An Ambition to Grow

A multidisciplinary perspective on the antecedents of growth ambitions

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Executive summary

This report tries to gain insight in the willingness or ambition to grow of a small business owner. The main question of this report is therefore: Which factors influence the ambition to grow a business?

Firm growth is a process where the firm changes from a small, informal, simple and unstructured firm to a bigger, often more formal, complex and structured organization. Often a firm starts (very) small and needs to grow to a certain size to become economic viable (e.g. the minimum efficient scale). From that point onwards, the small business owner has the freedom to grow the business or not. Not every small business owner wants to grow. This can be caused by the reluctance to the changes that the role of the small business owner and firm undergo during the growth of the organization.

To examine the ambition to grow an economic and a psychological perspective is given in this study. The economic decision theory builds on the concept of rationality. The small business owner calculates the expected utility of all alternatives/prospects by assigning a utility or value to the consequences of the different alternatives of growth. In contrast, the bounded rationality theory takes the view that individuals satisfies rather than optimize their decision and that decision making can not be understood if there is not accounted for the limited ability of men to evaluate all alternatives and for the complexity and uncertainty of the growth situation. The bounded rationality theory and the prospect theory give a good description of the decision process. However, the decision maker and their preferences are disregarded in the economic theory.

The psychological perspective focuses on the person and their preferences. The models of Ajzen and Fishbein are based on the one-dimensional view where the cognition, affection and conation are causally linked, the theory of reasoned action. The small business owner has certain believes of performing firm growth. These beliefs are evaluated and form an attitude towards conducting firm growth. Besides this attitude, the person’s perception of what the social environment thinks about performing a particular behavior is included, the so called social norm. The attitude and the social norm towards growth are linked to the intention to grow the firm. To further develop the theory of reasoned action, the concept of behavioral control is added (the theory of planned behavior). The perceived behavioral control is the degree in which the small business owner thinks he can control growth. The attitude, social norm and the perceived behavioral control towards conducting growth can explain and predict the intention to grow.

In this research report a growth ambition typology is developed on the basis of the economic, psychological and the life-cycle perspective. There are 4 types of small business owners distinguished: the ‘must grower’, the ‘proactive grower’, the ‘reactive grower’ and the ‘non-grower’. Until the small business firm is economic viable the firm must grow. The small business owner is therefore categorized as a ‘must grower’. When the firm is economic viable the small business owner has the choice to grow. The proactive grower searches actively for growth by looking for new opportunities while the reactive grower is more passive and needs an external stimulus to grow. The non-grower does not want to grow the business because growth interferes with the preferences of the small business owner.

To explain the growth ambitions of a business owner, a conceptual framework is developed that addresses the factors that influence the growth ambition (see figure 1). The antecedents towards the growth ambition are based on the theory of planned behavior. These are supplemented by personal and demographic variables addressed in the empirical literature. The personality traits that are addressed are widespread in entrepre-
neurship research but are not often explicitly linked towards the ambition to grow. Capabilities and skill have an empirical ground but there is no consensus of the direction of the relation between these variables and the ambition to grow. For instance, it is not clear so far if the relation between gender and the ambition to grow is a direct relationship or if it is mediated by perceived behavioral control. The age of the small business owner is negatively related to the ambition to grow; only the underlying reasons vary. In the conceptual framework also the link between the ambition to grow and actual growth is given. It is assumed that the growth ambition determines the growth strategy of the small firm. The strategy has to fit with the opportunity and the resource or ability of the firm, which also play a moderating role in the relation between the ambition to grow and actual growth.

figure 1 A conceptual framework concerning the ambition of firm growth
1 Introduction

The small business owner plays a central role in a small business. He determines predominantly the decisions and actions taken by the small business. It is thus plausible that the small business owner plays a main role in the decision towards growth. Therefore it is not surprising that the small business owner ambition towards growth plays a significant role in the explanation of firm growth according to the academic literature and EIM reports (Baum et al., 2001; Bellu and Sherman, 1995; Davidsson, 1991; Gibcus and Kemp, 2003; Kemp and Verhoeven, 2002; Kolvereid and Bullvåg, 1996; Miner et al., 1994; Mok and van den Tillaart, 1990; Philipsen and Kemp, 2003; Wiklund and Shepherd, 2003). In the mainstream economic literature the economic motive of the firm is taken for granted. While growth is associated with a high pay-off it is to be expected that the majority of small business owners strive for growth. However, a study of Mosselman et al. (2002) shows that only 16% of the small business owners in the Netherlands have growth as most important objective. For many business owners the growth of their business is not even an objective (Delmar, 1996; Gundry and Welsch, 2001; Storey, 1994). A more differentiated view in the arrival at the ambition to grow is therefore more appropriate. Relatively little research has been done towards the ambition to grow of small business owners. Therefore EIM launched the project “Antecedents of an ambition to grow” that have to shed a light on the ambition to grow. With insight in the ambition to grow policymakers maybe can influence or stimulate the ambition to grow of a small business owner. With more growth oriented small business owners more businesses are likely to grow and that can have a positive impact on the job creation in an economy (Storey, 1994; Wiklund et al., 2003).

The research method of this special paper is described in the following section and in section 1.2 the structure of the report is given.

1.1 Research Method

The purpose of this research report is to gain insight in the ambition to grow of small business owners. The following question is answered:

What is an ambition to grow and which factors influence an ambition to grow?

The central question can be separated into six sub questions, namely:

− What is firm growth?
− What is the economic perspective on an ambition to grow?
− What is the psychological perspective on an ambition to grow?
− How can an ambition to grow be defined?
− Can there be a typology established with regard to the ambition to grow of the small business owner?
− Which factors influence the ambition to grow of a small business owner?

1 In this report the term small business owner is used instead of the term entrepreneur. This is done because a wide range of definitions of an entrepreneur is used in the literature and there is very little agreement about what is the correct definition. In contrast, the definition of a small business owner is clearer and is often stated as an individual who runs and owns an independent business (Moran, 1998).
The main question and the sub-questions are answered by means of a literature search. The literature search will be conducted by scanning the leading and most recent economic psychology, management and small business literature. The websites of relevant conferences are also regarded.

1.2 Structure of the Report

The introduction and the research method were given in chapter 1. The ambition to grow is determined in an organizational context and the growth of the firm is the object of the ambition. The concept of firm growth is therefore described in chapter 2. A multidisciplinary perspective towards the ambition to grow is given. In chapter 3 an economic perspective on an ambition to grow is discussed. A psychological perspective on an ambition to grow is described in chapter 4. In chapter 5 a definition of the ambition to grow is given and a typology of a small business owner regarding the ambition towards firm growth is established. In chapter 6 the factors that influence the ambition to grow of a small business owner are given. A conceptual framework is constructed and propositions are stated that can be tested in further studies. In chapter 7 a final conclusion is given that provides feedback on the main question.
2 Growth of the Firm

An intention or a certain decision is dependent on the object where upon it is based. For instance, the variables that play a role in the decision to buy an ice cream or to grow the business are very different. Business growth is the object where upon the ambition to grow is determined. In this chapter the concept of firm growth is first addressed before we turn to the perspectives that relate to an ambition to grow described in chapter 3 and 4. Section 2.1 explains what firm growth actually is and section 2.2 gives a description of the growth process of the firm. A conclusion of this chapter is provided in section 2.3.

2.1 What is Firm Growth

Firm growth is a process where some attributes of the firm increase between two points in time. Delmar (1997) distinguishes three phases regarding firm growth. First, the entrepreneur perceives a general shift in the demand from the customers. Second, the general shift in demand results in a rise in demand for the particular firm. Third, the organization has to adapt to the new level of demand. In most cases the organization has to attract personnel and capital to increase their output. Growth is thus multidimensional in nature where different attributes (for example sales, personnel and capital) of the firm change during growth. In empirical literature the possible growth indicators for measuring growth are: assets, employment, market share, physical output, profit and sales (Ardishvili et al., 1998; Delmar, 1997). The most used growth indicators according to the study of Delmar (1997) are employment and sales. Delmar et al. (2003) distinguishes two types of employment growth namely organic growth and acquisition growth. Organic growth is the growth in employees that the firm establishes through internal growth, mainly caused by sales growth. Acquisition growth is the growth in employees that is established through acquisition of other organizations. Organic growth is particular interesting for the government to track the job creation on a national level for a certain period. Sales growth is important due to his high generality and is important for small business owners because it is seen as an indicator for performance (Davidsson, 2000).

2.2 Description of Firm Growth

In this section we describe the process of firm growth. There are several theories that describe the growth of the firm. Wiklund (1998) describes in his thesis four perspectives that address firm growth: the resource-based view, the strategic adaptation, the motivation and the life-cycle perspective. The first three perspectives try to explain business growth and focus upon the variables that cause firm growth. On the contrary, the life-cycle perspective takes growth as the starting point and looks upon the changes that growth brings upon the business. The effects of growth to the organization and consequently the small business owner are the main concern of the life cycle perspective. In this section the focus is upon the object of firm growth and not on the variables that

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1 For a detailed description of the issues regarding the measurement of growth see Davidsson (2000) and Delmar (1997).
cause firm growth. Therefore a description of firm growth is given based upon the life cycle perspective.

In life cycle theory the development of the firm is a process in which firms go through several stages. These stages can be deterministic, that means that a firm has a certain path that it has to follow. Examples of such models are that of Greiner (1972) and Adizes (1979). These models have an implicit grow or fail assumption, which generally means that organizations follow the stated model or they fail and go out of business. In the model of Greiner (1972) the decision to grow is disregarded while it is implicitly assumed in the model of Adizes (1979; Snui, 1995).

Other models, such as those proposed by for instance Churchill and Lewis (1983) and Scott and Bruce (1987), have more paths that a firm can follow, so these models are more probabilistic in nature, and do not posses an implicit growth or fail assumption. In these two models, growth is partially established through the willingness to grow of the small business owner (Snui, 1995).

Risseeuw (2003) distinguished in the growth process the individual and the firm. Both have their own problems and limitations in the growth process. Greiner (1972) recognized that during the firm growth process the role of the manager has to change. The individual in combination with the organization is looked upon through the different stages that are distinguished. These stages are start, survival, growth, expansion and maturity. These stages are almost similar to those distinguished by Scott and Bruce (1987).

**Start**

In the beginning there is an individual with an idea. The individual decides to commercialize his idea by founding a business. The capital needed to start a business is usually small and the founder or family and friends are the main moneylenders. At first, everything is new to the small business owner, he is in control and responsible for the complete management of the firm. In this stage, the different tasks of the small business owner are: the administrative side of the business, comply with legislation, acquiring customers, suppliers and networks, and more domestically duties like cleaning and making coffee for visitors (Risseeuw, 2003). The organization is unstructured and simple bookkeeping helps the small business owner control the business. The small business owner has in general no employees in this stage. Goffee and Scase (1995) therefore characterize the small business owner as self-employed. Because there is little possibility to acquire additional capital it is very important that initial sales are made. When the firm doesn’t make these initial sales, it is not viable and it will eventually fold. Growth is therefore in this stage not an option but a prerequisite.

**Survival**

If the firm realizes initial sales, it has to find a way to survive. The company has to attract more customers to increase sales and to generate a positive cash flow. Due to the track record and the customers that the business has established, the bank becomes a possible moneylender. Relationships with customers, suppliers and networks become stronger and the owner and the organization develop some routines. The small business owner and the small business firm gain experience and learn. Often first personnel are employed in this stage. The employment of personnel changes the role of the small business owner; the self-employed become a *craft employer* (Goffee and Scase, 1995; Risseeuw, 2003). The small business owner becomes a primus inter pares, an example for personnel. The administrative burden becomes higher because of the legislation accompanied with the employment of personnel. Planning and coordination becomes more important, tasks have to be divided and possible conflicts have to be resolved. The
organization has still an informal atmosphere and the small business owner can supervise the organization by himself. The managing role of the small business owner becomes gradually more important. He can trust on previous experience but sometimes has to improvise. In more than half of the cases in the Netherlands, the stage of survival is also the end stage (Risseeuw, 2003).

**Growth**

In the model of Churchill and Lewis (1983) the small business owner must, in a similar stage, consciously decide if he wants the firm to grow or that he will not bear the financial and mental burdens associated with further growth. When the firm chooses not to grow it is assumed that the organization shall not change very much over time and is similar to a business at the end of the survival stage. This choice is therefore disregarded. When the small business owner will and can grow the organization has to increase its supply. The supply of the firm is usually raised through the acquisition of personnel and additional machinery. Sometimes heavy capital investments are required to fulfill the customers’ demand. These amounts of capital cannot be supplied by family, friends or by the supply of trade credit. Retained earnings, banks and eventual new partners, for example venture capitalists, have to be used to finance these investments (Schott and Bruce, 1987). Usually additional personnel has to be employed, the craft employer becomes an entrepreneur (Goffee and Scase, 1995; Risseeuw, 2003). The organization becomes more formal due to accounting systems and simple control reports that are introduced. In this stage usually the first product development takes off, several differentiations of the product can be marketed. The small business owner has to start delegating his tasks or else the workload on the small business owner becomes too high. When delegating his tasks the influence and the control of the small business owner declines but he remains a key figure in the firm.

**Expansion**

The step towards further firm growth is the expansion of the business. Turbulent growth causes this stage to be the riskiest stage in the growth of the firm. High growth places high demands on the organization and the small business owner. To finance rapid growth there has to be enough financial capital through retained earning and secured long-term debt. In this stage the small business owner has to further delegate tasks to specialized professionals who have to be hired to manage the growth of the firm. Growth has to be managed so that the liquidity position of the firm remains healthy. The administrative functions are further developed and the organizational structure becomes functional and more decentralized (Scott and Bruce, 1987). The typology of entrepreneur (Goffee and Scase, 1995; Risseeuw, 2003) is not appropriate anymore; a divisional structure has to be implemented. Additional managers and personnel have to be acquired and the control and influence of the small business owner declines even further. The control of the organization has to be maintained through budget systems, financial and production reports. Product innovation and market research are further developed and have to contribute significantly to the level of sales (Scott and Bruce, 1987). The small business owner has very little influence left and he can decide to sell the firm and to “seek his business elsewhere”.

**Maturity**

The growth of the firm comes to end after a period of expansion. The expansion stage has put pressure on the firm, personnel and small business owner and can’t last forever. In the maturity stage the firm grows slightly, does not grow anymore, or even exhibit negative growth. The organization has become a formal mature organization and fine-
tuning the internal systems and procedures is needed to maximize efficiency of the organization. The firm has to maintain its market position and product innovation can lead to the significant growth opportunities. The role of the small business owner is minimal in this stage of the firm. The decision making of the firm is done by the management team and there is supervision of the supervisory board.\footnote{This rapport shall not elaborate any more on this stage because the focus in this section is on the description of firm growth. For a detailed description of large firms see, for example, Daft (2001).}

2.3 **Conclusion**

Growth is a process where several attributes of the firm, such as employees, sales and capital, increase over time. It is a multidimensional concept and several growth indicators are used in the empirical literature to measure growth. Different lifecycle theories give a detailed description of the possible or deterministic growth paths that the firm has to or can follow. The path to the end of the survival stage is quite deterministic with regard to the growth of the business. The business has to grow to survive and fail if it does not grow. When the firm is economic viable the small business owner reaches a point where he has to decide if he want to grow the business any further. More than a half of all small business owners in the Netherlands does not grow beyond the survival stage (Risseeuw, 2003). In empirical studies (Cliff, 1998; Kolvereid, 1992; Lau and Busenitz, 2001) it is confirmed that many small business owners hold on to the status quo and do not choose or do not have the ambition to grow. It is thus not self-evident that a small business owner always has the desire to grow. Maybe the small business owner prefers the current condition of the business or resents the consequences that he associates with growth. Hence, the firm develops during growth from a small, informal, simple and unstructured firm to a large, formal, complex and structured organization. The role that the small business owner plays in the organization changes also with growth. In a small firm the small business owner handles most of the workload and controls everything by himself. He is the key influence in the firm. During growth the small business owner must delegate the workload and the control of the firm to others. The key influence that the small business owner played in a small firm has become negligible in a large firm.
3 Economic Perspective on an Ambition to Grow

In chapter 2 it is stated that small business owners face the decision to grow when the firm is economically viable. From this point, the small business owner can decide to grow the firm but he can also decide to hold on to the status quo. This chapter examines an ambition to grow from an economic perspective. The term decision, which is used in the economic literature, is defined in section 3.1. The decision-making process in economic theory has a rich history, starting with the classic expected utility theory described in section 3.2. A counterpart of the rational expected utility theory is the bounded rationality theory stated in section 3.3. In section 3.4 a substitute of the expected utility theory, the prospect theory is described. A reflection towards the economic perspective on the ambition is given in section 3.5.

3.1 A Definition of a Decision

A decision in economic theory is a response to a situation that is composed of three parts: (a) there is more than one possible course of action to consider in the “choice set”, (b) the decision maker can form future expectations and outcomes following from each course of action, and (c) consequences, associated with the possible outcomes, that can be assessed on an evaluative continuum reflecting personal values and current goals (Hastie and Dawes, 2001:25). A possible definitional template of a decision (Hastie, 2001) is depicted in figure 2.

figure 2 A possible definitional template for a decision
Figure 2 is clarified on the basis of a simplified example regarding the decision of the small business owner to grow the business. The small business owner has roughly three courses of action regarding the “choice set” of firm growth. He can decide to grow the business, decide to hold on to the status quo or even shrink the business. The alternatives in the choice set carry certain outcomes in them. For example, if the small business owner decides to grow the firm a possible outcome is bankruptcy of the firm if the firm could not handle growth or a flourishing firm if growth can be achieved. The small business owner evaluates the outcomes of these events as positive or negative. The expected consequences of bankruptcy, such as shame and the loss of money are likely to be valued negative and the expected consequences of a flourishing firm, like status and acquiring a lot of money, are likely to valued positively. The decision process is further looked upon in the next three sections.

3.2 Expected Utility Theory

Decision-making was until the 70s in the field of economics a practice where a person knew all the alternatives and consequences of a particular decision. Choices were made with mathematical precision and the alternative with the highest utility had to be chosen. Utility was first proposed by Bentham in his book “Principles of Morals and Legislation” in 1789 in which he defines utility as:

“That property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness...or...to prevent the happening of mischief, pain, evil, or unhappiness"

Utility is thus present in an object when it’s attributes causes pleasure or avoids pain to an individual. The concept of utility is used in the expected utility theory proposed by Von Neumann and Morgenstern (1947). The theory does not intend to describe how people actually behave but how people would behave if they follow certain requirements of rational decision-making (Plous, 1993). The book of Von Neumann and Morgenstern (1947) is a pure mathematical work that proves the argument that is broken down by Hastie and Dawes (2001) in four steps:

1. Assume that decision maker’s choices among alternatives with probabilistic consequences “satisfy the axioms” defining rational choice. (For a description of the axioms, see Hastie and Dawes, 2001: p. 259-275)
2. The decision maker must assign a utility with each consequence of a particular alternative.
3. The expected utility of a particular alternative is as follows: first, each utility of a particular consequence is multiplied by the chance that the consequence will occur. The sum of the products of the utilities and the corresponding chances is the expected utility of that alternative.
4. The alternative that has the highest expected utility is chosen.

The expected utility is a mathematical system that works if the axioms are fulfilled. The probabilities are derived from relative frequencies, but these are not always available. Therefore, Savage (1954) proposed an extension of the theory, named the subjective expected utility theory. The main difference with the expected utility theory is that Savage (1954) allowed for subjective probabilities in the determination of the probability weights while the expected utility theory does not (Plous, 1993). The subjective expected utility theory is the most general and popular description of rational choice in the mathematical and behavioral sciences (Hastie and Dawes, 2001:249). A mathematical representation of the decision process in the subjective/expected utility theory is de-
picted in equation 1, whereas $EU$ stands for the expected utility of a particular alternative, $p$ stands for probability of a consequence (i) of a particular alternative and $u$ for the utility of a consequence (i) of a particular alternative:

$$EU \equiv \sum_{i=1}^{n} (p_i u_i)$$

The alternative that has the highest expected utility is chosen following the expected utility theory.

3.3 Bounded Rationality Theory

Several axioms of the expected utility theory where weakened by several examples that were posed by diverse authors (for example, Allais, 1953; Elsberg, 1961; Tversky, 1979). Therefore Simon (1955) proposed the bounded rationality approach, where the strict assumptions of the expected utility theorem were loosened. Simon refuted the hypotheses of perfect information and perfect rationality and aimed at the understanding of how decisions really were made (Forest and Mehier, 2001). Bounded rationality concerns the process of thought rather than the product of thought in the expected utility theory. Individuals use reasonable procedures rather than sophisticated computations that are beyond their capacity to make a decision (Munier et al., 1999). While in expected utility theory the decision was based on a mathematical exercise that optimized the decision, the bounded rationality approach seeks for a solution that is satisfactory and sufficient. This solution can be found without regarding all the alternatives and saves thus computational capacity of the individual.

Decision makers cannot optimize their decision because they are constrained by certain limits. The limits of a decision maker in the context of bounded rationality are summarized as follows by Forest and Mehier (2001):

1. An imperfect or limited knowledge of the decision makers’ environment;
2. The impossibility of anticipating and considering all the options to solve a problem;
3. The impossibility of processing all the available data, because of limitations of attention.

In order to cope with these constraints subject to the decision maker, Simon (1979) proposes several approaches. First, the decision maker can set a threshold that is satisfactory to the decision maker. Second, the decision maker can replace future intangible goals with tangible sub goals. Third, the decision maker can split a complex decision and delegate the problem to others. In the context of the firm, the organization can set a certain price at which they buy a certain raw material (satisficing). Also for example the intangible vision of the firm can be accomplished by establishing certain targets that bring the firm towards the vision. The last approach can be illustrated by a decision of the firm that is due to its complexity divided in sub decisions. The sub decisions are distributed to for example, financial and marketing specialists. A coordinator can integrate the solutions to the sub decisions of the specialists into a whole decision of the firm.

A simple two-step decision model that fits the framework of bounded rationality is proposed by Simon (1979; Gibcus and Van Hoesel, 2004):

Step 1: Set the minimal acceptable level of each relevant attribute of a particular alternative.

Step 2: Choose the first alternative you come across that meets those minimal standards and then act accordingly.
Following Simon (1979) it is evident that human’s decisions and behavior can only be understood when there is accounted for the limited ability of man and for the complexity and uncertainty of the situation.

3.4 Prospect Theory

Prospect theory was proposed as a substitute for the expected utility theory. The expected utility failed to explain framing, risky situations and the difference between risk-seeking behavior and risk-avoidant behavior in different situations (Edwards, 1996). The prospect theory, first proposed by Kahneman and Tversky (1979), tries to correct for these explanatory failures. The theory supports on the foundation of the expected utility theory but several differences can be distinguished. So is the prospect theory a descriptive theory while the expected utility theory is a normative theory. Furthermore the expected utility theory is a deductive theory derived from axioms while the prospect theory is an inductive theory, based on observations of behavior (Newman, 1980).

A prospect is an alternative course of action defined by one or more outcomes (Hastie and Dawes, 2001). The decision process of the prospect theory can be distinguished in two phases, the editing and the evaluation phase.

**The Editing Phase**

The editing phase consists of four stages: coding, combination, segregation and cancellation (Edwards, 1996). Coding is the establishment of a reference point. Several reference points are distinguished. The status quo is the most important reference point, but aspiration level, security level and downside risk can also play important role in establishing a reference point (Hastie and Dawes, 2001). The reference point serves as a point where the individual compares the consequences of the decision.

Combination is the aggregation of possibilities with identical outcomes. For example, two different options that have both a reward of five hundred and a possibility of 0.25 are combined to an alternative with a reward of 500 and a possibility of 0.5. Segregation is the separation of the risky and risk-less component of a certain prospect. The last step of the editing phase is cancellation. This is the process whereby the decision maker disregards components that are common to all relevant prospects.

**The Evaluation Phase**

The evaluation phase can be distinguished in three phases: valuation, decision weighting and the overall valuation of the prospect.

Valuation is the process where the relevant personal values are attached to each consequence of a prospect. This process has 3 main characteristics (Hastie and Dawes, 2001):

1. Reference level dependence: the monetary and non-monetary consequences are evaluated in terms of changes from the reference level.
2. Gain and loss satiation: the values of the outcomes for both positive and negative consequences of the choice have the characteristic of diminishing returns.
3. Loss aversion: the resulting value function is steeper for losses than for gains; losing 100 dollar produces more pain than the pleasure of gaining 100 dollars.

The translation of objective probabilities into decision weights is the second step of the valuation process. Individuals perceive objective probabilities differently. Kahneman and Tversky (1979) show that an objective probability under 20 % is overvalued while the chances from 20 % to 100 % are undervalued. An individual sees thus a little objective chance greater than it is while a higher chance is seen smaller as it actually is. The overall evaluation is the combination of the first two steps. This can be represented in a lin-
ear function where the overall value $V$ for a prospect is the sum of the products of the value of a particular consequence of a prospect ($v_i$) and the accompanied decision weight ($\pi_i$). In equation 2, the overall value ($V$) for that prospect is seen as:

$$V = \sum_{i=1}^{n} (\pi_i v_i)$$

Of all prospects the one with the highest value is chosen.

A summary of the decision process according to the prospect theory is depicted in figure 3.

figure 3 A graphical summary of the prospect theory (Hastie and Dawes, 2001)
3.5 Reflection of an Economic Perspective on an Ambition to Grow

A decision is a choice between several alternatives that is based on the personal preferences of the decision maker towards the consequences of the outcomes of these alternatives. Economic decision-making theory supports on the concept of rationality. Following the expected utility theory the small business owner recognize the objective or in Savages case the subjective probabilities belonging to the alternatives and the utility of the owner are assigned to the alternatives. Utility reflects the personal preference of the small business owner. The assignment of utility is often based upon monetary gain, however, empirical literature (for example, Orser et al. 1998, Wiklund et al. 2003) showed that the concepts relating to the ambition to grow are not only dependent on the amount of money that can be gained but that others factors play a significant role. The expected utility theory is best applied in situations where the strong assumptions of the theory hold. It cannot give a realistic description of the decision-making process but provide a normative structure to make optimal decisions.

Simon (1955) provided a reaction towards the expected utility theory and recognized that actual decision-making was not conducted in the way the expected utility theory poses. The assumptions of the expected utility theory were strong and were questioned by many authors. Bounded rationality theory loosened these assumptions and provided a more descriptive approach. Due to imperfect knowledge, uncertainty and the limited capacity of human beings to process all available information, the decision maker satisfies their decisions instead of choosing the optimal solution. Thus the small business owner does not know all the alternatives facing the decision to grow and chooses a growth path that is satisfactory and sufficient. What is satisfactory and sufficient is dependent on the small business owner but these factors are not discussed in the bounded rationality theory.

The prospect theory introduced by Kahneman en Tsversky (1979) supports on the basis of the expected utility theory. The prospect theory is though a descriptive theory where the process of decision making detailed is described. Following the prospect theory the small business owner decides to grow the firm in two phases. At first he comprehends the given situation. Second, all the prospects are evaluated and the prospect with the highest value is chosen. While the prospect theory does account for framing, risky situations and the difference in risky behavior in different contexts, the underlying factors of the decision maker are not given. The bounded rationality theory and the prospect theory are much more realistic to describe decision-making and provide a good description of the decision making process. Economic theory in general do not focus on the actor and his preferences in the decision making process. Therefore the economic models are in my view applicable when the small business owners’ preferences towards firm growth already are determined. For example, when the small business owner has an ambition to grow he has to choose between several growth paths (alternatives), assign a utility or value to them and choose the alternative that has the highest utility/value or satisfy the owner. For further insight into the actor and the preferences in the ambition to grow this report turns to a psychological perspective.
4 Psychological Perspective on an Ambition to Grow

In the field of psychology the person plays a central role. Where the economic discipline lacked insight in the actor and the preferences of the decision maker this chapter addresses psychological theories that do. In psychology there are numerous theories that try to explain why people act in the way they do. In this chapter there is chosen to describe the development of the psychological models proposed by Ajzen and Fishbein. These models have an intentional component where the will of an individual is distinguished from actual behavior. These intentions are the single best predictor for planned behavior (Krueger et al., 2000). The models of Ajzen and Fishbein are well validated in field of social psychology (Krueger et al., 2000) and are given a lot of the attention in the small business literature that we have encountered (Autere and Autio, 2000; Orser et al., 1998; Van Gelderen, 2004; Wiklund et al., 2003).

In section 4.1 the expectancy value model of attitude theory is given. In section 4.2 the theory of reasoned action is described. An extension of the theory of reasoned action, named the theory of planned behavior is stated in section 4.3. A reflection of the psychological perspective towards the small business owners’ ambition to grow is given in paragraph 4.4.

4.1 Expectancy-Value Model of Attitude Theory

Attitude plays a crucial role in the expectancy-value model of attitude theory by Fishbein and Ajzen (1975). Therefore this section elaborates further on attitudes before turning to expectancy value-model of attitude theory.

An attitude can be defined as: “a disposition to respond favorably or unfavorably to an object, person, institution, or event” (Ajzen, 1988). The following aspects are characteristic towards an attitude (Lutz, 1991):

- An attitude is acquired through information or experience with an object. An attitude towards a play can for instance switch from positive to negative if a friend reports that he did not liked it (information). Also the attitude towards the play can be affected when seeing the actual play (experience).
- An attitude is predisposition to react. Attitudes are not readily available but are internal to the human being. The attitudes are seen as predecessor of behavior and are used to predict human behavior.
- An attitude towards an object has to reflect a consistent pattern of positive or negative reaction to that object. So it’s expected that a man with a negative attitude towards theater, does not visit theaters.
- An attitude is always aligned with an object, person, institution or event, according to the definition given by Ajzen (1988).

Historically, two models of attitude can be distinguished, namely the three component attitude model and the one-dimensional attitude model (Lutz, 1991). Following the three-component attitude model, attitudes can be broken down in three responses: (1) cognitive responses, all the beliefs towards a particular object, (2) affective response, the positive and negative feelings towards an object and (3) conative responses, the behavioral component of an attitude (Wiklund et al., 2003).
In the one-dimensional attitude model, the attitude reflects only the affective component stated in the three component model. The cognitive component or belief is in this model seen as the cause of the attitude. Intention is caused by the attitude towards a behavior and actual behavior originates from intention. The one-dimensional view is used in the models proposed by Ajzen and Fishbein (Ajzen, 1988, 1991; Ajzen and Fishbein, 1977, 1980; Fishbein and Ajzen, 1975).

The concepts beliefs, attitude, intention and behavior are causally linked in figure 4 where a schematic representation of the one-dimensional model is given.

**Figure 4** A schematic representation of the one-dimensional model

![figure 4](image)

*Source: Leeflang (2000:173).*

The Expectancy-Value Model of Attitudes

Fishbein and Ajzen (1975) based the expectancy-value model of attitudes on the one-dimensional attitude model. According to Fishbein and Ajzen an object has many attributes that are perceived by the individual. These perceived attributes are called beliefs and these beliefs towards an object are evaluated. These evaluations sum up resulting in a positive or negative overall attitude towards an object. In equation 3 the model is mathematically expressed whereas $A$ is the attitude towards an object ($o$), $b$ is the strength of the belief towards an attribute ($i$) of the object and $e$ is the evaluation of that belief ($i$):

$$A_o = \sum_{i=1}^{n} b_i e_i$$

4.2 **Theory of Reasoned Action**

Fishbein and Ajzen (1975; Ajzen and Fishbein, 1980) proposed the theory of reasoned action. The model is based on the expectancy-value model of attitudes and tries to connect attitude to behavior. Therefore not the attitude of an object is utilized but the attitude towards a particular behavior is used in this theory. Furthermore, a subjective norm is included and these concepts form together the intention to perform a certain behavior. The concepts attitude, subjective norm and intention as used in the theory of reasoned action are discussed below.

**Attitude**

The concept of attitude is described in section 4.1. Attitude in the theory of reasoned action is based on the beliefs of a specific behavior and the evaluation of these beliefs. Beliefs are the perceived consequences of behavior. The evaluations of these beliefs are the positive or negative valuation of a particular belief. The beliefs and the valuation can differ between individuals. The summed product of the strength of the beliefs ($b$) and evaluations ($e$) are direct proportional to the attitude of the specific behavior, see Equation 4:

$$A_b \propto \sum_{i=1}^{n} b_i e_i$$
Subjective Norm

In addition to the attitude the theory of reasoned action take the so-called subjective norm into account. The subjective norm is the person’s perception of what the social environment think about performing a particular behavior. The perception of the individual towards the opinion of an important other regarding the behavior is called a normative belief. The strength of each normative belief (n) is multiplied by the motivation of the person to comply (m) with the referent in question. The subjective norm is directly proportional to the sum of the resulting products (i), see Equation 5:

\[ SN \propto \sum_{i=1}^{n} n_i m_i \]

Intention

Intention is the will to perform a behavior. Attitude and subjective norm add together to the intention to perform a behavior. A linear function, equation 6, expresses the relation between attitude, subjective norm and intention. I is the intention to perform a particular behavior, A is the attitude towards a particular behavior, SN is the subjective norm towards a particular behavior, and w1 and w2 are empiric-based components:

\[ I = w_1 A + w_2 SN \]

The model of reasoned action was intended to explain and predict behavior that is in complete volitional control. People have complete volitional control if the behavior can be exercised within total control. If the behavior is not under complete volitional control the relation between intention and behavior becomes weaker. To try to explain and predict behavior that is in incomplete behavioral control the theory of planned behavior was proposed, an extension of the theory of reasoned action.

4.3 Theory of Planned Behavior

The theory of planned behavior is developed by Ajzen (1988, 1991). The theory consists of three components, which are antecedents of behavioral intentions. These are subjective norm, attitudes and perceived behavioral control. The attitude and subjective norm are described in section 4.2 thus this section shall describe only the concept of perceived behavioral control.

Perceived Behavioral Control

The component that distinguishes the theory of reasoned action and the theory of planned behavior is (perceived) behavioral control. Perceived behavioral control and perceived self-efficacy (Bandura, 1986) are closely related (Ajzen, 1988: 106). Perceived self-efficacy refers to subjective probability that one is capable of executing a certain course of action (Bandura, 1977). Perceived behavioral control consists of two parts namely control beliefs and perceived power of the particular control factor. The resources and opportunities available to the individual to perform a certain action, the actual control, determine control beliefs. How a person perceives control on a specific factor with regard to an action or task is their control belief. The perceived power of a specific factor is the degree in which an individual believes that the factor inhibit or facilitate an action. The relation between perceived behavioral control (PBC), the control factor (c) and perceived power (p) is depicted in equation 7.

\[ PBC \propto \sum_{i=1}^{n} c_i p_i \]
Actual behavioral control and the intention towards the behavior are used to explain and predict the correspondent behavior. A summary of the theory of planned behavior is given in figure 5.

4.4 Reflection of a Psychological Perspective on an Ambition to Grow

In psychology the person and in this report specifically the small business owner plays a central role. To address the actor and the preferences of the decision maker the psychological models of Ajzen and Fishbein were looked upon. These models build upon the one-dimensional view where cognition, affection and conation are causally linked. The expectancy-value model of attitude theory can explain the attitude of the small business owner towards firm growth. The attitude of a small business owner towards growth depends upon the beliefs that the small business owner has towards growth and the evaluation of these beliefs. To explain behavior through attitude, the theory of reasoned action was proposed. With regard to the theory of expectancy value model two critically changes were made. First, the attitude towards a behavior is taken instead of the attitude towards an object. Additional the person’s perception of what the social environment think about performing a particular behavior, the social norm is included. These factors both account for the intention towards conducting growth. The intention of the small business owner is not a sufficient condition to grow the business. There have to be room for growth (opportunity) and the organization must have the ability to grow (Wiklund and Shepherd, 2003). To correct for this so called incomplete volitional control the concept of behavioral control was introduced in the theory of planned behavior. The degree in which the small business owner perceives he can grow, the perceived behavioral control, is included in the renewed theory. The antecedents of the intention to grow are in this theory threefold: attitude, the subjective norm and the perceived behavioral control. The intention of the small business owner to grow and actual behavioral control causes actual growth following the theory of planned behavior. The models of Ajzen and Fishbein give us insight in the individual in the decision process and the antecedents of the intention to grow. Therefore the latest theory of Ajzen, the theory of planned behavior is used in the conceptual framework in chapter 6.
5 What is an ambition to grow?

In chapter 3 and 4 the ambition to grow was examined from two theoretical perspectives: the economic and psychological perspective. However a clear definition of the ambition to grow was not given. In this chapter several empirical studies are discussed that look upon concepts that relate to the ambition to grow. From these studies the available definitions and measurement-instruments of the concepts are described. These are analyzed and from this analysis a definition of the ambition to grow is established in section 5.1. On the basis of the insights provided by the previous chapters a typology of a small business owner with regard to the ambition to grow is determined in section 5.2. The conclusion of this chapter is given in section 5.3.

5.1 Defining an Ambition to Grow

Different terms with regard to an ambition to grow have been coined: growth aspiration (Kolvereid, 1992; Wiklund and Shepherd, 2003), growth attitude (Wiklund et al., 2003), growth intention (Cliff, 1998; Lau and Busenitz, 2001; Nandram and Samsom, 2000; Orser et al., 1998; Welter, 2001), growth motivation (Davidsson, 1991) and growth orientation (Autere and Autio, 2000; Moran, 1998). These concepts are described in respective order in section 5.1.1. An analysis of these concepts leads to the definition of the ambition to grow in section 5.1.2. The measurement-instruments are used in the analysis of the definition because the definitions of the concepts are often not given in the empirical studies (except for Cliff, 1998). By looking at the operationalisation, a definition can be deduced.

5.1.1 Concepts Relating to the Ambition to Grow the Firm

Wiklund and Shepherd (2003) use the term growth aspiration and apply the concept of behavioral control to small firm growth. They argue that opportunities and resources play a moderating role in the relation between the growth aspiration of a small business owner and small firm growth. A growth aspiration is not defined but it is measured by 4 questions. First, the respondents were asked how they valued a 25 % increase in employment. The second question had the same content as the first question but the 25 % increase was replaced by a 100 % increase. A seven-point scale was used to score these two items ranging from very negative to very positive. The last two questions were open questions. The respondents were asked about their ideal size over 5 years in terms of employees and turnover. These two answers were converted to a seven-point scale and the four questions sum up to a “global growth aspiration index”.

The growth aspiration of Norwegian entrepreneurs is looked upon by Kolvereid (1992). The study addresses a number of non-psychological variables that can influence growth aspirations. Unfortunately, Kolvereid does not define a growth aspiration. To measure a growth aspiration he simply asked if the small business owner wanted or do not want to grow the business and if they intended to hire employees within the coming two years.

In the study of Wiklund et al. (2003) the relation between expected consequences of firm growth and the attitude towards organizational growth is researched. The study follow the one-dimensional attitude model where an attitude is seen as effect of the beliefs towards the attitude of a behavior and is the cause of behavioral intentions. An
attitude is not explicitly defined in the study, though Wiklund et al. (2003) adhere to the view of the theory of reasoned action and the theory of planned behavior. Their definition is thus likely to be similar as the definition given in chapter 4. The attitude is measured through the question what respondents think of a hypothetical increase of 100% increase of employees in five years time. This was measured on a seven-point scale ranging from very negative to very positive.

Cliff (1998) examined the differences between male and female owners toward growth intentions. It is the only study we found that provide an explicit definition of a concept relating to the ambition to grow. This concept named growth propensity is borrowed from Sexton (1989) and is defined as follows:

An entrepreneur’s intent to expand the organization, and ability to manage growth as the degree to which he/she can obtain resources and develop the organization.

Cliff (1998) views the intention to grow as a function of the resource available for expansion and the value placed on growth. The measurement of a growth intention is very similar to measurement of growth aspirations by Kolvereid (1992).

The study of Lau and Busenitz (2001) addresses the socio-demographic factors and the needs of an individual that influence the intention to grow of a private small business owner in China. A growth intention (undefined) is measured as the plans of the small business owner with the business in the near future. The options that the respondents stated were categorized in expanding the business, remaining unchanged, downsizing, closing down the business, working with state/owned firms, cooperation with foreign companies and working with state owned firms.

Welter (2001) looks upon the growth intentions of nascent entrepreneurs and the growth profiles of entrepreneurs in Germany. Personal, business and environmental factors are addressed in relation to the growth intentions of nascent entrepreneurs and the growth profiles of entrepreneurs. The business aims of nascent entrepreneurs in terms of employment size were used as equivalent of growth intentions.

In a detailed study Nandram and Samsom (2000) look upon the factors that affect successful entrepreneuring in the Netherlands. A part of this study also addresses factors that influence the small business owner’s intention to grow the firm. A definition is not provided but the growth intention is measured by asking 3 questions about the growth intentions of the respondents with regard to personnel, turnover, profits and investments.

Orser et al. (1998) test the theory of planned behavior towards the intention to grow of small business owners. Gender differences and management capacity are also regarded influencing the growth intention. While the intention to grow is not defined Orser et al. (1998) used a seven-point scale to measure growth intention according to the methodology suggested by Ajzen and Fishbein (1980). Unfortunately, the specific questions are not given in their study.

In a study of Davidsson (1991) growth motivation is a function of perceived ability, perceived need and perceived opportunity. Growth motivation, ability and opportunity determine actual growth in the model proposed by Davidsson. Growth motivation is not explicitly defined but it is measured using three indicators: cognitive attitude towards growth, affective attitude towards growth and growth aspirations. The cognitive part
concerns the expected consequences (positive/negative) that respondents have towards eight different areas: workload, work tasks, employee well being, private finances, control, independence, crisis survival ability, and product/service quality.

The affective attitude reflects the response towards a hypothetical increase in firm size by 25 % and 100 %, respectively. Growth aspirations were measured by the difference between the current size and the ideal size over 5 years in terms of employees and turnover.

Moran (1998) relates personality characteristics of small business owners to their growth orientation. He distinguishes three classes in growth orientation: low, medium and high growth-orientation. Several criteria are used to categorize the small business owner. These criteria are derived at least for a part from previous studies in a growth orientation. A small business owner is categorized with a high growth orientation if he satisfies all the criteria below:

1. Own a business which has been growing to date
2. Future intentions-plans for growth
3. Operates in a dynamic growth market sector
4. Holding an unique/niche position in the market
5. With evidence of innovative capability and processes
6. The key decision maker in the business
7. With high overall scores on GET/SEBS (tests for enterprising tendency)

Medium growth oriented entrepreneurs must satisfy some of the above criteria and low growth oriented entrepreneurs satisfy only criterion f and eventual one additional criterion.

The study of Autere and Autio (2000) addresses the influence of mental models on growth orientation, strategy and growth. Several factors that influence a growth orientation are identified. According to Autere and Autio (2000) growth orientation is a measure of the willingness to achieve growth by the firm’s management. A four-item scale measures the growth orientation. The first measure of growth orientation is the allocation of 100 points to the objectives that are most important to the firm. The alternatives were maximizing profitability, maximizing sales growth, maximizing technological superiority, maximizing value of the firm for an eventual acquisition and maximizing stability and longevity of the firm. The allocation towards sales growth was used in calculating the growth orientation. Then two question on a 7 points scale ranged from strongly disagree to strongly agree were posed:

1. Growing as rapidly as possible is the most important of this venture
2. Aiming for rapid growth is not what drives this venture

The last item that was used to measure the growth orientation was the logarithm of relative change from the present to the turnover size objective in three years.

5.1.2 Analysis and Definition of the Ambition to Grow

To arrive at a definition of an ambition to grow the measures and definition are analyzed and compared.¹

¹ The studies of Nandram and Samsom (2000) and Orser et al. (1998) are not taken into account in this analysis because the specific measurement-instruments were not available.
Only one explicit definition of a concept related to growth ambition is provided in the eleven studies, namely growth propensity. It does not only take the intention of an individual to grow the firm into account but also the ability to expand the business (Sexton 1989; Cliff, 1998). It is not likely that the measurement instrument of a growth intention by Cliff (1998) measure the definition stated by Sexton (1989). It is therefore plausible that Cliff (1998) uses another implicit definition of a growth intention. Growth orientation of Moran (1998) is a concept that takes the past and the future factors into account. The measurement of a growth orientation is totally different than the other instruments used by the other authors. It is therefore likely that growth orientation of Moran (1998) is a different concept and is not comparable with the other studies. Therefore the results of this study shall not be included in chapter 6 where the factors that play a role in the ambition to grow are identified. Growth orientation stated by Autere and Autio (2000) is a total different concept than the growth orientation used by Moran (1998). The four-item scale, designed to measure the firm’s willingness to grow, is quite different than other measure-instruments but it uses one element of Davidsson (1991). Some studies measure (partly) the affective component of an intention to grow (Wiklund and Shepherd, 2003; Wiklund et al., 2003; Davidsson, 1991) or even the cognitive component of an intention to grow (Davidsson, 1991). The questions of later studies (Wiklund and Shepherd, 2003; Wiklund et al., 2003) borrow partly from the questioning of Davidsson. Lau and Busenitz (2001) and Welter (2001) use the business aims (in terms of employees) or plans of private small business owners or nascent entrepreneurs as equivalent for an intention to grow. This type of questioning is expected to provide more divergent answers than the straight questioning by Kolvereid (1992) and Cliff (1998). It is remarkable that Kolvereid (1992) and Cliff (1998) do not use the same term for naming a growth ambition but the measurement of the growth aspiration/growth intention is nearly identical.

**Definition**

No unambiguous definition can be derived from the analyses of the concepts relating to an ambition to grow. It is difficult to provide a definition if only one out of eleven studies provides a definition of a growth intention. This definition is too narrow compared to all the measurement-instruments of the studies, except maybe for Moran (1998). Also the measurement-instruments are nearly all different and even an identical measure-instrument is used for different terms (Cliff, 1998; Kolvereid, 1992). To cover for these inconsistencies in the empirical literature this report supports on the one dimensional attitude model (see chapter 4) in the establishment of the definition of an ambition to grow. The one dimension attitude clearly distinguishes between a cognitive, affective and conative component towards an object or event. The conative component is divided in the intention to behave and behavior itself. This means that the ambition to grow can be equated with an intention to grow. Hence if the small business owner wants to grow the firm it does not automatically mean that the firm will grow (behave). The attitude is the cause of an intention and is thus a different concept, see chapter 4. Consequently measurement of a behavioral intention must not measure an attitudinal component as in the studies of Davidsson (1991), Wiklund and Shepherd (2003) and Wiklund et al. (2003) but only an intentional component. Within our existing framework it is plausible to measure the ambition to grow of a small business owner using the methodology of Ajzen (see Orser et al., 1998; http://www.unix.oit.umass.edu/~aizen/). The intention is according to the theory of planned behavior the will to perform a behavior, in this case growth. Therefore our definition of a growth ambition is:

“The willingness to grow the firm ”
In this report the willingness to grow spring from the small business owner, but naturally management teams can also express a willingness to grow. The willingness to grow does not mean the firm actually grows, other factors that are not in volitional control, such as ability, resources and opportunity (Ajzen, 1988:127; Davidsson, 1991; Morrison et al., 2003; Wiklund and Shepherd, 2003), do have influence on the growth process. This report treat intention, ability and opportunity as different concepts in contrast to the definition of Sexton (1989).

5.2 A Typology of Small Business Owners towards the Ambition to Grow

In this section a typology towards an ambition to grow of a small business owner is established on the basis of the previous chapters. The types that are distinguished are: proactive, reactive, non-growers, and must-growers. These are described in respective order.

5.2.1 Proactive Growers

A proactive grower has a positive intention towards firm growth and is past the stage where the firm had to grow to survive. The small business owner searches in a proactive way to achieve growth. Rational decisions are made to expand the business, different growth paths are considered and the growth path is followed which has the most potential value/utility. Carland et al. (1984) proposed a distinction between small business owners who primary focus on growth and profit and small business owners those who focus on producing family income. Proactive growers are more likely to focus on profit and growth and do not focus on securing family income. Also it is more likely that this type of entrepreneur exert more innovative behavior. Stewart and Roth (2001) show that the risk propensity of growth oriented and income-oriented small business owner differ significantly. Proactive growers seem to have a higher risk-taking propensity than other small business owners. The organizations of proactive growers have resemblances with the prospector in the organizational categorization of Miles and Snow (1978; Gibrus and Kemp, 2003). The stronger the intention to grow, the more likely it is to achieve growth (Ajzen, 1991). It is therefore hypothesized that proactive growers have a strong positive correlation with actual growth.

5.2.2 Reactive Growers

Reactive growers have a slight positive or slight negative intention towards growth but this intention is not enough to active search for growth. The small business owners who do not actively search for growth need a trigger from the external environment to grow. For example, a sudden rise of demand of the product can confront the small business owner and can be the trigger for expansion of the business. Reactive growers are thus less active searching for growth then proactive growers. Reactive growers focus more on securing a family income (Carland, 1984) by operating the business and do not strive for profit and growth. They tend to be more risk-averse than proactive growers (Stewart and Roth, 2001). While the intention to grow is not high and growth is triggered external to the small business owner the relation between the intention to grow and actual growth is expected to be weaker of a reactive grower.

5.2.3 Non-Growers

The non-growers do not intend to grow their firm. They strive for other goals than organization growth and therefore will not growth their firm. Non-growers put their personal values for economic gain. These small business owner has a negative intention
towards growth and deliberate decide to stay small or even want to shrink/close their business. These firms are likely to be found at the end of the survival and in the maturity stage defined by life cycle theory.

Cliff (1998) classified 6 categories for the reason of the no-growth decision. The most important is reaching a persons threshold size. The threshold represent the size that the small business owner can manage the organization comfortable, maintain control, devote a certain amount of time to the business and balance work and personal life. It is plausible that non-growers have reached their maximum size threshold.

Other reasons for the no-growth decision are: lack of emphasis placed on growth, willing to trade growth for other business goals, costs and hassles associated with growth, exogenous factors preventing growth and that the small business owner did not have a long-term interest in the firm. It is expected that non-growers will exhibit no growth or even negative growth.

5.2.4 Must Growers

A must grower has to grow because his business is not viable at the current state. Economic factors force him to grow. When the firm does not grow, the firm will not be able to survive.

A major reason for the small business owner to grow is to overcome the “liability of smallness” (Aldrich and Auster, 1986; Welter, 2001). This kind of growth intention is likely to be found in the start and survival stage of the start-up of business, see chapter 2. When they reach a size where growth isn’t a prerequisite the small business owner must decide if he wants to grow or not. He then becomes a proactive, reactive or a non-grower.

5.3 Conclusion

In the empirical literature different concepts are used that relate to the ambition to grow. These different concepts are not defined, except for Sexton’s growth propensity. Due to the omission of the definitions it is dangerous to compare the empirical studies. The measurement of the different concepts are different but are assumed to measure the same thing. All the studies, except Moran (1998), are therefore used in the construction of the framework in chapter 6. The construction of the definition is based on the intentional component in the one-dimensional attitude model due to the lack of definitions and inconsistencies in the empirical literature. The definition is as follows:

“The willingness to grow the firm”.

On the basis of chapter 2, 3 and 4 there is a typology constructed of the growth ambition of the small business owner. The small business owners are categorized in four groups: the proactive grower, reactive grower, non-grower and the must grower. Until the end of the survival stage the small business owner has no choice regarding the growth the firm. The firm must grow to become economic viable. The small business owner is until the survival stage a must grower. In later stages the small business owner has the choice to grow the firm. The proactive grower has strong positive intention to grow his firm and proactively search for opportunities to grow. The reactive grower needs an external stimulus to achieve growth. He does not actively search for growth but let growth “happen”. Final, the non-grower puts personal value before economic gain and does not have the intention to grow the business. He can even decide to shrink or close his organization.
6 Which factors influence the ambition to grow of a small business owner?

In this chapter a conceptual framework is given to explain the ambition to grow. This framework is depicted on the subsequent page and illustrates the antecedents of an ambition to grow and the link between the ambition to grow and actual growth. The antecedents are based on the theory of planned behavior that is described in chapter 4. Additional factors with regard to a growth ambition have been included on the basis of empirical studies. These factors are linked directly to an ambition to grow or are linked to the factors described by the theory of planned behavior. The relations between the different variables are followed by propositions that can be tested in further studies. In section 6.1 the psychological constructs in the theory of planned behavior, indicated in bold, are linked to the ambition to grow. Also the ambition to grow is linked to actual growth. In section 6.2 the personal factors are described that can be related to the ambition to grow. The demographic variables that are important to an ambition to grow are distinguished in section 6.3. A conclusion is given in section 6.4.

6.1 Theory of Planned Behavior and the Ambition to Grow

The theory of planned behavior is validated in numerous studies (Ajzen, 1991; Krueger, 2003; Orser et al., 1998; Van Gelderen, 2004). In the grounding of the propositions only the studies that specifically examined the antecedents of the ambition to grow of a small business owner are described. The theory of planned behavior addressed three antecedents of an intention to behave. The social norm is described in section 6.1.1. Section 6.1.2 addresses the attitude towards growth and the factors that affect the attitude towards conducting growth. The concept of perceived behavioral control is looked upon in section 6.1.3. The relation between the ambition to grow and actual growth is given in section 6.1.4.

6.1.1 Social Norm towards Conducting Firm Growth

The subjective norm is one of the three variables in the theory of planned behavior that explain and predict the intention towards a particular behavior. The intention of the individual is thus partly determined by his perception of what important others think about the expected behavior. According to Orser et al. (1998) the most influential others with regard the ambition to grow are: partner, banker(s), accountant/financial advisor, children, employees, clients, and business partner. The social norm is constructed by the sum of products of normative beliefs and the motivation to comply with these beliefs. The normative beliefs and the degree of compliance towards these normative beliefs depend on the small business owner. Orser et al. (1998) showed that there exist a positive significant relation between a subjective norm and the intention towards firm growth.
Figure 6: A conceptual framework concerning the ambition of firm growth
Thus, if the small business owner perceives that important others think positively about growth then he is more inclined to grow the firm. Therefore it is proposed that:

\[ P_1 \quad \text{The small business owners' subjective norm towards performing growth is positively related to the ambition to grow of the small business owner.} \]

### 6.1.2 Attitude towards Conducting Firm Growth

In the theory of planned behavior the ambition to grow the business are based on the perceived consequences (beliefs) towards a particular behavior. There are more beliefs towards firm growth taken into account than solely monetary gain according to studies of Wiklund et al. (2003) and Orser et al. (1998). These beliefs are summed up below. Derived from a classical study and in-depth interviews with 11 small business owners/managers, Wiklund et al. (2003) distinguished eight areas that affect the attitude towards growth. These areas are:

- **Workload**: growth causes the amount of workload of the small business owner to increase or decrease;
- **Work tasks**: work tasks of the small business owner change when the firm grows;
- **Employee well-being**: growth causes a change in employee well-being;
- **Private finances**: the financial situation of the small business owner changes when the firm grows;
- **Control**: the control of the small business owner within the firm is changed due to the growth of the firm;
- **Survival of crises**: growth changes the capability of the firm to handle a crises;
- **Product/service quality**: the quality of products and services is changed through firm growth;
- **Independence**: growth changes the dependence of the small business owner on others.

Orser et al. (1998) distinguished the following 13 perceived consequences of growth:

- **Management control**: control of management tasks decreases/increases with firm growth;
- **Community contribution**: company growth affects the contribution to the community positively or negatively;
- **Family time**: growth causes positive or negative consequences on family time;
- **Professional recognition**: growth affects the professional recognition in the field;
- **Employee morale**: the morale of employees is affected due to firm growth;
- **Administrative burden**: growth affects the degree of bureaucracy of the organizations positively or negatively;
- **Social conscience**: growth leads to decisions that are compatible or go against the small business owners' social conscience;
- **Employee autonomy**: the autonomy of employees are affected in a positive or negative way through firm growth;
- **Community employment**: employment in the community is affected by growth;
- **Personal earnings**: growth affects the personal earnings of the small business owner;
- **Stress**: the amount of stress increases or decreases when the firm grows;
- **Employee control**: the control on employee decreases/increases with firm growth;
- **Family/work demand**: growth affects the balance between work and family.

Wiklund et al. (2003) and Orser et al. (1998) proposed numerous perceived consequences of firm growth. Small business owners interpret the consequences of firm
growth differently and take other perceived consequences into account. Following the theory of planned behavior the attitude towards growth is directly proportional to the sum of the products of beliefs towards conducting firm growth and the evaluation of these beliefs. There is thus a trade-off between positive and negative valued beliefs (Orser et al., 1998). A small business owner will achieve a positive attitude towards performing growth if the in general positive valued beliefs, such as money, survival of a crisis, community contribution, professional recognition outweighs the in general negative valued beliefs as control, employee well-being, workload, administrative burden and stress. Behavioral beliefs play therefore an important role in the ambition to grow through the construction of attitude. The attitude towards performing growth is again connected to the ambition to grow. Following the theory of planned behavior a positive attitude towards conducting growth has a positive relationship with the ambition to grow. Orser et al. (1998) validate the relation and therefore this report set the following proposition:

\[ P_2 \text{ The small business owners' attitude towards conducting growth is positively related towards the ambition to grow of the small business owner.} \]

6.1.3 Perceived Behavioral Control towards Conducting Firm Growth

Following the theory of planned behavior the perceived behavioral control is constructed through the sum of the products of control beliefs and the perceived power towards firm growth. The control belief is the degree in which the person perceives control on a specific factor required for growth. The perceived power of a specific factor is the degree in which an individual believes that the factor inhibit or facilitate growth. According to a study of Orser et al. (1998) the resources that are necessary for growth are: time availability, capital, additional administrative support, spousal or partner support and key staff. This study also provides support for the positive influence of perceived behavioral control on the ambition to grow the business. Therefore this proposition is stated:

\[ P_3 \text{ The perceived behavioral control of the small business owner towards firm growth is positively related with the ambition to grow of the small business owner.} \]

6.1.4 Growth Ambition, Opportunity and Resources/Ability

Following the theory of planned behavior the ambition to grow is positively related to business growth. Wiklund and Shepherd (2003) show that growth aspiration and actual growth have a positive relationship and address four studies that find a positive relationship between concepts that relate to growth ambition and actual growth of the firm (Bellu and Sherman, 1995; Kolvereid and Bullvåg, 1996; Mok and van den Tillaart, 1990; Miner et al., 1994). Therefore we propose that:

\[ P_4 \text{ The small business owners' growth ambition is positively related with the actual growth of the firm.} \]

Firm growth is not under volitional control, factors such as opportunity and ability/resources (Ajzen, 1988:127; Davidsson, 1991; Morrison et al., 2003; Wiklund and Shepherd, 2003) influence firm growth. It is assumed that the ambition to grow the firm of the small business owner determines the growth strategy of the firm. The strategy has to be aligned with the opportunity and the resource/ability of the firm and de-
termines the growth path of the firm. This report adheres to the view of Wiklund and Shepherd (2003) in the connection between the ambition to grow and actual growth. They state that the intention to grow is moderated by resources and opportunity. When there is no ambition to grow there can be abundant resources and opportunities but the firm will not grow. Is the ambition to grow present but are resources and opportunities scarce firm growth will be smaller than when the resources and opportunities are abundant. However, the effect that all of these factors have on growth depends upon the ambition of the small business owner (Covin and Slevin, 1997). It is therefore proposed that:

P 5 The small business owners’ growth ambition is moderated by the opportunity and the resources/ability of the organization.

6.2 Personal Factors

In this section the personal factors that can influence an ambition to grow are distinguished. In section 6.2.1 personality and personality traits are defined and a distinction is been made between attitudes and personality traits. Section 6.2.2 describes three of the most important personality traits in the small business literature. These concepts are related to the ambition to grow. The personal characteristics of a small business owner influencing an ambition to grow are given in section 6.2.3.

6.2.1 Personality Traits

In order to understand personality traits it is useful to define personality first:

“Personality is a dynamic organization, inside the person, of psychophysical systems that create a person’s characteristic patterns of behaviour, thoughts, and feelings ” (Carver and Scheier 2000, p.5).

Personality is thus something what is vested in an individual that is dependent on psychological and physical systems. These systems determine thought, feelings and behavior.1 Personality traits are defined by Ajzen (1988) as a characteristic of an individual that exerts pervasive influence on a broad range of trait-relevant responses. The focus of trait psychologists is on the measurement of certain personality traits but the explanation of personality is also studied (Van Gelderen, 2003).

A distinction has to been made between attitudes and personality traits. A difference between an attitude and a personality trait is that an attitude is always related to an external object while personality traits do not focus on a particular external object. Also a personality trait does not have an evaluative response whereas an attitude always includes an evaluative response. Personality traits are seen as stable and do not differ much over time. Attitudes are less stable than personality traits because attitudes can change through acquiring information and experience with the object (Ajzen, 1988: 7).

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6.2.2 Personality traits influencing an ambition to grow

Three important personality traits in the small business literature are described in this section and are linked to the ambition to grow. Need for achievement, locus of control and risk-taking propensity are in respective order described.

Need for Achievement

Achievement motivation is the most widespread theory in entrepreneurship research. (Johnson, 1990:74). Henry Murray (1938) introduced the need for achievement (n Ach). The concept was further investigated by McClelland (1961; De Pillis, 1998). According to McClelland humans have three main motives namely: need for affiliation, need for power and need for achievement. Need for affiliation is the need for social contact, warmth and sociability. The need for power is the need for might and control (Van Gelderen, 2003). The need for achievement is the degree in which individuals prefer to be personally responsible for solving problems, for setting goals, and for reaching these goals by their own effort. People high in n Ach have also a strong desire to know how well they are accomplishing their tasks (feedback) (Brockhaus, 1982). While the need for achievement is one of the most used concepts in entrepreneurship research the relation between need for achievement and the ambition to grow the business have only been found only in one study (Lau and Busenitz, 2001). This study found a strong positive relationship between the need for achievement and the ambition to grow the business. In addition, Kolvereid (1992) found that the small business owners that started their business to achieve something tend to have higher growth aspiration. On the basis of this information we hypothesize that:

P 6 The small business owners’ need for achievement is positively related to the growth ambition of the small business owner.

Locus of Control

The concept of locus of control was first introduced by Rotter (1966). Locus of control is the extent to which individuals believe that their actions or personal characteristics affect outcomes (Shane et al., 2003). According to the locus of control theory, an individual perceives the outcomes of an event as being either within or beyond his personal control and understanding. When an event is perceived as under the control of others or as unpredictable due to the great complexity of the environment this belief is categorized as in external control. If the person perceives that an event depends on his own behavior or his characteristics, this belief is categorized as internal (Rotter, 1966; Brockhaus, 1982). It is argued that small business owner have a more internal locus of control than the general population but that the locus of control of managers and small business do not differ very much (Shane et al., 2003). People with an internal locus of control have more problems with influence of the environment if they are conscious of the manipulation (Rotter, 1982; Verstegen et al., 2003). Individuals with a more internal locus of control have thus a lower motivation to comply with normative beliefs. The social norm is thus to expected less predictive for individuals with a more internal locus control (Ajzen, 1987; Krueger et al., 2000). It is therefore proposed that:

P 7 The social norm is less predictive for small business owners with a more internal locus of control.

Risk Taking Propensity

In the classic decision theory, such as the Expected Utility Theory reviewed in chapter 3, risk is a function of the variation in the distribution of the outcomes (March and
Shapira, 1987). Nowadays, scholars recognize that risk taking is not a mathematical function but is also affected by the individual predispositions towards risk (Bromley and Curley, 1992; Stewart and Roth, 2001). It is recognized as an aspect of the factor extraversion of the Big Five (Mount and Barrick, 1995).

In chapter 2 it is showed that growth is a risky process. It is therefore likely that the risk-taking propensity of a small business owner is important to the ambition to grow the business. To our knowledge the construct of risk-taking propensity is not related directly to the ambition to grow, but according to Stewart and Roth (2001) growth-oriented small business owners possess a higher risk-taking propensity than the income-oriented. This led to the following proposition:

**P 8** The risk-taking propensity of small business owners’ is positively related with an ambition to grow of a small business owner.

### 6.2.3 Personal Skills and Capabilities

In this section the relevant skills and capabilities relating to the ambition to firm growth are distinguished.

**Capabilities**

In this report capabilities are seen as the characteristics of an individual that are learned through experience. Many studies have addressed the influence of capabilities on an ambition to grow (Autere and Autio, 2000; Kolvereid, 1992; Nandram and Samsom, 2000; Orser et al., 1998). According to Orser et al. (1998) a function that consisted of the breadth (or scope) and the depth (defined as years of related industry experience) of the small business owner’s experience was positively related towards the ambition to grow the firm. A possible explanation for this positive relation that small business owner with experience have higher self-confidence with more experience. People learn through past behavior and they are less likely to make the same mistake again. On the contrary, Nandram and Samsom (2000) found that previous experience in the branch is not related to the growth ambition on the short term and long term and also Kolvereid (1992) proves that previous entrepreneurial experience have no significant relation with a growth ambition, measured by number of employees. Autere and Autio (2000) even found a negative relationship between previous management experience in fast-growth companies and growth orientation. An explanation for this phenomenon is that the small business owners that have already experienced growth are not willing to go through process again. Unfortunately, no unambiguous conclusion can be drawn from these mixed empirical results. Therefore two contrasting propositions are stated:

**P 9** The capability of a small business owner is positively related to the ambition to grow of the small business owner.

**P 10** The capability of a small business owner is negatively related to the ambition to grow of the small business owner.

**Skills**

In this report skills are the characteristics of an individual that are learned through education. Several studies address the relation between education and a growth ambition (Kolvereid, 1992; Lau and Busenitz, 2001; Welter, 2001). As in the case of capabilities the results of the studies regarding skills are contradictory. Kolvereid (1992) shows that entrepreneurs with higher education seem to have a higher growth ambition. His ex-
planation for this result is that individuals with a higher education have in general higher aspirations and scholars with a higher education have the ability to perceive growth opportunities and solve problems that are due to growth. According to Lau and Busenitz (2001) education was not significant related to the growth ambitions of private small business owners’ in China. Nandram and Samsom (2000) show that the level of education is negatively correlated with a growth ambition on the short term but not significant on the long-term. Welter (2001) demonstrates that nascent entrepreneurs in Germany without any professional degree show an above growth ambition. An explanation for these two results may be that lower educated entrepreneurs have a higher growth ambition due to the lack of knowledge of the prerequisites of conducting growth. Small business owners that have had a higher education know the difficulties of growing the firm and are more realistic towards their growth ambition. Due to the mixed results the two contradicting propositions are:

\[ P_{11} \quad \text{The level of skill of the small business owner is positively related to the ambition to grow of the small business owner.} \]

\[ P_{12} \quad \text{The level of skill of the small business owner is negatively related to the ambition to grow of the small business owner.} \]

6.3 Demographic Variables

This section describes two demographic variables that can influence an ambition to grow. Respectively gender and the age of the firm/owner are described.

**Gender**

There seem to be a difference between men and women with regard to entrepreneurship. Research show that the size of organizations owned by women is significant smaller than those owned by men (Cliff, 1998; Fischer et al., 1993; Fischer, 1992; Kalleberg and Leicht, 1991) and there is also evidence that women owned businesses grow less than men owned businesses (Cooper et al., 1994, Fischer et al., 1993). The question if there are differences between gender and an ambition to grow have been frequently proposed (Kolvereid, 1992; Lau and Busenitz, 2001; Nandram and Samsom, 2000; Orser et al., 1998; Welter, 2001). There are studies that find no significant difference between the growth ambition of men and women (Kolvereid, 1992; Lau and Busenitz, 2001; Nandram and Samsom, 2000) and there are studies that find significant differences between the ambition to grow of man and women (Welter, 2001; Orser et al., 1998). According to these studies men have a significant higher growth ambition than women. Two theoretical perspectives can explain for these findings: the liberal and the social feminist theory. The liberal feminist theory states that women are performing poorer because they are inhibited to use important resources to grow, caused by discrimination and other systematic factors. For example, female small business owner seem to have less experience in industry, management, and prior business start-up. (Cliff, 1998, Fischer et al, 1993; Kalleberg and Leicht, 1991) Social feminist theory simply states that man and women differ by nature (Fischer et al., 1993; Watson, 2002). Women seem to value qualitative goals, like personal fulfillment and interpersonal relationship while men value economic goals and are more concerned with status and wealth. Cliff (1998) shows that male owners set a higher maximum size threshold (see chapter 5.2) than female owners. Women do seem more concerned with the risk associated with growth. Therefore they prefer a more steady expansion than
turbulent growth (Cliff, 1998). Watson (2002) provides additional support for the social feminist theory that women allocate fewer resources to the business and therefore seem to take a different approach to business. To test the two theoretical perspectives two propositions are established. The social feminist theory posits that men and women differ by nature and this causes the difference between men and women towards the ambition to grow. Several studies show that men have a greater ambition to grow than women. Therefore we propose:

**P 13**  
*Male owners possess a higher ambition to grow than women owners.*

The liberal feminist theory states that through discrimination and other systematic factors women are inhibited to use important resources to grow. It is plausible that due to the inhibition of resources women do not think they can grow; therefore we take perceived behavioral control as mediator. The alternative proposition is therefore:

**P 14**  
The relationship between gender and the ambition to grow is mediated by perceived behavioral control.

Because the relationships are different with the two perspectives and there is no consensus which proposition holds a dotted line is drawn instead of a “normal” line.

**Age of the Small Business Owner**

Age is often named as factor that influence the ambition towards firm growth (Autere and Autio, 2000; Lau and Busenitz, 2001; Nandram and Samsom, 2000; Welter, 2001). All these studies indicate a negative relation between age and the ambition towards firm growth. Explanations for the negative relationship between age and a growth ambition are various. Daviddson (1991) state that a small business owner may have reached his initial goals and for that reason his need to grow has been decreased. Kangasharju (2000; in Welter, 2001) states that younger people are more willing to test their abilities while older individuals have more realistic view of their possibilities. Sapinenza and Grimm (1997) state that younger entrepreneurs have higher energy levels and stamina (Lau and Busenitz, 2001). The relation between age and the growth ambition is negative in the reviewed studies. Therefore the following proposition is:

**P 15**  
The relationship between age and the growth ambition of the small business owner is negative.

### 6.4 Conclusion

In this chapter there is a conceptual framework given that relates several variables to the ambition to grow and actual growth. The theory of planned behavior is used as theoretical basis and personal and demographic variables are added on the basis on empiric literature. Propositions were stated to verify the framework in further studies. Following the theory of planned behavior, we state that the growth ambition has three antecedents. The small business owners’ ambition is constructed on the perceived “social pressure” towards growth, what he thinks of growth and the degree in which he believes he can grow. Ability/resources and opportunity cause together with the small business owners’ growth ambition actual growth. The personal traits that are addressed are not extensively linked to an ambition to grow in the empirical literature in contrast with capabilities, skills and the demographic variables age and gender. It is however interesting to see if the relations hold and if personality traits play a significant role in the
ambition to grow. Due to mixed empirical results the role of the small business owners’ capabilities and skills are not clear. The gender of the small business owner seems to have a significant influence on the ambition to grow. Only it is the question if it has a direct or indirect influence. The age of the small business owner is in all the empirical literature we found negatively linked to the ambition to grow. Only the rationale behind this relation is diverse and not quite clear.
7 Final Conclusion

The examination of the ambition to grow of a small business owner was done to answer the question:

What is an ambition to grow and which factors influence an ambition to grow?

Life cycle theory shows that at a given moment the decision to grow has to be taken or the ambition towards growth has to find expression. The definition of an ambition to grow supports on the construct intention due to the lack of consensus in the empirical literature. The definition is therefore quite simple: “The willingness to grow the firm”. It is only an expression of will and not of the possession of ability like the definition of Sexton (1989).

The factors that influence the ambition to grow are the psychological constructs based on the theory of planned behavior and personal and demographic factors based on the empirical literature. The factors that influence the ambition to grow are: social norm, attitude, perceived behavioral control, need for achievement, locus of control, risk taking propensity, capabilities, skills, gender and age.

Future direction

It is interesting to test the propositions in the theoretical framework and the extent to which these factors can explain the variety in the growth ambition of a small business owner. The antecedents used by the theory of planned behavior are well validated in the social psychology but with regard to the growth ambition only tested in one study (Orser et al., 1998). The personality traits introduced in the framework are not very well tested in the empiric literature but these constant factors maybe explain a significant amount of variety of the ambition to grow. Also the Big Five theory that made its introduction in entrepreneurship research (Ciaverella et al., 2004) can maybe be applied to the ambition to grow the firm. The relation of capabilities and the skills towards the ambition to grow is not clear. The several empirical studies provided contradictory results. Further research is therefore needed. Also the ongoing debate between the social and liberal feminist theory with regard to the ambition to grow is not settled. If the social feminist proves to be true it is interesting to look upon the specific differences between women and men with regard to the ambition to grow. If the liberal feminist theory holds it is interesting which factors causes this lower perceived behavioral control. The age of the small business owner is negatively related to the ambition to grow. However, the underlying rationale is not known. In the future it is therefore plausible to substitute age for factors like stamina and/or self-fulfillment.
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