



1042-2587  
© 2010 Baylor University

# “Business Growth”—Do Practitioners and Scholars Really Talk About the Same Thing?

Leona Achtenhagen  
Lucia Naldi  
Leif Melin

**The current growth literature has stalled over which measures to use in empirical studies, causing a fragmented theory base. This paper claims that there is a third issue that further curbs efforts in developing a better understanding of business growth. Based on a thorough literature review, a quantitative, and a qualitative study, we find that academic scholars and entrepreneurs do not talk about the same thing when they say “business growth.” For practitioners, growth is a more complex phenomenon—with a strong emphasis on internal development—which differs from the simplified conceptualization of growth used in empirical studies.**

## Introduction

For the development of entrepreneurship as an academic field, the proximity to practitioners has always been pivotal. Indeed, the title of this journal indicates one attempt to successfully link theory and entrepreneurial practice. Nevertheless, if entrepreneurship is to be a practitioner-oriented subject, business growth should be defined, measured, and studied in a way that is meaningful and relevant to entrepreneurs and their praxis. Thus, definitions of business growth and their operationalizations would have to reflect what practitioners perceive as central to business growth, and empirical studies should focus on growth aspects crucial to the entrepreneurs and their business activities. Yet, in a research program on strategic, organizational, and entrepreneurial aspects of continuous business growth, we have frequently come across comments from practitioners who were frustrated about their experience with scholars studying the “wrong questions” regarding business growth and politicians having the “wrong assumptions” when deciding on policy measures to foster growth. This frustration implies the relevance of a third issue beyond the two issues that are commonly found to be problematic with regard to the study of growth. The first issue concerns which measures are suited best to capture growth, and the second refers to the claim that the growth literature is too fragmented to build a comprehensive theory of growth.

---

Please send correspondence to: Leona Achtenhagen, tel.: (46) 36-101822; e-mail: [acle@ihh.hj.se](mailto:acle@ihh.hj.se).

The third issue, elaborated on in this paper, concerns a gap between what business growth means for practitioners and how it is defined and measured by academic scholars (and, influenced by academic research results, referred to by politicians and policy makers). Based on a thorough literature review as well as a quantitative and a qualitative study, we argue that the study of business growth not only suffers from the choice of growth measures and the fragmentation of the current literature, but from a gap between these measures and how practitioners perceive business growth.

First, this paper extends existing reviews on growth studies and comprehensively reviews studies on growth published in four leading entrepreneurship journals between 1997 and 2008. We analyze the conceptualization and operationalization of growth used in these studies. While there is little consensus on how to measure business growth in entrepreneurship studies, there seems to be a general agreement on the usefulness of such growth measures. Measuring growth by using simple formulas—at least implicitly—assumes that entrepreneurs view growth and success in the same terms (or measures). Any reflections on the usefulness of different measures are based on their theoretical and methodological usefulness. Few reflect on the practical relevance of the measures, how close they get to entrepreneurial practice, or how entrepreneurs perceive growth. Based on these findings, our empirical investigation is twofold. We begin with a large-scale quantitative study, based on a stratified probability sample of 2,455 small- and medium-sized companies in Sweden. Using correlation analysis and multiple regression analysis, we test the relationships between the commonly used measures of firm growth (employment growth, sales growth, profit, return on equity [ROE], return on assets [ROA]) and entrepreneurs' perceived growth relative to their competitors in terms of increase in company value. Our results point to a very weak correlation between growth measures used by entrepreneurship researchers and the respondents' perceived increase in company value relative to their competitors. In addition, the results show that the same independent variables do not explain the commonly used measures of growth and entrepreneurs' perceived growth. Thus, the quantitative findings confirm the existence of a gap between growth measures commonly used in academic research and what entrepreneurs perceive as actual growth for their own businesses. To further explore these findings, we then conduct an explorative qualitative study of three groups of Swedish small- and medium-sized enterprises (SMEs). In semi-structured interviews, we asked 30 entrepreneurs of young-growth firms, high-growth firms, and continuous-growth firms about what the notion of business growth connotes to them and how this translates into their business reality. The results from this qualitative study confirm the gap identified in the quantitative study and allow us to generate a number of suggestions for how research on business growth could become more meaningful and relevant to both practitioners and academic scholars. We hope that our study will contribute to a necessary re-conceptualization of business growth in future research.

The remainder of this paper is divided into four sections. The first section reviews how growth has been conceptualized and measured in entrepreneurship studies. We then introduce our quantitative study, and describe the data, sample, variables, as well as our findings. Third, we present the qualitative study and the findings derived from it. Lastly, we discuss the conclusions and implications of this study.

## **Conceptualizing and Measuring Growth in Entrepreneurship Studies**

Growth has been conceptualized and measured in a number of different ways (Davidsson & Wiklund, 2000; Wiklund, 1998). In her seminal study, Penrose

characterizes the phenomenon of growth as follows (1959, p. 1): “The term ‘growth’ is used in ordinary discourse with two different connotations. It sometimes denotes merely increase in amount; e.g., when one speaks of ‘growth’ in output, export, sales. At other times, however, it is used in its primary meaning implying an increase in size or improvement in quality as a result of a *process* of development . . . in which an interacting series of internal changes leads to increase in size accompanied by changes in the characteristics of the growing object.” Thus, Penrose differentiates between growth as an “increase in amount” and as an “internal process of development.”

The distinction between growth and size has been operationalized by Whetten (1987), who notes that size is an absolute measure, whereas growth is a relative measure of size over time. Yet, when it comes to measuring growth empirically, the confined conception of firm growth as “increase in amount” continues to dominate the entrepreneurship field. Namely, focus is placed upon outcome-based indicators which denote an increase in size or amount.

### **Current Reviews of Business Growth Studies**

Comprehensive reviews of the different indicators and formulas used when measuring growth empirically have been conducted, e.g., by Weinzimmer, Nystrom, and Freeman (1998) and Delmar (1997). Weinzimmer et al. conducted an exhaustive review of 35 articles published in nine leading strategy, organization, and entrepreneurship journals between 1981 and 1992.<sup>1</sup> The authors find that 83% of the studies used sales (or revenues) as a concept of growth, and nearly three-quarters of these studies used sales as their only measure of growth (p. 238). Employees were used as a growth measure in 17% of the studies, and assets in 8%. Only 22 of the 35 studies included in the review reported an identifiable formula for their measure of growth. Nineteen studies analyzed growth as a difference between first-year and last-year sizes. Three studies used subjective self-reported measures, which Weinzimmer et al. (p. 238) judged to be “an approach subject to both systematic bias and random differences in interpretation.” The authors continue to examine the effects of using different growth measures and alternative growth formulas. They find that “the three alternative formulas used to operationalize sales growth produced different results, in terms of significance, direction, and explained variance” (Weinzimmer et al., p. 249). In addition, they continue, “[m]ore worrisome, independent variables behaved differently depending on the particular formula used for sales growth. Therefore, many findings from previous research on determinants of organizational growth appear suspect and deserve replication” (p. 251). In conclusion, the authors stress the importance of establishing theoretical justification for selecting appropriate concepts.

Delmar (1997) focuses his review on growth as a dependent variable. He analyzes how the calculation of single performance indicators of growth affect model building and theory development, arguing that the growth literature has put too little emphasis on the measurement of growth. Delmar reviews 55 empirical studies, published between 1989 and 1996, which use growth as dependent variable. Almost 70% of the reviewed articles are published in *Journal of Business Venturing*, *Entrepreneurship Theory and Practice*, *Regional Studies*, and *Small Business Economics*. He finds that 30.9% of the studies used turnover/sales, 29.1% used employment, 18.2% multiple indicators, and 12.2% performance as measures of growth (p. 202). Delmar agrees with other authors (e.g., Chandler & Hanks, 1993) that

---

1. *Academy of Management Journal*, *Administrative Science Quarterly*, *American Sociological Review*, *Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, *Journal of Management Studies*, *Journal of Small Business Management*, *Organization Science*, and *Strategic Management Journal*.

subjective satisfaction measures of growth or performance, such as the index proposed by Gupta and Govindarajan (1984), raise questions as to validity. The criticism is that these satisfaction measures would be as much a function of the entrepreneur's personal expectations as they would be of objective performance and that, therefore, it would be questionable what they really measure. In addition, different individuals might differ in their satisfaction of the same level of growth or performance and the measures are dependent on the entrepreneur's knowledge and perception of a situation. Without the possibility of controlling these factors, Delmar argues, it is difficult to say anything at all about the actual growth performance of a venture. "The only thing that can be stated is that the independent variables found to explain the model probably affect the entrepreneur's cognitive and perceptual structure. This is seldom the purpose in the growth literature" (p. 202). He suggests (p. 203), instead, the use of multiple indicators as they might best represent the theoretical concept of growth. Nonetheless, Delmar concludes critically that "most researchers seem to calculate their measures in order to arrange data in such a way that the highest possible explanation can be achieved, warranting little importance to the possibility of comparing results among studies." He suggests that researchers should "concentrate on making studies more easily comparable, and acknowledge the fact that research can evolve only if it is possible to accumulate findings that are easily comparable, e.g., using confidence interval instead of significance." Delmar also finds that the period of years used in the studies varies (most often using 5 years, 1 year, or 3 years), and that seldom information is provided on why one time period was favored over another. On a sample of 400 Swedish small businesses, Delmar then tests the relationships between different growth indicators. He finds large differences between growth calculated in absolute and in relative changes, and low correlations between these. Similar to Weinzimmer et al. (1998) he also demonstrates how choice of growth indicators yields different results even when tested on the same data.

## **An Updated Review of Business Growth Studies**

We have updated the two reviews presented earlier with a review of the studies published in four leading entrepreneurship journals—two U.S.-based and two Europe-based— between 1997 and 2008 (up until Spring 2008), namely *Entrepreneurship Theory and Practice* (ETAP), *Journal of Business Venturing* (JBV), *Entrepreneurship and Regional Development* (ERD), and *International Small Business Journal* (ISBJ). We selected 56 articles investigating business growth and which referred to "growth" in the title (see Table 1).<sup>2</sup> Our review differs from the two earlier reviews in that we do not only include those studies that operationalize growth as a dependent variable. Rather, we include all studies that assign relevance to the concept of business growth as such (judged based on whether or not the notion of growth is included into the title<sup>3</sup>), as we are interested not only in the antecedents of growth, but in what characterizes business growth more

---

2. Of the 56 articles, 16 were published in *Entrepreneurship Theory and Practice*, 23 in *Journal of Business Venturing*, 7 in *Entrepreneurship and Regional Development*, and 10 in *International Small Business Journal*. One article (Slevin & Covin, 1997) is a conceptual piece. Thus, it is excluded when computing the frequencies of growth measures and of other characteristics of the empirical studies.

3. We have chosen to select articles with "growth" in their title, as we believe that this would lead to a selection of those articles in which business growth was a crucial aspect of the paper. Among articles referring to growth in the abstract or full text, many just refer to growth without actually reporting studies of growth. Choosing articles based on whether they mention growth as a keyword would have led to a much smaller number of articles in our review.

Table 1

## Characteristics of the Growth Studies and Their Frequencies

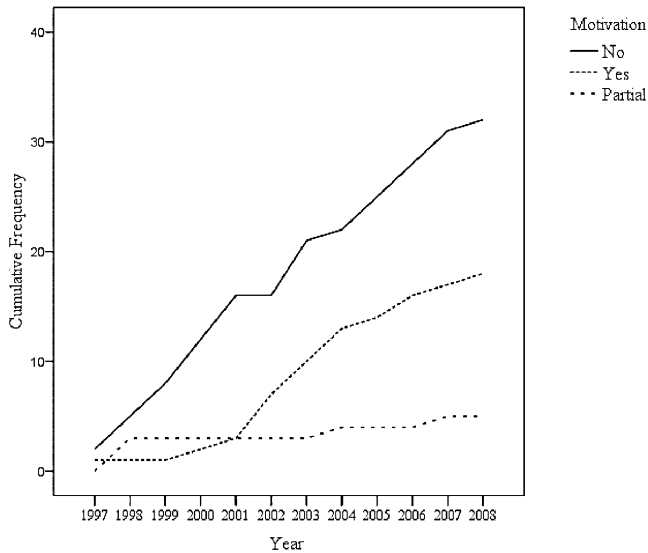
Variables	Frequency		
	U.S.-based/Europe-based journals	Total	Percent
Growth measure			
Sales/turnover	17/6	23	41.8
Employees	10/5	15	27.3
Growth willingness/Growth intention	6/4	10	18.2
Profitability	3/1	4	7.3
Combinations of the previously mentioned measures	5/4	9	16.4
Growth strategies (e.g., diversification; product extension; internationalization)		9	16.4
Others (e.g., assets; value added)	0/4	4	7.3
Not reported	4/1	5	9.0
N	38/17	55*	
Motivation for choice of measure			
(–)	19/13	32	58.2
(+)	15/3	18	32.7
Partial, referring to prior studies	4/1	5	9.1
N	38/17	55*	
Growth definition/conceptualization			
(–)	24/12	36	64.3
(+)	15/5	20	35.7
N	39/17	56	
Time frame			
Cross-sectional	16/6	22	40.0
Longitudinal	22/11	33	60.0
N	38/17	55*	
Source of data			
Primary data	19/9	28	50.9
Secondary data	12/4	16	29.1
Both	7/4	11	20.0
N	38/17	55*	
Theoretical basis			
(–)	17/11	28	50.0
(+)	22/6	28	50.0
N	39/17	56	
Type of paper			
Qualitative	9/7	16	28.6
Quantitative	29/8	37	66.1
Mixed method	0/2	2	3.6
Conceptual	1/0	1	1.8
Total	39/17	56	

Note: \* n = 55, because the conceptual article is not included. (–), not made explicit; (+), made explicit.

comprehensively. In addition to the year of publication and the journal, we focused on seven critical dimensions: (1) the growth measure(s); (2) the motivation of the choice of measure(s); (3) the definition/conceptualization of growth; (4) the time frame (cross-sectional or longitudinal); (5) the data source(s) (primary data or secondary data); (6) the theoretical basis of the study; and (7) the type of article (qualitative study, quantitative study, mixed method, or conceptual). Two co-authors independently coded each article. The percentage

Figure 1

Motivation of the Choice of Measure (Cumulative Frequencies Over Time)



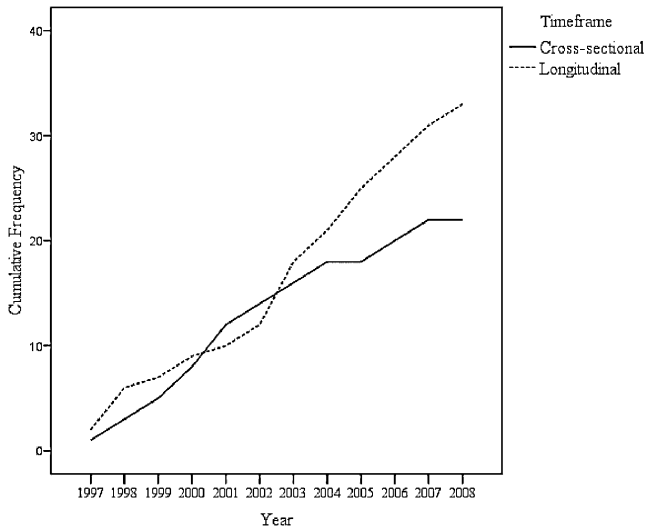
of initial coding agreement was over 90 percent. Disagreements were settled for each deviating case.

The findings of earlier reviews on growth measures still largely hold. Our review finds that the growth measures of sales (23 of 55 empirical studies; 41.8%) and employees (15 of 55; 27.3%) are still important. In addition, combinations of different measures are used in 9 out of 55 empirical articles (16.4%). For the most part, different indicators are not combined in one composite measure, but used simultaneously, which is in line with Delmar's (1997) call for such a procedure.

Despite the fact that most of these studies are implicitly or explicitly based upon a confined conceptualization of growth, researchers continue to disagree on what outcome indicators to use (Delmar, 1997; Delmar, Davidsson, & Gartner, 2003). In addition, the disagreement on what formulas or calculations would best capture the amount of growth of a firm persists (Weinzimmer et al., 1998). As Penrose (1959, p. 199) stated almost half a century ago, "there is no way of measuring an amount of expansion, or even the size of a firm, that is not open to serious conceptual objections." Despite this, the majority of articles do not make explicit why a certain growth indicator or formula is used. We coded whether a study motivates the choice of growth measure. We coded as "partial motivation" those studies that simply refer to empirical works that had used that growth measure previously. We find that 32 out of 55 studies (58%) do not provide any motivation for their growth measure(s) and they do not critically reflect on this choice and the impact on the quality of the study; 5 studies (9.1%) simply refer to other studies, without critically evaluating that measure in the context of their own study, and only 18 studies (32.7%) explain and motivate their choice of growth measure. An even less encouraging picture emerges when we consider the articles' publication date. As displayed in Figure 1, the percentage of growth studies that do not reflect their choice of measure increased over time, at a higher rate than those studies that motivate and evaluate the impact of their choices.

Figure 2

### Design of the Study (Cumulative Frequencies Over Time)

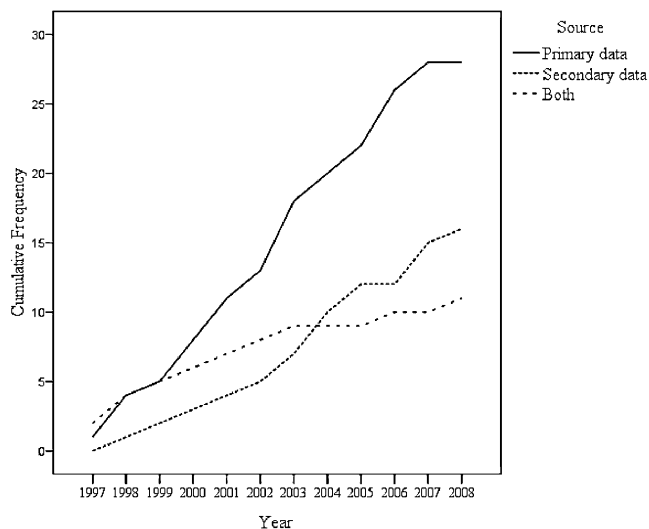


Perhaps even more stunning, many articles fail to present a conceptualization of growth in the first place. When coding whether an article provides a definition or conceptualization of growth we find that more than half of the articles included in our review fail to do so (64.3%).

Despite calls for choosing the growth variables, units of analysis, and time periods based on the theoretical background driving the empirical study (e.g., Davidsson & Wiklund, 2000), these choices seem largely to be based on pragmatic reasons, such as availability of data. Delmar (1997) suspects that many authors choose to include those variables from a data set that yield the highest variance explained and most significant values. A large number of articles use differences between first-year and last-year sizes when calculating growth. This can be seen as especially problematic, as growth does not follow any linear pattern, and “it does not identify any behaviors of an organization during the middle periods of the study” (Weinzimmer et al., 1998, p. 238). If, e.g., a company has been shrinking in terms of sales, profits, and/or numbers of employees over several years, but then acquired a company larger than this reduction amounted to, such operationalization would find linear growth to have taken place over the entire period. Along with the problems inherent in calculating growth, there is an even more fundamental issue for the purposeful study of business growth—namely the longitudinal design of the study (Davidsson & Wiklund). We coded whether the study is cross-sectional or longitudinal. Specifically, we coded a study as cross-sectional if it involves one time period and as longitudinal if it considers at least two time periods. Longitudinal studies are becoming more common, as illustrated by the evolution of the use of cross-sectional studies versus longitudinal studies depicted in Figure 2, and, in total, there are more longitudinal studies (33 of 55; 60.0%). Nevertheless, many studies (22 of 55; 40.0%) continue to rely on cross-sectional data. This is a problem because inference of causality can only be made when there is a temporal ordering of events.

Figure 3

Data Source (Cumulative Frequencies Over Time)



In addition, the source of information for the empirical study is an important issue in the study of business growth. We coded whether the study uses primary data, secondary data, or both. Overall, 28 studies of 55 (50.9%) rely on primary data, in most cases questionnaires directed to or interviews performed with the companies’ CEOs. A total of 16 out of 55 studies (29.1%) rely solely on secondary data, collected from different registers and databases. These figures seem encouraging. Davidsson (2004, p. 143) explains: “Secondary data are, to a large extent, as streetlights. They do illuminate some area but they do not necessarily cast light on the issue you are interested in.” Thus, primary data collected for the specific purpose of studying business growth are pivotal. However, solely relying on primary data causes other problems, especially if collected from only one source. Self-reported data on company sales or employees might be incorrect, because people recall and report erroneous information (Podsakoff & Organ, 1986). Additional problems arise when two variables are collected from the same respondent—often the company’s CEO—and then correlated among them (Avolio, Yammarino, & Bass, 1991). Therefore, a combination of primary and secondary data might be recommended—or perhaps multiple respondents within each company could be contacted. Unfortunately, in the articles considered by our review, only one-fifth of the studies (11 of 55) combine primary data and secondary information. This combination of data sources did not increase much over time (see Figure 3). On the contrary, it has become comparatively rarer.

We also coded whether a study is theoretically based or if it solely refers to prior studies of the phenomenon largely irrespective of their theory base. In half of the articles (28 of 56 studies), no clear theoretical underpinning can be identified, and reference is made mainly to preceding studies in the same field. Moreover, the theoretical foundation in the articles often does not directly relate to growth. More critically than what authors have pointed out previously (e.g., Davidsson & Wiklund, 2000), we can therefore conclude that one reason for the lack of a more integrated body of theory on growth might not only be the fragmented research findings, but a lack of theorizing in the first place.



Most of the studies attempt to seek explanations as to *why* firms grow. Thus, they aim to identify antecedents of growth, and so growth is treated as the dependent variable. Only a few studies can be classified as studies of growth as a process. These studies are usually concerned with changes or challenges organizations are facing because of growth. For example, McMahon (2001a) studies the impact of growth on financial profiles of SMEs. Here, growth is not the outcome, but the starting point or cause of whatever phenomenon is being studied. Other studies that contribute to understanding processes of growth are those focusing on growth strategies (9 of 55 studies; 16.4%), such as internationalization (Crick, Chaudhry, & Batstone, 2000), franchising (Stanworth, Stanworth, Watson, Purdy, & Healeas, 2004), and extension/development of the product line (Blundel, 2002). In these studies, growth is not a state but a trajectory that firms undertake over time. For example, Blundel's study explores the growth trajectories of two specialist food producers and the business networks into which they are embedded.

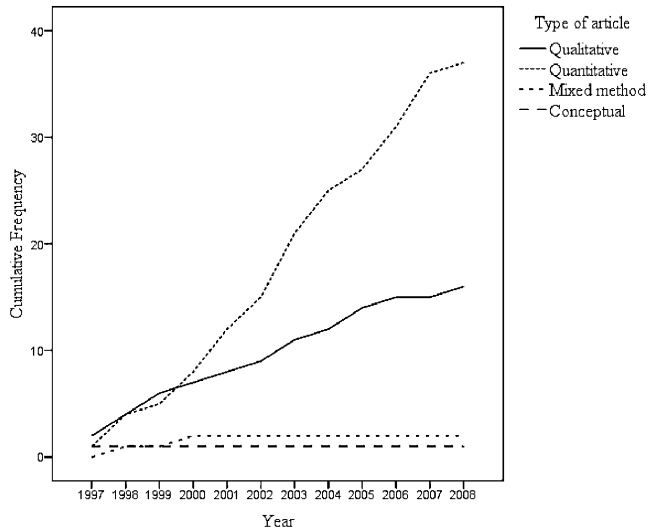
A few studies (e.g., Watson, Stewart, & BarNir, 2003) use measures of perceived growth, implicitly assuming that "academic" measures of growth are perceived similarly in practice (or not caring about the importance of these growth measures for practice). However, the validity of such measures has been heavily criticized by, e.g., Chandler and Hanks (1993) or by Delmar (1997, see previous discussion). Some articles (10 of 55; 18.2%) measure growth intentions/aspirations or the willingness to grow. Perceived measures of growth are commonly used for assessing these aspects of a company's development, as it would be difficult to do otherwise. However, rather than using expected figures of common indicators (e.g., sales or employees) as a proxy of venture size intentions/aspirations, most studies use rough measures, such as dummy variables investigating whether the entrepreneur plans to change the size of the business for the near-time future (expanding versus remaining unchanged or downsizing) (Lau & Busenitz, 2001), or whether s/he intends to grow the business (Cliff, 1998). Again, what is meant with "expansion" or "growth" is not made explicit, thus assuming that these "academic terms" have the same meaning to practitioners.

Overall, very few of the reviewed articles present "innovative" research designs or empirical studies that go beyond "standard" approaches. Most of the articles are (mainly) quantitative (37 of 56; 66.1%); some are qualitative (16 of 56; 28.6%), and only one is conceptual (Slevin & Covin, 1997). The predominance of quantitative studies persists and even increases over time (see Figure 4). Interestingly, only two articles report findings from both qualitative and quantitative research designs, even though some studies use qualitative data to develop the quantitative study (e.g., Wiklund, Davidsson, & Delmar, 2003). It is noteworthy that the predominance of quantitative studies is less pronounced in the articles published in the two Europe-based journals. In *Entrepreneurship and Regional Development* and *International Small Business Journal*, seven of the articles we reviewed used qualitative methods, eight used quantitative methods, and two articles used mixed-method research designs.

Similar to the general state of the growth literature, very few attempts can be found in the current literature to develop more comprehensive approaches to understanding business growth (Koeller & Lechler, 2006; Wiklund, Patzelt, & Shepherd, 2009). Previously, Davidsson (1989) built and tested a comprehensive theoretical model to include different aspects of three overarching antecedents of firm growth, namely ability, need, and opportunity. While he finds all three to be important for growth, need (for achievement) was found to lead to significantly higher growth motivation. Drawing on social psychology, Delmar (1996) demonstrated how entrepreneurs make many growth-related decisions based on their personal values and intrinsic motivation. The more intrinsically motivated entrepreneurs are by the prospect of growth, the more likely they are to engage in growth

Figure 4

### Type of Article (Cumulative Frequencies Over Time)



activities and succeed. Drawing on the entrepreneurial orientation literature, Wiklund (1998) does not focus on the level of the individual, but on the small firm and finds that appropriate strategies to exploit growth opportunities are central for achieving growth. The motivation of the entrepreneur, the resource base the firm has access to, and environmental conditions are all found to only have an indirect impact on growth, mediated by the strategies used. Despite their efforts to develop more comprehensive models and studies of business growth, the authors conclude that “firm growth is a complex phenomenon. It is not uni-dimensional. It is hard to predict and assess. Further, it can manifest itself in various ways, and consequently it can have differential effects on several different levels” (Davidsson, Delmar, & Wiklund, 2006, p. 5).

This review sheds light on some challenges of studying business growth, and suggests that there is a gap between scholarly interest and entrepreneurial practice. Thus, similar to the “practice turn” currently taking place in the management and organization studies fields (e.g., Johnson, Melin, & Whittington, 2003; Whittington, 2003), it becomes clear that research on business growth needs to focus more on what actually happens in practice. For example, considering that entrepreneurial growth aspiration and decision making have been demonstrated to influence business growth, it is somewhat surprising that perceptual measures receive a purely negative evaluation (e.g., Delmar, 1997). This leads us to our quantitative study, in which we investigate the relationship between the commonly favored “objective” measures and less popular “subjective” measures of growth.

## The Quantitative Study

### Data and Sample

The quantitative analysis was performed on data gathered for a major longitudinal research program designed to investigate entrepreneurship and growth issues over time.

Thus, this data—though not gathered for the purpose of this study alone—provide a good basis for analyzing different measures of business growth. The initial sample, comprising 2,455 firms, was taken from Statistics Sweden’s register of all Swedish companies and was designed to be representative of privately owned, small- and medium-sized firms in Sweden. According to the OECD (2002, p. 193), “[m]ore than 99% of all enterprises in Sweden are classified as SMEs.” SMEs account for 57% of the value added and 66% of net investments in that country. In 2000, three out of five employees in the private sector in Sweden worked for SMEs.

The data collection was carried out during two survey rounds over a period of 3 years. Each round consisted of an initial questionnaire administered over the phone followed by a questionnaire via mail. The target respondent was the CEO. During the first round in 1997, 2,034 respondents out of the initial 2,455 were interviewed by phone, yielding a response rate of 82.9%. A few months after, the mail questionnaire follow-up was returned by 1,283 people, giving a response rate of 52.3%. During the second round 2,020 respondents were contacted by phone, and out of these, 1,633 participated in the interview, which resulted in an overall response rate of 66.5%. Out of these, 827 also responded to the following mail questionnaire, yielding an overall response rate of 33.7%. *t*-tests were performed to check for response bias. These tests did not reveal any significant difference between responding and non-responding firms to the first and second round on age, size, and governance characteristics. We concluded that we do not have a response bias at the time of the first and second round that affects our longitudinal analysis. In addition to the CEO responses to the survey instruments, we gathered data about the studied companies from Statistics Sweden’s registers: number of employees in 1997 and 2000; sales in 1997 and 2000; ROE 1997 and 2000; ROA 1997 and 2000; profit 1997 and 2000; firm’s age; firm’s main industry group; and governance type.

## Variables

Table 2 provides an overview of the variables we used to measure business growth, a short description of each variable, as well as their data sources and data collection points. Table 3 presents an overview of the variables we used to predict business growth, a short description of each variable, as well as their data sources and data collection points.

## Statistical Analyses

Following Weinzimmer et al. (1998) and Delmar (1997), we first used correlation analysis to investigate the relationships between pairs of the earlier measures of growth. This analysis entails the provision of a yardstick whereby the intensity or strength of a relationship can be gauged. In addition, it permits us to spot whether there is a pattern of relationships between the different measures of growth. Thereafter, ordinary least squares (OLS) multiple regression analysis was used to examine the relationships between different measures of business growth and potential predictors. Thereby, we could investigate the extent to which the same variables predict different measures of business growth.

## Results of the Quantitative Study

**Correlations.** Table 4 shows the correlation matrix between the eleven different measures of growth.

Table 2

## Summary of the Variables Used to Measure Business Growth in the Quantitative Study

Variable	Measurement description	Data sources	Data collection point
Absolute employee growth	Difference between 1997 and 2000 in number of employees	SCB	1997 and 2000
Absolute sales growth	Difference between 1997 and 2000 in number of employees	SCB	1997 and 2000
Employee growth rate	Difference between 1997 and 2000 in number of employees, over number of employees in 1997	SCB	1997 and 2000
Sales growth rate	Difference between 1997 and 2000 in sales, over sales in 1997	SCB	1997 and 2000
Profit	Net profit margin	SCB	1997 and 2000
ROE	Return on equity	SCB	1997 and 2000
ROA	Return on assets	SCB	1997 and 2000
Growth in firm value	1 item, asking the respondents to evaluate the change in the value of their firm over the previous 3 years in comparison to other companies in the same industry (5 point scale)	Phone interview	2000
Sales from new customers	Share of the sales in 2000 coming from customers which the firm did not have 3 years before	Mail questionnaire	2000
Sales from new product/services	Share of the sales in 2000 coming from products/services which the firm did not have 3 years before	Mail questionnaire	2000
Sales from new markets	Share of the sales in 2000 coming from geographic markets where the firm did not sell anything 3 years before	Mail questionnaire	2000

Note: SCB, Statistics Sweden.

No high correlations and only three modest correlations are displayed, namely between absolute growth in employees and absolute sales growth, between absolute growth in employees and employees growth rate, as well as between ROE and ROA. In addition, a number of patterns of low relationships can be identified.

**Regression Analysis.** Table 5 reports the results of the OLS multiple regression analysis to investigate whether different measures of business growth yield different results. Each measure of business growth was regressed on a set of variables identified by prior research as contributing to growth.

These analyses show that different measures of business growth have different predictors.<sup>4</sup> Consider, for instance, managerial aspects (e.g., generic and specific human capital). All these aspects fail to achieve significance in the models estimating absolute employee growth, absolute sales growth, employee growth rate, and sales growth rate. At the same time, some managerial aspects (CEO's prior experience from same and other industries) are important predictors of sales from new customers, sales from new products, and sales from markets, yet they have a negative effect on the entrepreneurs' perceived growth of their company's value, ROE, and ROA.

4. The R-squares reported in Table 5 are generally low, yet in line with the R-squares reported by Delmar (1997) for similar models. As explained by him, these low figures are mainly the result of the distribution of the dependent variables, since all the measures of business growth departed from normality.

Table 3

### Summary of the Variables Used as Predictors of Business Growth in the Quantitative Study

Variable	Measurement description	Data sources	Data collection point
<b>Managerial aspects</b>			
CEO's age	Age of the CEO	Phone interview	2000
CEO's gender	Dummy variable (0 = female CEO; 1 = male CEO)	Phone interview	2000
CEO's formal business education	Dummy variable (0 = CEO reported not having a formal education in business administration; 1 = CEO reported having a formal education in business administration)	Phone interview	1997
CEO's prior management experience	Dummy variable (0 = CEO reported not having prior management experience; 1 = CEO reported having prior management experience)	Phone interview	1997
CEO's prior experience from same industry	Dummy variable (0 = CEO reported not having prior working experience from the same industry; 1 = CEO reported having prior working experience from the same industry)	Phone interview	1997
CEO's prior experience from other industries	Dummy variable (0 = CEO reported not having prior working experience from another industry; 1 = CEO reported having prior working experience from another industry)	Phone interview	1997
<b>Environmental aspects</b>			
Industry group	Four dummy variables (1 = manufacturing, 2 = professional services; 3 = retail and wholesale; 4 = other services)	SCB	1997
Heterogeneity	Multiple-item scale (three items gauging the differences among products or services)	Mail questionnaire	Fall 1997
<b>Firm aspects</b>			
Firm age	Number of years since the firm was founded	SCB	1997
Major governance type	Dummy variable (0 = part of a business group; 1 = independent)	SCB	1997

Note: SCB, Statistics Sweden.

Overall, the findings from our quantitative study point at two things. Firstly, they confirm the findings by Weinzimmer et al. (1998) and Delmar (1997) that the different growth measures commonly used in empirical studies lead to results that are often not comparable with each other—despite the fact that authors of these studies frequently refer to each others' results, as if they were based on a common understanding of business growth. Thus, divergence in the use of these growth measures will continue to lead to fragmentation in the growth literature, despite some recent attempts to integrate findings into more comprehensive approaches.

Second, our findings suggest that a gap exists between what entrepreneurship scholars define as growth and what practitioners appear to understand as growth. Namely, the correlation matrix in Table 4 shows very low or no significant correlations between the commonly used “objective” measures of growth and the growth measures perceived by practitioners. In addition, the regression analyses presented in Table 5 show that the same independent variables—e.g., CEO prior industry experience—can have a positive effect on some “objective” measures of growth and a negative effect on growth as perceived by practitioners.

Table 4

## Correlations Between Different Measures of Growth

	Mean	Std. deviation	N	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1. Absolute employees growth	8.5151	67.99071	1,685	1										
2. Absolute sales growth	23,615,4717	339,458,34343	1,715	.563(**)	1									
3. Employees growth rate	.1520	1.24250	1,653	.442(**)	.111(**)	1								
4. Sales growth rate	4.7606	180.17653	1,649	.005	.001	.279(**)	1							
5. Profit 2000	5.417	96.0438	1,643	.012	.028	-.015	.003	1						
6. ROE 2000	22.085	212.3403	1,716	-.047	.020	-.048	.010	.131(**)	1					
7. ROA 2000	6.368	35.3588	1,749	.034	.043	.011	.020	.337(**)	.539(**)	1				
8. Growth in firm value	3.53	.881	1,520	.083(**)	.085(**)	.052	-.047	.026	.067(*)	.071(**)	1			
9. Sales from new customers	22.18587	20.213657	1,345	.063(*)	.009	.140(**)	.012	-.052	-.030	-.095(**)	.112(**)	1		
10. Sales from new products/services	12.1180647	18.03250734	1,514	.101(**)	.043	.096(**)	.029	-.057(*)	-.071(**)	-.056(*)	.044	.351(**)	1	
11. Sales from new geographic markets	4.6294781	10.93637551	1,552	.107(**)	.018	.201(**)	-.011	-.058(*)	-.031	-.065(*)	.091(**)	.344(**)	.263(**)	1

\*\* Correlation is significant at the .01 level (two-tailed).

\* Correlation is significant at the .05 level (two-tailed).

Table 5

Results of OLS Multiple Regression Analysis

Variable	Absolute employee growth	Absolute sales growth	Employee growth rate	Sales growth rate	ROE	ROA	Growth of company value	Sales from new customers	Sales from new products	Sales from new markets
Managerial aspects										
CEO age	.05	.02	.03	.03	-.05	-.05	.00	-.01	.06	-.02
CEO gender	-.01	-.01	.02	.04	.02	-.01	.05	.04	.05	.05
CEO education	.01	.02	.02	.02	-.02	.01	-.02	.05	.02	.02
CEO prior management experience	-.02	-.01	.04	.03	.00	-.04	-.02	.06	.05	.05
CEO prior experience from same industry	.03	.02	-.02	-.02	-.08*	.04	-.12**	.01	.14***	.11***
CEO prior experience from other industries	-.01	-.02	.05	.07†	-.08*	-.05	-.05	.16***	.17***	.08*
Firm aspects										
Manufacturing	.12**	.04	-.04	.00	-.07*	.02	-.03	-.07†	.01	-.05
Retail	-.05	-.02	-.04	-.04	-.01	-.02	.00	.08*	.07*	.04
Professional services	.01	.01	-.03	.02	.00	.00	.02	-.07†	-.01	-.06†
Heterogeneity	-.04	.01	-.05†	-.06‡	-.06‡	.00	-.05	.02	.00	-.06
Environmental aspects										
Firm age	-.05	-.02	.03	.03	-.05	-.05	.00	-.01	.06‡	-.02
Independent firm	.05	.02	.02	.04	.02	-.01	.05	.04	.05	.05
R-squared	.03	.004	.02	.02	.01	.005	.01	.06	.05	.03
F	2.86**	.43	1.77†	1.90*	1.20	1.59	1.37	5.03***	4.56***	3.20***

Note: †  $p < .1$ ; \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

A limitation of our study is that we implicitly assume linearity between the different growth measures. While this is similar to the way other studies use these measures, it does not adequately capture business practice. Similar to other growth studies, this choice was due to data availability. Another limitation of our study is that it is based on single respondents. However, as some of the data collection rounds were administered through phone interviews, it could at least be assured that the questions asked were meaningful to the respondents.

To gain a better understanding of the potential gap between how academic scholars and practitioners view business growth, we conducted a qualitative study, which is presented in the next section.

## Qualitative Study

Previous studies have shown large differences in growth outcomes and processes within different kinds of companies (e.g., Reynolds & White, 1997). Following this line of thought, we have conducted an interview study with entrepreneurs from three different types of firms typical of business growth studies, namely young-growth companies, high-growth companies, and continuous-growth companies. Similar to the arguments brought forward by Hanks, Watson, Jansen, and Chandler (1993), we chose these different types of growth firms to capture potential heterogeneity in the understanding of business growth, following a purposeful sampling strategy (Patton, 1990). These three types of companies could be expected to represent maximum variation regarding their experience with growth, processes of growth, as well as managerial, firm, and environmental aspects related to growth, while allowing for the recognition of common patterns within and between groups (cf. Neergaard, 2003, 2007; Patton). Many studies on growth in the entrepreneurship field are based on either young-growth firms or high-growth firms. Young-growth firms are relevant to entrepreneurship as they represent “successful” start-ups, while high-growth firms are of interest because of their contribution to innovation and job creation. Continuously growing firms are less common in entrepreneurship studies, as they—by definition—are older and thereby fall somewhat outside the traditional entrepreneurship domain. They have been added to this study as their growth typically is rather slow, but over long periods of time, and the abundant literature on life cycles suggests different organizational and strategic challenges for this group of companies (e.g., Flamholtz, 1986). Therefore, the sampling of this group of companies follows the more theoretical reasoning that these challenges might also imply a different view on growth (cf. Patton). While we have covered different types of growth companies in terms of velocity and scope, we have not differentiated by company size at start-up (cf. Reynolds & White), and we left out companies that do not grow at all (or only very little).

***Young-Growth Companies.*** The first group consists of young, growth-oriented companies based in the Science Park connected to the authors’ university. This Science Park hosts around 45 entrepreneurial firms. For the sampling, we approached one entrepreneur who has been repeatedly written about in local media as successfully running a young-growth firm. After the interview with this entrepreneur, we asked for suggestions of further interview partners, specifically entrepreneurs in ventures displaying “growth” located in the same Science Park. We continued this snowball-principle based sampling, until no more new names came up, resulting in 10 interviews.



**High-Growth Companies.** To match the first round of interviews in scope, we conducted a second set of interviews with 10 companies in the same Swedish region that all were awarded at least once during the past four years for their high growth in the Swedish gazelle competition. Companies that appeared on the top of the regional list of gazelle companies published in the Swedish business newspaper *Dagens Industri* were contacted. Several authors have pointed out the relevance of studying gazelle firms, as they have been found to contribute greatly to job creation in different economies (e.g., Birch, 1987; Fischer, Reuber, Hababou, Johnson, & Lee, 1997).

**Continuous-Growth Companies.** Despite the fact that different scholars have demanded growth to be studied longitudinally, rather little is known about companies which manage to grow over longer periods of time. As had been discussed previously, most current studies on growth focus on very short periods to investigate which factors might support or hinder business growth, even though there is little reason to assume that generally business growth in one period also predicts future growth. Piloting an organization through the growth process is known to represent a formidable managerial challenge (Hanks et al., 1993, p. 5). Thus, it can be expected that much could be learned from companies which have successfully managed this challenge and still continue to grow. Expressed in the language of life cycle and stage models, these companies are by now established, but still in an expansion stage (e.g., Flamholtz, 1986; Scott & Bruce, 1987). We have interviewed entrepreneurs from 10 companies which have been growing for at least one decade—judged, e.g., by the commonly used growth measures of increasing numbers of employees, sales, or profits. These companies were sampled from those 30 companies that had received a prize for their high growth in the early 1990s and had displayed continuous growth since then.

The interviews lasted between 45 and 120 minutes, and focused around the entrepreneur's perceptions of what growth means and the importance of growth for their own firm. In those companies founded by a team, interviews were typically held with two to three members of the founding team.

In order to achieve a more structured presentation of the 30 interviews, we used an analysis inspired by Ragin (1987). This analysis combines the intensity of information gathered through case study research with the additional advantage of examining larger number of cases (Ragin & Zaret, 1983). We have compiled some key findings from the interviews in Table 6. Of course, we do not suggest generalizability of these results in a statistical sense. Rather, the aim with this explorative study is to achieve analytical generalizability of a set of results to contribute to the existing growth literature (Yin, 1989, pp. 43–44).

## **Results of the Qualitative Study**

Two major themes emerged from these interviews. We will present and discuss these two themes and different issues subsumed under the themes that follow. The first theme refers to using a process view on growth and the importance of internal development. Here, the intricate relationships between different aspects of growth become evident and highlight the nature of growth as a multidimensional and complex process. The second theme refers to the (lack of) relevance of some commonly used growth measures to entrepreneurial practice. The discussion of these themes will then, in the final section of this paper, lead us to propose some ways of studying growth that might be more relevant to practice.

Table 6

The Relevance of Growth for Three Different Types of Companies

	Young-growth companies ( YGC)	High-growth companies (HGC)	Continuous-growth companies (CGC)
Total number of interviews	10	10	10
Relevance of			
Sales growth	7	8	9
Employment growth	3	5	5
Profit growth/profitability	6	6	8
Asset growth	2	1	2
Company value	7	7	6
Internal development	8	6	8

(The numbers in the table refer to the number of entrepreneurs who have mentioned each respective growth aspect as relevant.)

**Theme 1: Using a Process View on Growth and the Importance of Internal Development.** One of the most intriguing results—which is, moreover, consistent across all three groups of companies in our sample though most relevant for young- and continuous-growth firms—is the relevance attributed to the process of growth—often referred to as a process of internal development (see Table 6).

“Growth for me means creating the result. That is the core.” (Founder/CEO, YGC6).

Many entrepreneurs stated that this process of growth was as important or even more crucial than the growth outcome as such, as without that process no growth in terms of outcome would occur.

“For being able to employ more people in response to an increase in sales while remaining profitable at the same time, we have to develop the company internally. We need better internal processes, we need to improve our products—it lies in the notion of growth that internal development is the key. . . . Development is the basis of growth.” (Founder/CEO, CGC2)

While internal development might lead to growth as an outcome in terms of higher profit or sales, somewhat surprisingly this kind of growth was not always seen as an end in itself. Internal development consists of several aspects, such as competence identification and development, establishing cost efficient organizing practices, and establishing a professional sales process.

“Internal development is incredibly important, more important than anything else—product development, market communication, process development.” (Founder/CEO, CGC4)

This process view on growth sharply contrasts with the measures of size used by entrepreneurship and other business scholars to investigate growth. Instead of sharing a view on growth as an outcome, which could be operationalized into dependent variables, growth is—speaking in methodological terms—rather seen as an independent or intermediary variable. The relevance of growth as a process is not a new insight. Already Penrose

(1959, p. 88) stated that “growth is a process, size is a state” and that “size is but a by-product of the process of growth” (p. 2). Nonetheless, entrepreneurship research has largely ignored the importance that entrepreneurs attribute to growth as a process and as internal development. The frustration with previous research and policy makers that a number of entrepreneurs expressed, namely that “nobody was interested in what growth really means to them,” becomes understandable.

The complexity and multidimensionality which characterize growth processes are demonstrated by the fact that no coherence exists in the perception of which “variables” are dependent, independent, or mediating. A crucial challenge for the future study of growth lies in how to capture this complexity and multidimensionality, e.g., by not treating growth as dependent variable but as intermediary variables while studying other outcomes, such as the improvement of performance.

***Theme 2: The (lack of) Relevance of Some Commonly Used Growth Measures to Entrepreneurial Practice.*** The importance attributed to growth as a process and as internal development does not mean that practitioners would neglect or disregard outcome measures. As evident from the earlier examples, the description of the process of growth was often related to both internal development *and* a number of the commonly used outcome measures of growth. Nevertheless, while a number of entrepreneurs saw some of the commonly used outcome measures of growth as important, there was substantial heterogeneity in which outcome measures they saw as most crucial (see Table 6). The entrepreneurs did not agree on which measures would be most important and often a combination of different measures was seen as relevant—within these combinations sales, profitability, and company value were mentioned most often.

“A balance between growth in sales, profitability and value—these three dimensions need to be developed simultaneously.” (Founder/CEO, CGC7)

“To increase in sales and in profit is important in order to increase the company value.” (Founder/CEO, HGC2)

Within the heterogeneity of (outcome) measures of growth perceived as most relevant certain additional patterns appear. Which measures the entrepreneurs saw as relevant seems to depend on the ownership structure (e.g., fully privately owned by one or by several people, family-owned, or [partly] owned by external shareholders such as venture capitalists) as well as the long-term aspirations for the company. Generally, but especially for entrepreneurs planning for an exit, the increase in company value was seen as highly relevant. Yet, only rather few entrepreneurs did state to plan for an exit, and this seemed to be more likely to be the case when the venture was founded by a team, was a high-tech company, relied on external financing, or employed an external CEO. In the family firms in our sample, the most important aim was to ensure going concern and prepare for a “successful future” by reinvesting profits. In order to increase the reinvestment, family members active in the company often took out salaries below market standard. Those entrepreneurs who did not plan for an exit tended to display much responsibility for their local community and their employees—which naturally is more common among the more established high-growth firms and continuous-growth firms.

Here, it becomes evident again that even though (combinations of) measures such as sales and profit were considered important, they were often not perceived as growth as such. Rather, they were seen as intermediary variables that might lead to higher company value. Consequently, an increase in company value was typically seen as the most important outcome variable.

“We aim to build company value in a company that continuously develops.” (Founder/CEO, HGC5)

“When talking about growth, for me it is important that as an entrepreneur I must have the possibility to take out the value that I created and start something new. . . . Growth from an ownership perspective it is the increase in company value.” (Team founder/Member of the top management team, YGC2)

Interestingly, “increase in company value” is typically used as operationalization of growth in the few studies relying on perceived measures. Even in our quantitative study presented previously, we included this variable as perceived measure of growth and found no statistically relevant correlation with the “objective” measures of growth. This might suggest that despite the current criticism against “subjective” measures of growth, these have a previously unconsidered advantage—namely their practical relevance as perceived by practitioners—and should be reassessed in their value for future growth studies. However, the use of perceived measures of growth can be problematic for a different reason. Many of the interviewed entrepreneurs of the high-growth firms and continuous-growth firms talked about how their growth aspirations had changed much over time—mainly because as a result of achieved growth, they dared to grow more after having gained substantial experience in running the business. This points at another potential problem of the few growth studies using perceived measures—namely studies of growth willingness/aspiration. These studies tend to ask entrepreneurs about whether and how much they would like to expand their businesses and conclude that those entrepreneurs who claim to aspire to higher growth tend to expand their businesses more. From our interviews, it became evident that growth willingness/aspiration is dynamic in itself, changing over time.

“If I look back to the time when I started—I would have never dreamt of running a company as big as we are today. I would have been scared. But I learned by doing, step by step, and today it feels very natural to be running and further expanding this company.” (Founder/CEO, HGC3)

While in the previous example, experience with running a growing company led to greater willingness to expand the company further, this might not always be the case. For example, entrepreneurs running a growth company might decide that a certain size was the limit, and that they would rather start another company to test out a new business idea. Research on growth aspirations might be well advised to try to capture these dynamics.

How entrepreneurs view an increase in employment appears to be rather drastically different from what politicians would like to see. Most of the interviewed entrepreneurs did not view an increase in number of employees as an aim in itself. Rather, they would prefer to rely on networking models of work and on virtual organizing when possible, to avoid hiring new personnel.

“Growth for us has little to do with the number of employees. We work with networks, we hire people. The traditional view of having to employ people does not really match our reality. And we don’t even have the aim of employing more people. . . . The traditional discussion around growth as related to the number of employees is a line of reasoning that for many new companies is no longer relevant.” (CEO/Founder, YGC4)

“It is important to have enough employees to have all competencies in-house which are needed to establish a solid basis for the company. But having 25 employees sitting around is no aim in itself. It is cool to provide employment to people, but I believe that many entrepreneurs share my attitude that it is not that important to have further

employees. Rather we can find partners for cooperation—I help someone and get something back next time. But to increase the number of employees is not important. (Founder/CEO, HGC4)

“It isn’t growth in number of employees which is interesting for us. That can be an indicator that we are on the right track, and it feels good. But we would actually prefer not to have any employees at all. Our ideal would be to generate sales without employees. Then we would be very happy. Unfortunately, it doesn’t work this way.” (Founder/CEO, HGC8)

While the entrepreneurs naturally understand the political and public importance attributed to job creation, they still often do not appreciate the focus of policy makers and researchers on this issue. This focus overlooks that for this kind of company providing employment is perceived as risky, and it is highly personalized in that entrepreneurs are typically much closer linked to the personal fates of their employees and the potential dramas caused when having to lay off people. The entrepreneur’s view on increasing employment appears to be dependent on the context of the respective business. For example, external pressure exercised by the need to be recognized by peers within the profession or the reputation within the local community seem to have an impact on the attitude towards creating new jobs.

The findings of this study must be viewed in light of its limitations. First, our literature review focuses on four leading entrepreneurship journals, while, of course, other relevant outlets for research on business growth also exist. As these four journals play a major role in building opinion and informing further research in the entrepreneurship field, it seemed important to conduct a comprehensive review of a limited number of journals, as it would be nearly impossible to review the entire literature on business growth. Moreover, empirical growth studies published in general management journals often draw on larger firms, based on high-level indicators of aggregate financial data for the entire company, which deliver rather little insights into the complexity and multidimensionality of the growth process. Also, the larger the companies studied, the more focus tends to be put on external expansion modes rather than organic growth. Second, both our quantitative and qualitative studies were based on Swedish companies, and thus, our findings might not be replicable in all countries. Even though our quantitative study was based on a sample representative of Swedish SMEs, our main aim with this paper is exploratory, and we are striving for analytical rather than statistical generalization (Yin, 1989, pp. 43–44).

## **Conclusions and Implications**

In this paper, we first outlined how business growth is typically studied and pointed at some difficulties involved when studying growth. In the subsequent quantitative and qualitative study we then problematized the gap that exists between how growth is discussed and measured in entrepreneurship studies and how it is perceived by entrepreneurs themselves. As entrepreneurship is a practitioner-oriented field, we believe that this gap matters. Presently, entrepreneurs—as the enactors of business growth—are not given the central role they deserve, though they decide whether to grow their businesses or not. Instead, entrepreneurship research largely takes the major interest in those outcome measures which can be most easily assessed and operationalized, while the public and political expectation on entrepreneurs is limited to increasing the number of employees. As a result, the multidimensionality and complexity of growth processes are hardly captured, and the relevance of growth as internal development, leading to an increase in

company value, has not found much scholarly or policy attention so far. Internal development appears to be an important indicator for entrepreneurs that their businesses are in fact growing and that their efforts are paying off. Internal development can be constituted of many different activities, which are often related to developing the range and quality of products, developing the resource base, and building a stronger organization, including an efficient work organization. This could, e.g., be measured by obtaining certification according to ISO standards or by the number of hours spent on staff qualification activities. In the eyes of entrepreneurs, internal development appears to be directly related to value generation—e.g., the development of intellectual property, which could be measured in numbers of patents, directly increases the company's value on the market.

Of course, the question arises whether the heterogeneity in perspectives on growth outlined in this paper matters. We argue that it does, as we view a gap between perceptions of study object and subject as problematic, especially if the existence of such a gap is not acknowledged. For example, many studies take an increase in employment as an indicator of whether a company is growing successfully or not and derive practical implications—on how firms could manage better to employ more people—even though many entrepreneurs have a much more skeptical view on employment, as outlined previously. Thus, our study concludes that all researchers and policy makers need to rethink and make explicit what they mean when saying “business growth,” as we cannot just assume that we are all talking about the same thing.

What, then, are the implications of our findings for the study of business growth? Despite our criticism of some quantitative work conducted in the field, we believe that more quantitative work is needed—only that it should be better designed and executed. The choice and operationalization of growth variables should: (1) be clearly based on the theoretical reasoning driving the study; (2) should carefully consider whether the suggested outcome variable really represents an outcome or rather an intermediary or independent variable; (3) be meaningful and relevant to practitioners; and (4) be critically reflected upon. Quantitative studies should consider the heterogeneity of firms and the impact this might have on business growth—some examples of important factors, such as ownership structure, financing, or future plans, were provided earlier.

In addition, more qualitative research is needed to better understand some aspects of growth that so far have been largely neglected, but also to gain new insights into aspects of growth which have largely been studied without carefully considering practitioners' perspectives. Our interviews illustrated that qualitative research might contribute to deriving results more meaningful and relevant to practitioners. In the course of those interviews the multidimensionality and complexity of the growth process could be grasped through the entrepreneurs' statements regarding growth, which typically became more elaborate as the interviews progressed. At the beginning of the interviews, entrepreneurs would typically provide some kind of simple, textbook-like definition of growth, while elaborating their views on business growth in much more detail later on. Imagine that the same entrepreneurs had responded to the typical written mail questionnaire regarding the growth of their businesses. The information obtained by the researcher would probably have been limited to information comparable to the very first, simple statement about growth made. Thus, in addition to the well-known issue of social desirability in providing certain answers, some kind of “research desirability” might exist—namely, giving answers that are assumed to be close to what the researcher might want to hear. In quantitative studies, this problem could partly be handled by surveying multiple respondents in each company. However, qualitative studies allow spending enough time interviewing or observing entrepreneurs (or, employing alternative research methods) to gain a more comprehensive picture of the phenomenon of interest.

One issue considered crucial by the entrepreneurs is clearly calling for more research on the interplay of the different growth aspects. While different studies, including our quantitative study reported earlier, have pointed out that different growth measures are not highly statistically correlated, relationships still exist between them. Quantitatively oriented authors have suggested a rather easy way out, namely the use of composite measures in order to avoid the disadvantages of individual growth measures, such as increase in sales or employment. While this suggestion indeed avoids some of the problems associated to single measures, it leads to an even higher level of averaging out the heterogeneity of growth in different companies—as the results are even further away from the individual firm (which might in fact strive to avoid “scoring high” on one or more of the growth measures, such as growth of numbers of employees). This procedure would hardly improve our understanding of the specificities of complex and multidimensional growth processes. A better solution might be the one suggested by Delmar (1997), namely to report results along a range of different growth indicators. If such a procedure is in line with the mission of the study and clearly explained in the paper, it will hopefully become a widely accepted approach in future publications.

Our qualitative study suggests that using different measures for different kinds of companies (e.g., depending on the ownership or finance structure) might be a fruitful solution for quantitative studies to come closer to entrepreneurial practice. In addition, triangulation through employing a mixed methods design could reveal insights which might otherwise be overlooked. And, more qualitative research is needed to explore the relationships between the different aspects and measures of growth in the first place, as well as their relationship to internal development processes and other management and organizing processes. Only then might we get closer to an understanding of the complex and multidimensional processes of business growth. This would also include a research focus on the role of internal development, which in our qualitative study was pointed out as an important aspect of business growth. A search in the main entrepreneurship journals about the notion of internal development yielded no useful results. Our results suggest that different dimensions of growth might be relevant for different companies in different settings. While we have made some tentative suggestions about such dimensions, more research is needed that, e.g., grasps the impact of individual as well as cultural differences.

With this paper, we aimed to take a first step towards a more practice- and practitioner-oriented perspective on business growth. More research is clearly needed to investigate in more detail the issues identified as critical in this paper.

## REFERENCES

(References marked with (\*) were assessed for the literature review, but are not referred to in the text otherwise.)

\*Abetti, P.A. (1997). The birth and growth of Toshiba's laptop and notebook computers: A case study in Japanese corporate venture. *Journal of Business Venturing*, 12, 507–529.

\*Alsos, G.A., Espen, J.I., & Ljunggren, E. (2006). New venture financing and subsequent business growth in men- and women-led businesses. *Entrepreneurship Theory and Practice*, 30, 667–686.

\*Amit, R., MacCrimmon, K.R., Zietsma, C., & Oesch, J.M. (2000). Does money matter? Wealth attainment as the motive for initiating growth-oriented technology ventures. *Journal of Business Venturing*, 16, 119–143.

- \*Antoncic, B. & Hisrich, R.D. (2001). Intrapreneurship: Construct refinement and cross-cultural validation. *Journal of Business Venturing*, 15, 495–527.
- Avolio, B.J., Yammarino, F.J., & Bass, B.M. (1991). Identifying common methods variance with data collected from a single source: An unresolved sticky issue. *Journal of Management*, 17, 571–587.
- \*Baines, S. & Wheelock, J. (1998). Working for each other: Gender, the household and micro-business survival and growth. *International Small Business Journal*, 17, 16–35.
- \*Bamford, C.E., Dean, T.J., & Douglas, T.J. (2004). The temporal nature of growth determinants in new bank foundings: Implications for new venture research design. *Journal of Business Venturing*, 19, 899–919.
- \*Barringer, B.R. & Greening, D.W. (1998). Small business growth through geographic expansion: A comparative case study. *Journal of Business Venturing*, 13, 467–492.
- \*Barringer, B.R., Jones, F.F., & Neubaum, D.O. (2005). A quantitative content analysis of the characteristics of rapid-growth firms and their founders. *Journal of Business Venturing*, 20, 663–687.
- Birch, D.L. (1987). *Job creation in America: How our smallest companies put the most people to work*. New York: The Free Press.
- Blundel, R. (2002). Network evolution and the growth of artisanal firms: A tale of two regional cheese makers. *Entrepreneurship and Regional Development*, 14, 1–30.
- \*Bruton, G.D. & Rubanik, Y. (2002). Resources of the firm, Russian high-technology startups, and firm growth. *Journal of Business Venturing*, 17, 553–576.
- \*Carpentier, C. & Suret, J.-M. (2006). Bypassing the financial growth cycle: Evidence from capital pool companies. *Journal of Business Venturing*, 21, 45–73.
- \*Cassar, G. (2006). Entrepreneur opportunity costs and intended venture growth. *Journal of Business Venturing*, 21, 610–632.
- \*Cassar, G. (2007). Money, money, money? A longitudinal investigation of entrepreneur career reasons, growth preferences and achieved growth. *Entrepreneurship and Regional Development*, 19, 89–107.
- Chandler, G.N. & Hanks, S.H. (1993). Measuring the performance of emerging businesses: A validation study. *Journal of Business Venturing*, 8, 391–408.
- \*Chetty, S. & Campbell-Hunt, C. (2003). Explosive international growth and problems of success amongst small to medium-sized firms. *International Small Business Journal*, 21, 5–17.
- \*Clark, D., Berkeley, N., & Steuer, N. (2001). Attitudes to growth among owners of small and medium sized enterprises and the implications for business advice: Some evidence from the clothing industry in Coventry. *International Small Business Journal*, 19, 72–77.
- Cliff, J.E. (1998). Does one size fit all? Exploring the relationship between attitudes towards growth, gender, and business size. *Journal of Business Venturing*, 13, 523–542.
- \*Covin, J.G., Green, K.M., & Slevin, D.P. (2006). Strategic process effects on the entrepreneurial orientation—sales growth rate relationship. *Entrepreneurship Theory and Practice*, 30, 57–81.
- \*Covin, J.G., Slevin, D.P., & Heeley, M.B. (1999). Pioneers and followers: Competitive tactics, environment, and firm growth. *Journal of Business Venturing*, 15, 175–210.
- Crick, D., Chaudhry, S., & Batstone, S. (2000). Revisiting the concentration versus spreading debate as a successful export growth strategy: The case of UK SMEs exporting agricultural-related products. *Entrepreneurship and Regional Development*, 12, 49–67.



- Davidsson, P. (1989). *Continued entrepreneurship and small firm growth*. Doctoral dissertation. Stockholm: Stockholm School of Economics.
- Davidsson, P. (2004). *Researching entrepreneurship*. Boston: Springer.
- Davidsson, P., Delmar, F., & Wiklund, J. (2006). *Entrepreneurship and the growth of firms*. Cheltenham, U.K.: Edward Elgar.
- Davidsson, P. & Wiklund, J. (2000). Conceptual and empirical challenges in the study of firm growth. In D. Sexton & H. Landström (Eds.), *Handbook of entrepreneurship* (pp. 26–44). Oxford: Blackwell Publishers.
- \*Davila, A., Foster, G., & Gupta, M. (2003). Venture capital financing and the growth of startup firms. *Journal of Business Venturing*, 18, 689–708.
- Delmar, F. (1996). *Entrepreneurial behavior and business performance*. Doctoral dissertation. Stockholm: Stockholm School of Economics.
- Delmar, F. (1997). Measuring growth: Methodological considerations and empirical results. In R. Donckels & A. Miettinen (Eds.), *Entrepreneurship and SME research: On its way to the new millennium* (pp. 199–216). Aldershot, U.K.: Ashgate.
- Delmar, F., Davidsson, P., & Gartner, W.B. (2003). Arriving at the high-growth firm. *Journal of Business Venturing*, 18, 189–216.
- \*Dutta, D.K. & Thornhill, S. (2008). The evolution of growth intentions: Towards a cognition-based model. *Journal of Business Venturing*, 23, 307–332.
- Fischer, E., Reuber, A.R., Hababou, M., Johnson, W., & Lee, S. (1997). The role of socially constructed temporal perspectives in the emergence of rapid-growth firms. *Entrepreneurship Theory and Practice*, 22, 13–30.
- Flamholtz, E.G. (1986). *Managing the transition from an entrepreneurship to a professionally managed firm*. San Francisco, CA: Jossey-Bass.
- \*Freel, M.S. & Robson, P.J.A. (2004). Small firm innovation, growth and performance: Evidence from Scotland and Northern England. *International Small Business Journal*, 22, 561–575.
- \*Gilman, M.W. & Edwards, P.K. (2008). Testing a framework of the organization of small firms: Fast growth, high-tech SMEs. *International Small Business Journal*, 26, 531–558.
- \*Gundry, L.K. & Welsch, H.P. (2000). The ambitious entrepreneur: High growth strategies of women-owned enterprises. *Journal of Business Venturing*, 16, 453–470.
- Gupta, A.K. & Govindarajan, V. (1984). Business unit strategy, managerial characteristics, and business unit effectiveness as a strategy implementation. *Academy of Management Journal*, 27, 25–41.
- Hanks, S.H., Watson, C.J., Jansen, E., & Chandler, G.N. (1993). Tightening the life-cycle construct: A taxonomic study of growth stage configurations in high-technology organizations. *Entrepreneurship Theory and Practice*, 18, 5–30.
- \*Johnsen, G.J. & McMahon, R.G.P. (2005). Owner-manager gender, financial performance and business growth amongst SMEs from Australia's Business Longitudinal Survey. *International Small Business Journal*, 23, 115–142.
- \*Jones, O., Macpherson, A., & Woollard, D. (2008). Entrepreneurial ventures in higher education: Analyzing organizational growth. *International Small Business Journal*, 26, 683–708.
- Johnson, G., Melin, L., & Whittington, R. (2003). Guest editors' introduction. Micro strategy and strategizing: Towards an activity-based view. *Journal of Management Studies*, 40, 3–22.

- \*Kangasharju, A. (2000). Growth of the smallest: Determinants of small firm growth during strong macro-economic fluctuations. *International Small Business Journal*, 19, 28–43.
- \*Kirchhoff, B.A., Newbert, S.L., Hasar, I., & Armington, C. (2007). The influence of university R&D expenditures on new business formations and employment growth. *Entrepreneurship Theory and Practice*, 31, 543–559.
- Koeller, C.T. & Lechler, T.G. (2006). Economic and managerial perspectives on new venture growth: An integrated analysis. *Small Business Economics*, 26, 427–437.
- \*Lafont, F. & Shaw, K.L. (1998). Franchising growth and franchisor entry and exit in the U.S. market: Myth and reality. *Journal of Business Venturing*, 13, 95–112.
- Lau, C.-M. & Busenitz, L.W. (2001). Growth intentions of entrepreneurs in a transitional economy: The People's Republic of China. *Entrepreneurship Theory and Practice*, 26, 5–19.
- \*LeBrasseur, R., Zanibbi, L., & Zinger, T.J. (2003). Growth momentum in the early stages of small business start-ups. *International Small Business Journal*, 21, 315–330.
- \*Lechner, C. & Dowling, M. (2003). Firm networks: External relationships as sources for the growth and competitiveness of entrepreneurial firms. *Entrepreneurship and Regional Development*, 15, 1–26.
- \*Liao, J., Welsch, H., & Stoica, M. (2003). Organizational absorptive capacity and responsiveness: An empirical investigation of growth-oriented SMEs. *Entrepreneurship Theory and Practice*, 28, 63–85.
- \*Majumdar, S.K. (2004). The hidden hand and the license raj to an evaluation of the relationship between age and the growth of the firms in India. *Journal of Business Venturing*, 19, 107–125.
- \*Majumdar, S.K. (2007). Private enterprise growth and human capital productivity in India. *Entrepreneurship Theory and Practice*, 31, 853–872.
- \*Manolova, T.S., Carter, N.M., Manev, I.M., & Gyoshev, B.S. (2007). The differential effect of men and women entrepreneurs' human capital and networking on growth expectancies in Bulgaria. *Entrepreneurship Theory and Practice*, 31, 407–426.
- \*Markman, G.D. & Gartner, W.B. (2002). Is extraordinary growth profitable? A study of Inc. 500 high-growth companies. *Entrepreneurship Theory and Practice*, 27, 65–75.
- McMahon, R.G.P. (2001a). Growth and financial profiles amongst manufacturing SMEs from Australia's business longitudinal survey. *Entrepreneurship Theory and Practice*, 26, 51–61.
- \*McMahon, R.G.P. (2001b). Growth and performance of manufacturing SMEs: The influence of financial management characteristics. *International Small Business Journal*, 19, 10–28.
- \*Moran, P. (1998). Personality characteristics and growth orientation of the small business owner-manager. *International Small Business Journal*, 16, 17–38.
- \*Moreno, A.M. & Casillas, J.C. (2007). High-growth SMEs versus non-high-growth SMEs: A discriminant analysis. *Entrepreneurship and Regional Development*, 19, 69–88.
- Neergaard, H. (2003). The process of entrepreneurship: A managerial and organisational journey. In C. Steyaert & D. Hjorth (Eds.), *New movements in entrepreneurship I* (pp. 160–176). Cheltenham, U.K.: Edward Elgar.
- Neergaard, H. (2007). Sampling in entrepreneurial settings. In H. Neergaard & J. Ulhoi (Eds.), *Handbook of qualitative research methods in entrepreneurship* (pp. 253–278). Cheltenham, U.K.: Edward Elgar.
- \*Nelson, T. & Levesque, L.L. (2007). The status of women in corporate governance in high-growth, high-potential firms. *Entrepreneurship Theory and Practice*, 31, 209–232.

- OECD (2002). *Small and medium enterprise outlook*. Paris: Organization for Economic Co-operation and Development (OECD).
- \*Park, S. & Bae, Z.T. (2004). New venture strategies in a developing country: Identifying a typology and examining growth patterns through case studies. *Journal of Business Venturing*, 19, 81–105.
- Patton, M.Q. (1990). *Qualitative evaluation and research methods* (2nd ed.). Thousand Oaks, CA: Sage Publications.
- Penrose, E.T. (1959). *The theory of the growth of the firm* (3rd ed.). New York: Oxford University Press.
- \*Pissarides, F. (1999). Is lack of funds the main obstacle to growth? EBRD's experience with small- and medium-sized businesses in Central and Eastern Europe. *Journal of Business Venturing*, 14, 519–539.
- Podsakoff, P.M. & Organ, D.W. (1986). Self-reports in organization research: Problems and prospects. *Journal of Management*, 12, 531–544.
- Ragin, C. (1987). *The competitive method: Moving beyond qualitative and quantitative strategies*. London: University of California Press.
- Ragin, C. & Zaret, C. (1983). Theory and method in comparative research: Two strategies. *Social Forces*, 61, 731–785.
- \*Rauch, A., Frese, M., & Utsch, A. (2005). Effects of human capital and long-term human resources development and utilization on employment growth of small-scale businesses: A causal analysis. *Entrepreneurship Theory and Practice*, 29, 681–698.
- \*Reuber, A.R. & Fischer, E. (2002). Foreign sales and small firm growth: The moderating role of the management team. *Entrepreneurship Theory and Practice*, 27, 29–45.
- Reynolds, P. & White, S.B. (1997). *The entrepreneurial process: Economic growth, men, women, and minorities*. Westport, CT: Quorum Books.
- \*Rosa, P. (1998). Entrepreneurial processes of business cluster formation and growth by “habitual” entrepreneurs. *Entrepreneurship Theory and Practice*, 22, 43–64.
- \*Rosa, P. & Scott, M.E. (1999). The prevalence of multiple owners and directors in the SME sector: Implications for our understanding of start-up and growth. *Entrepreneurship and Regional Development*, 11, 21–37.
- \*Sapienza, H.J., Parhankangas, A., & Autio, E. (2001). Knowledge relatedness and post-spin-off growth. *Journal of Business Venturing*, 19, 809–829.
- \*Sexton, D.L., Upton, N.B., Wacholtz, L.E., & McDougall, P.P. (1997). Learning needs of growth-oriented entrepreneurs. *Journal of Business Venturing*, 12, 1–8.
- Scott, M. & Bruce, R. (1987). Five stages of growth in small business. *Long Range Planning*, 20, 45–52.
- Slevin, D.P. & Covin, J.G. (1997). Time, growth, complexity, and transitions: Entrepreneurial challenges for the future. *Entrepreneurship Theory and Practice*, 22, 53–68.
- Stanworth, J., Stanworth, C., Watson, A., Purdy, D., & Healeas, S. (2004). Franchising as a small business growth strategy: A resource-based view of organizational development. *International Small Business Journal*, 22, 539–559.
- \*Thakur, S.P. (1999). Size of investment, opportunity choice and human resources in new venture growth: Some typologies. *Journal of Business Venturing*, 14, 283–309.

\*Tregear, A. (2005). Lifestyle, growth, or community involvement? The balance of goals of UK artisan food producers. *Entrepreneurship and Regional Development*, 17, 1–15.

Watson, W., Stewart, H.W. Jr, & BarNir, A. (2003). The effects of human capital, organizational demography, and interpersonal processes on venture partner perceptions of firm profit and growth. *Journal of Business Venturing*, 18, 145–164.

Weinzimmer, L.G., Nystrom, P.C., & Freeman, S.J. (1998). Measuring organizational growth: Issues, consequences and guidelines. *Journal of Management*, 24, 235–262.

Whetten, D.A. (1987). Organizational growth and decline processes. *Annual Review of Sociology*, 13, 335–358.

Whittington, R. (2003). The work of strategizing and organizing: For a practice perspective. *Strategic Organization*, 1, 117–125.

Wiklund, J. (1998). *Small firm growth and performance—Entrepreneurship and beyond*. Jönköping: Jönköping International Business School.

Wiklund, J., Davidsson, P., & Delmar, F. (2003). What do they think and feel about growth? An expectancy-value approach to small business managers' attitudes toward growth. *Entrepreneurship Theory and Practice*, 27, 247–270.

Wiklund, J., Patzelt, H., & Shepherd, D.A. (2009). Building an integrative model of small business growth. *Small Business Economics*, 32, 351–374.

\*Yim, H.R. (2008). Quality shock vs. market shock: Lessons from recently established rapidly growing U.S. start-ups. *Journal of Business Venturing*, 23, 141–164.

Yin, R.K. (1989). *Case study research: Design and methods*, revised edition. Thousand Oaks, CA: Sage Publications.

---

Leona Achtenhagen is Professor of Entrepreneurship and Company Development and Assistant Director of the MMTC Media Management and Transformation Centre at Jönköping International Business School.

Lucia Naldi is a post-doctoral research fellow at Jönköping International Business School.

Leif Melin is Professor of Strategy and Organization and founding Director of the CeFEO Center for Family Enterprise and Ownership at Jönköping International Business School.

The authors thank the Tom Hedelius and Jan Wallander Foundation for the financing of this research. The first author thanks the faculty at Queensland University of Technology for their hospitality.