answer the research question

**First, owner intention holds a strong implication in deciding whether to diversify or not.**

As mentioned above, SMEs especially in their early stage are One-man Show Company; this means that the founder or the owner holds a huge implication on the direction of the company's growth. Literature underlined the direct correlation between entrepreneurial intention and diversification strategy [32]. In addition, the owner intention has a specific impact SMEs growth, especially in shaping the future growth planning of the business.

In order to grow and maintain their existence, SMEs have to pay attention to customer preference, orientation and market trend more than LOs. The fact that SMEs need to build their competitive advantage make them slightly more sensitive to the change of customer preference, orientation and market trend. Costumer orientation impacts positively to growth and survival of SMEs. Hence, SMEs should respond to costumers in developing their business [33]. This view has been echoed by the interviewees that: *"The business will change if the customer preference changes"*. *"We will keep up with the trend and perhaps will diversify based on it"*. Therefore, it is necessary for SMEs to observe the external threat and opportunity. In addition to this observation, their own resource and capabilities are to be considered as their strength to encounter the changes in industry as illustrated in Table IV below:

TABLE IV: BUSINESS GROWTH AND TOWS ANALYSIS

SMEs	Pre Start-up period	Start-Up period	Young Growth Period	High Growth Period	Threat	Opportunity	Weakness	Strength	Proposed Strategy
Coffee Bar	Selling 4 (four) varieties of coffee drinks	Selling 13 (thirteen) varieties of coffee drink	Selling 13 (thirteen) varieties of coffee drink. Using electric brewing machine instead of the manual ones	-	Difficulties to find coffee bean in the local area	The high number of coffee lovers	Capital and HR	Professional barista	<ul style="list-style-type: none"> <li>Customers Engagement</li> <li>Extensive coffee distributors</li> </ul>
Clothing Line	Specialized in T-Shirt selling	Clothing business	Clothing business and printing service	-	Too many competitors	e-commerce	Capital and marketing	Customized model and creative design	<ul style="list-style-type: none"> <li>Competitive price and quality maintenance</li> <li>Customer engagement</li> </ul>

Poultry Business	Focused in poultry business (whole chicken) and selling it to local market	Selling whole chicken and its part, such as: chicken skin, chicken leg, chicken liver etc and selling it to local market	Selling whole chicken and chicken part. Expand its business to seconder product such as : beef meat and chicken egg	-	Non-durable product	High growth of chicken restaurants	More competitors	Have a lot of loyal customers and wide distribution area	Diversification
Cell phone Repairing Service	Smart phone repairing service	Smart phone repairing service and new smart phone selling	Smart phone repairing service, new and second-hand smart phone selling	-	People tend to change their cellphone rather than fixing it	High number of cell phone user	Capital and HR	High customer satisfaction. High return customers	<ul style="list-style-type: none"> <li>Grabbing more market</li> <li>Focus to specific target market</li> </ul>
Pharmacy	Focus in selling basic drugs which needed the most in its neighborhood	Providing various type of drugs and vitamins	Supplying more than 200 kind and type of drugs, vitamin and herb	More drugs, vitamins and herbs to sell and expand its business by providing medical equipment for local hospitals and clinic	<ul style="list-style-type: none"> <li>Indonesia drugs regulation</li> <li>Gradual bureaucrats that hinder the deal</li> </ul>	Located in developed city where more hospital built, higher health awareness	High distribution cost	The first pharmacy in town, Is a reputable pharmacy in town	Keep up with following regulation, Wider the business deal with other hospital
Traditional snack	Produce and sell Keripik Tempe	Produce and sell Keripik Tempe in its own store	Produce and sell Keripik Tempe in its own store. Developing its product by selling Keripik tempe in various pack	Produce and sell Keripik Tempe in its own store. Developing its product by making it in two shapes: circle and rectangle. Launch Keripik tempe in various pack.	A lot of competitors. The increasing number of alternative snack	Tempe is one of the most favourite snack in Indonesia	Keripik tempe has almost reached decline market	Authentic taste	Diversification
Traditional Drink	Make and sell Dawet Ireng	Make and sell Dawet Ireng	Make and sell Dawet Ireng, provide side dishes to be eaten while drinking Dawet	-	Shifting interest from traditional drink to modern one	Keep it traditional to gain competitive advantage	Does not have store. It is a street vendor business	Authentic taste	Innovation

**Second, For SMEs, TOWS analysis becomes a better framework to be utilized in order to observe the external environment and setting the firm strategy.**

TOWS analysis may result developed information due to its role in matching the external threats and opportunities to firm's weaknesses and strengths of the firm. Table above has proven that by exploiting TOWS analysis, SMEs are able to discover more suitable strategy to face their external environment.

**Third, instead of engaging in diversification strategy, SMEs should better focus on the development of their key product/service to gain their competitive advantage.**

This is the first contribution of this paper to literature. This article finds that SMEs need to shape their competitive advantage as one core strategies to survive in industry. In order to do so, SMEs should focus on their key product/service rather than their business diversification.

However, the research conducted also found that even if SMEs choose to diversify, the suitable time for SMEs

diversification is high growth or mature growth period when the business experiences harvesting time and before the market declining. SMEs are not recommended to diversify in the beginning phase on their growth stage because it will interfere their growth due to the lack of resource they have. This discovery argued the previous literature that suggested the early-stage SMEs to diversify in order to support the firms' efficiency and survival [33].

**Fourth, For SMEs, the most difficult time in pursuing growth is in the young growth stage.**

This research basically found out that the growth stage is not as simple as a J-Curve but more fluctuated than that. In fact, research conducted discovered that stage 2 (two) of growth is the most critical stage for businesses where they will experience resources depletion due to various strategies run by the business.

Based on development found in literature and on findings from the research, a new or an extended growth stage model is proposed. The model is different from the growth stage



model introduced in 2010 [9], as it illustrates that the difficulties faced by SMEs in stage two are mainly significant to the business survival, hence, the graph needs to be modified in detail for the decision makers to take a specific action to encounter and surpass the stage 2 (two). In addition to that, this proposed model also showed that the graph of a business will re-touch the starting line soon after it surpasses the young growth period:

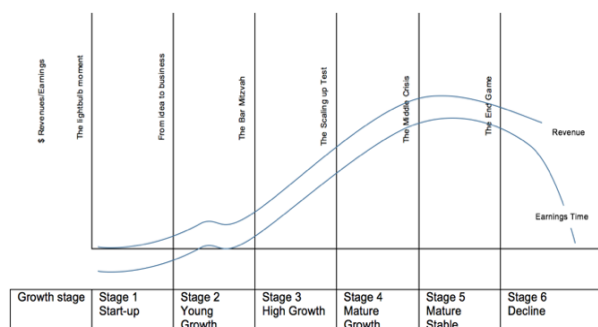


Fig. 3. Proposed growth stage model.

Fig. 3 above is the second contribution of this paper to the literature. Eventually, SMEs need to pass the second stage and settle in the industry first prior to considering diversification. SMEs that diversify from beginning tend to be less focused and would find it hard to protect their resources.

**Fifth, Even though SMEs finally diversify, related diversification is the best choice compared to unrelated diversification.**

The samples interviewed for this article claimed that even if the plan for diversification strategy is to be carried out, the related diversification would be the choice made by the samples instead of unrelated diversification. The reason behind the choice was slightly simple. Although the samples want to be recognized by their key product, they want to satisfy their customers by providing additional and variety items related to their key product.

## VI. CONCLUSION

The purpose of this research is to state when should SMEs start their diversification process/strategy. In doing so, this study accompanied a qualitative research by conducting an in-depth interview to SMEs owners in Indonesia. This study then resulted that SMEs which intend to diversify should do so on their high growth or mature growth stage in the growth stage model. Hence, the contribution of this article to literature is by providing a new perspective especially for SMEs and the management before they decide to diversify.

## CONFLICT OF INTEREST

The authors declare no conflict of interest.

## AUTHOR CONTRIBUTIONS

This paper is fully conducted by Nia Kurniati Bachtiar, from literature review, survey, data collection, data analysis to paper construction

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