

Organising small-firm growth

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Abstract

This paper summarises the results some major undertakings to explain small-firm growth. This is achieved through an in-depth reading of three Swedish doctoral theses written by Tomas Brytting (1991), Frederic Delmar (1996) and Johan Wiklund (1998), and a number of recently published articles that have addressed this issue. The purpose of this paper is to describe what we know about “organising for small-firm growth” on a firm level. The main result of the paper is a description of what is known about organising for small-firm growth in accordance with four dimensions: i) the strategy of the growing firm, ii) the entrepreneur/manager in the growing firm, iii) the resources and the capabilities of the growing firm and iv) the consequences of small-firm growth, i.e. what organisational growth brings to a small firm. The paper also includes a discussion of the limitations of the reviewed research and suggestions for future research.

Introduction

Within small business research, different explanatory approaches have been adopted in the search for an answer to the question about why some small firms⁷ perform better than others. Some have studied the impact of factors relating to the environment of the small firm (e.g. Davidsson & Henrekson, 2002; Jacobsson & Lindholm Dahlstrand, 2001) while others have focused on the structure of the firm (e.g. Slevin & Covin, 1990) or have concentrated on the significance of top-level managers (e.g. Davidsson 1989; Delmar 1996; Wiklund 1998).

This paper summarises the results of several comprehensive undertakings to explain small-firm growth. This is achieved through an in-depth reading of three Swedish doctoral theses written by Tomas Brytting (1991), Frederic Delmar (1996) and Johan Wiklund (1998), and a number of recently published articles that have addressed this issue.

The purpose is to describe what we know about “organising for small-firm growth” on a firm level. I will approach “organising” in an eclectic manner, which means that I will not read the literature under scrutiny from a predefined framework. Instead, I will set out to summarise what the selected literature says about small-firm growth from a general point of view.

From the theses, four dimensions of small-firm growth emerge as important in a discussion on what we know about organising small-firm growth.

1. The environment and the strategy of the growing firm.
2. The entrepreneur/manager in the growing firm.
3. Resources within and the capabilities of the growing firm.

⁷ A number of definitions of small firms are available. This study subscribes to the definition by Storey (1994), in which small firms employ 10 to 99 employees.

4. The consequences of small-firm growth.

The paper will be structured as follows. First, I will give a short overview of the theses in chronological order. This overview will focus on the aims and purposes and the frameworks and methods deployed. The overview will be followed by a summary of the main findings of the theses. This presentation includes a description of what we know about organising for small-firm growth in accordance with the dimensions identified above: i) the strategy of the growing firm, ii) the entrepreneur/manager in the growing firm, iii) the resources and the capabilities of the growing firm and iv) the consequences of small-firm growth, i.e. what organisational growth brings to a small firm. Afterwards, follows a discussion of the limitations of the reviewed research and suggestions for future research, which will be enriched by presentations of (more recent) findings from peer-reviewed articles.

Summary of the theses

The thesis of Tomas Brytting (1991)

The basic point of departure of Tomas Brytting's thesis is that empirically based descriptions of small firms as organisational processes are missing (p. 1). Accordingly, Brytting sets out to capture organisational processes as open design processes influenced by individual and social cognitions (p. 9). In arguing for this endeavour, Brytting criticises the common information processing perspective for being too rational in its conceptualisation of organisational processes. In a similar manner, he also criticises the information processing perspective for underestimating the importance of subjective perception (p. 5). Drawing on the work of Ramström (1975), Brytting criticises the common and mainly statistically based research for having limited value for any specific firm. The problem with these models, he argues, is that "they do not say anything about the mechanisms at work in the individual firm, give no hint on how 'organizing' takes place in small firms, and they cannot be used to give action oriented advice to small firm managers" (p. 12–13).

So, Brytting's ambition is to "start from the practical experiences of the small firm manager, and from these experiences investigate the personal, and process character of small firms" (p. 1). In this undertaking, Brytting employs a management perspective and he pinpoints that he will not seek to explain organisational patterns in large populations of small firms (p. 8). The stated research objectives are (p. 36):

- to describe the organisational processes in small, growing firms.
- to investigate their efficiency.
- to find out whether the efficiency of these organisational processes are dependent on firms being a small size.
- to discuss the possibility of reproducing smallness in large companies.

In this paper, I will focus on the findings concerning the first point above (which is also the main part of Brytting's thesis).

	Type and size of firm	Method
Case 1	Mid-sized manufacturing firm with 90 employees	11 semi-structured interviews with managers
Case 2	"A very small firm" employing 11 people at most	The firm was followed during a growth period of three years Brytting made tape-recorded interviews with the manager every second or third month during three years (25 formal interviews) Brytting also participated in different kinds of meetings (e.g. with staff and representatives from a finance agency)

Table 1. Case descriptions and methods used in Brytting's thesis

Empirically, Brytting's thesis rests on two in-depth cases. These cases are described in Table 1.

Drawing on his own critique of previous studies, Brytting's study is based on a grounded theory approach aimed at "generating theory as far as possible without prior theoretical prejudice" (p. 40). In line with the explorative and grounded theory approach adopted in the thesis, Brytting does not develop a theoretical framework in a traditional sense. Instead, he sets out to develop "a kind of theoretical suspicion" (p. 41). The "framework" is initially outlined in relation to "the received view on organisations". Thereafter, Brytting develops an "alternative view" on organisations. I will not go into details about these treatments, but only point out the most central hypotheses deduced by Brytting from the received view and the hypotheses developed from the alternative view.

From the received view on organisations, Brytting deduces a number of hypotheses about what will happen in a small firm as it grows. Based on Mintzberg's (1979) study of the structure of organisations, Brytting argues that organisational processes in the small, growing firm resemble a process of specialisation, which means that the internal division of labour will be more formalised as the firm grows (p. 46). He also hypothesises that that an increase in size implies a more and more elaborate hierarchy (p. 47). When the firm grows, it will become more difficult to coordinate the work in the firm by means of mutual adjustment and "through the manager 'being around'" (p. 51), which is still possible when the firm is small. This means that as a firm grows bigger the number of coordinating mechanisms will increase (p. 49) and that the coordination will become more formalised (p. 51).

Members of a small, growing firm will, consequently, experience a personal and professional change in a number of ways. First, it is likely that they will see changes in their operational work. As the degree of specialisation increases their working day will change and their power in the firm and over their own work will decrease (Brytting, 1991, p. 43). They will also, most likely, find themselves obliged to conform to the structure of the firm. They will, as an example, have to feed the information system (formal or informal) with inputs about their whereabouts and about their work, which will limit their perceived freedom.

It seems that the small firm has certain characteristics which make it a more motivating place to work. However, as a small firm grows and the necessary changes in the structuring of the firm are made, Brytting hypothesises that general satisfaction will decrease among employees. The value-community between the manager and employees, which might be

present in the small firm, will deteriorate (p. 57). The changes in the way work is organised (structured) will also risk undermining the employees' motivation. This means that, in order to get things done, the firm has to employ some kind of more traditional reward system (p. 51). In other words, the members of the firm need to have or find the appropriate motivation to fulfil their work task in an efficient manner in order to make the changes in division of labour and in the coordination mechanisms effective.

As an alternative to the "received view of organisations", Brytting outlines "an alternative view", in which he subsumes to a more interpretive thought tradition based on mainly social-psychology theories. The perspective is said to be "less rationalistic, objectivistic, and structurally biased than the received view" (p. 69). In developing the alternative view of organisations, Brytting develops a number of hypotheses following on from this perspective. I will summarise the most central ones in the following paragraphs.

Corresponding to its inspiration to an interpretive thought tradition, the alternative view assumes that the interpretation of the organisation and its environment is central to our understanding of organisational behaviour. From the alternative view, the formal design of an organisation can be regarded as a "sensemaking device" (p. 71), around which people within the organisation make sense of their life within the organisation. A central concept here is "interpretative schemata" (pp. 75). Interpretative schemata "operate as shared, fundamental (though often implicit) assumptions about why events happen as they do and how people are to act in different situations" (Bartunek, 1984, p. 355, in Brytting, 1991, p. 75).

Interpretive schemata that are shared within an organisation constitute a stabilising mechanism and they function as coordinating mechanisms. During the growth of the firm, changes in these schematas are necessary (p. 74). These changes are, however, not an easy achievement, as interpretative schematas are highly stable phenomena and, therefore, also difficult to change (p. 78). Changes in the way things are done (organised and managed) must make sense to the employees. If they do not, there is a high risk that the changes will be resisted. So, drawing on the work of Bartunek (1984), Brytting hypothesises that it is difficult to make changes in the formal structure before new shared meanings are established (p. 72). From this he states that a manager in a small, growing firm constantly needs to specify the identity of his/her firm and his/her own role within it (p. 74).

The thesis of Frédéric Delmar (1996)

Frédéric Delmar sets out to answer the following question: How does the behaviour of the entrepreneur affect the development and performance of the business venture? He answers these questions by examining the importance of stable psychological characteristics of the entrepreneur on business performance and expected performance. The main theoretical perspectives are developed on the basis of modern psychology and entrepreneurship research, and the thesis adopts a so-called economic-psychological perspective (Delmar, 1996, p. 4).

Delmar sets out to contribute a better understanding of the entrepreneurial process and, more specifically (and in line with his partly psychological perspective), which psychological factors determine entrepreneurial performance, and why. In his explanatory approach he searches for answers in connection with the entrepreneur's ability, motivation and task-characteristic.

In the first part of his thesis, Delmar develops a model of entrepreneurial behaviour and performance. The model includes four major concepts: business performance, entrepreneurial performance, the individual (motivation and ability) and the environment (p. 7). In discussing the basic elements in his model, Delmar argues that motivation theories, in general, have a different perspective than performance theories. While motivation theories aim to explore why people behave the way they do, performance theories aim to evaluate the behaviour of the individual (p. 21).

In developing the motivational aspects in his model, Delmar reviews theories on needs, values and attitudes, goals and intentions and how these theories relate to action (i.e. to performance). He then concludes that need theories are inappropriate in the study of entrepreneurial behaviour because they are too distant to action. He goes on to argue that theories about values and needs (even if they are the base of most motivational theories) per se are also too distant to action and therefore need to be related to concepts as goals

and intentions to be of value when trying to understand entrepreneurial behaviour (p. 28).

In the following table, the methods and sample/data of Delmar's six studies are accounted for.

	Methods	Sample/data
Study 1	Case studies based on mainly personal interviews	15 entrepreneurs 3 entrepreneurs from 5 different industries
Study 2	Telephone interviews Postal questionnaires	259 entrepreneurs (35% of the total sample of 730 answered)
Study 3	Telephone survey conducted over 4 years (1992, 1993, 1994 and 1995)	Stratified random sample of approximately 350 firms every year (different every year) Response rate of approximately 81%
Study 4	Same data as in study 2	Same data as in study 2
Study 5	Telephone interviews Postal questionnaires	259 entrepreneurs out of a total sample of 730 responded (i.e. response rate = 35%) 975 Swedish citizens out of a total sample of 1,500 responded (i.e. response rate = 65%)
Study 6	Same data as in study 2	Same data as in study 2

Table 2. Methods, sample and data of the six studies included in Delmar's thesis

The main findings of Delmar's thesis are: (i) the job interest of the entrepreneur contributed significantly to the firm's performance, (ii) the intellectual ability of the entrepreneur (as measured by IQ) was unrelated to the firm's performance, (iii) the values of the entrepreneur had little explanatory value in relation to the firm's performance, but could differentiate moderately between entrepreneurs and non-entrepreneurs, (iv) the entrepreneurs' prediction of future firm performance was dependent on the perceived causes of their present situation and, finally, (v) the growth motivation of the entrepreneur was explained by previous growth, interests, attitudes and opportunity recognition.

The thesis of Johan Wiklund (1998)

In his thesis, Johan Wiklund sets out to answer two overall questions: Why is it that some small firms perform well and grow while others do not? Does entrepreneurship play a role in this process?

The basic point of departure in Wiklund's thesis is that the scope of previous research has been too narrow (p. 8). Therefore, Wiklund develops a model that includes a wide range of variables on different levels of analysis. He criticises previous attempts within entrepreneurship research that often focus on variables relating to the individual and consequently fail to recognise that other factors besides the individual influence the development of small firms. In a similar manner, he also criticises studies that have focused on organisational variables and, therefore, fail to recognise the explanatory power of the characteristics of the entrepreneur.

In order to develop a broad framework, Wiklund conducts an in-depth review of previous research. After reviewing four theoretical perspectives that are said to be valid for evaluation in the context of the purpose of the thesis: the resource based perspective, the life-cycle perspective, the strategic adaptation perspective and the motivation perspective, Wiklund concludes that "the life-cycle perspective is largely incompatible with the other perspectives and cannot be integrated with them in a model where growth/performance is the dependent variable" (p. 49). According to Wiklund, the life-cycle perspective is mainly concerned with what growth brings to an organisation (i.e. interested in the consequences that growth brings to the organisation), while the other perspective is concerned with the explanations as to why firms grow and perform well (i.e. interested in what brings growth and performance to the organisation).

Based on an extensive review of literature on small firm growth/performance and the exclusion of the life-cycle approach mentioned above, Wiklund next develops a theoretical model that consists of four theoretical constructs: environment, resources, motivation and strategy (p. 51). The constructs are said to be valid in the model as they can be deduced from three out of the four theoretical perspectives outlined earlier.

The model that Wiklund develops concerns the effects of attitudes, resources and capabilities, industry and perceived environment on entrepreneurial orientation (p. 140).

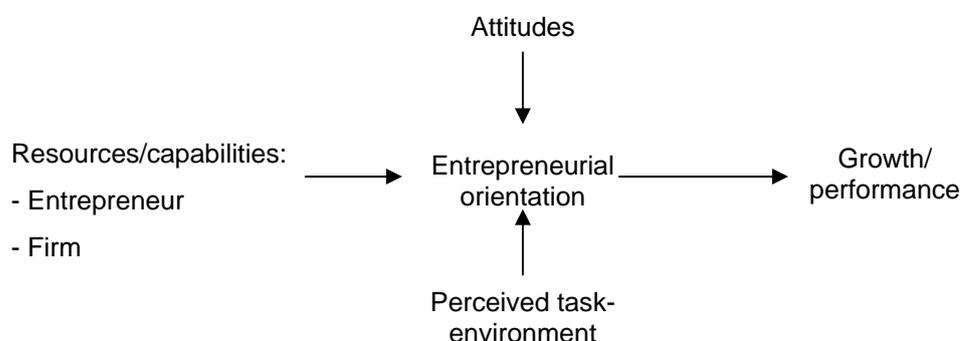


Figure 1. Wiklund's theoretical model

A basic assumption is that the effect of all independent variables on growth/performance is mediated through what Wiklund labels entrepreneurial orientation (EO) (p. 142). EO is defined as "the small business manager's self-perception of the firm's strategic orientation" (p.

13). Wiklund continues to argue that the strategic orientation of the CEO in small firms is likely to be the same as the strategic orientation of the firm. More precisely, the strategic orientation of the CEO reflects the willingness of a firm to engage in entrepreneurial behaviour (p. 65). In the thesis, EO is understood to consist of three separate dimensions: risk taking, proactiveness and innovation.

Wiklund's thesis is based on a survey of 200 independent firms in four different industries (i.e. sample of in all 800 firms). Half of the sample has 10–19 employees and half has between 20–49 employees. 630 firms (i.e. a response rate of 78%) were interviewed over the telephone, out of which 465 (i.e. a total response rate of 58%) also returned a postal questionnaire. All data were collected from the Managing Director.

A summary of what we know about the organising of small firm growth

The theses of Brytting (1991), Delmar (1996) and Wiklund (1998) all show an interest in the phenomena of small-firm growth, but they approach it using different theoretical perspectives and different methodological approaches. They therefore allow for a theoretically comprehensive analysis of what can be said about what explains small firm growth.

While Delmar adopts a more narrow psychological approach and Wiklund a more inclusive and strategic one, Brytting searches for a better understanding of the internal organising principles characterising growing firms. Expressed differently, Delmar searches for explanations of small firm growth using psychological factors, Wiklund approaches the same question using both psychological and strategic factors and Brytting focuses on an understanding of what happens within a small firm that is growing.

Together, these theses give a comprehensive understanding of the characteristics of the small, growing firm. In the following sections, I will summarise what can be deduced from the conclusions of these three theses about small firm growth. I will do this by answering four questions:

- What do we know about the environment and the strategy of the growing firm?
- What do we know about the entrepreneur/manager in small, growing firms (the abilities, motives and interests of the entrepreneur)?
- What do we know about resources and capabilities in the small, growing firm?
- What do we know about what happens with the way things are organised within the small firm when it grows?

The questions will be answered under separate headings below.

The environment and the strategy of the firm

Wiklund pays explicit interest to the strategic dimension of small firm growth. We know, from his thesis, that growing firms have a strategic orientation that can be labelled entrepreneurial (Wiklund, 1998, p. 239) and that an entrepreneurial strategic orientation influences small firm growth and performance (p. 244). Wiklund's empirical study shows that firms which focus on growing market niches seem to grow more than firms adopting other strategic orientations. This means that it is more valuable for firms that aim to expand their business to exploit growing markets than to confront competition on more stable markets.

This could be explained by the fact that growing firms are better in detecting and exploiting opportunities (Wiklund, 1998, p. 246) and that dynamic and growing markets offer more opportunities than stable ones.

From Wiklund, we also know that the way firms perceive their environment affects firm growth. Firms that face an environment with increasing dynamism tend to grow faster and perform better than firms facing stable environments. It is also worth noting that when it comes to predicting a firm outcome, Wiklund concludes that changes in the firm's environment seem to be relatively more important than the present environment (p. 245). Therefore, it seems that change is an important element in small firm growth. Changes in the environment or changes in a dynamic market offer opportunities that can be exploited by firms searching for new opportunities.

With regard to the effect of the environment on a firm's performance, Delmar (1996) concludes that the most important variable is the characteristic of the market. More specifically, competition, what sorts of customers and the relationships with the customers are the most important determinants of performance. Within the discussion on the importance of the environment, Delmar concludes that the attitudes of the employees towards news and changes are of great importance. Delmar also found that a firm's capacity for innovation is related to a firm's performance, together with a positive attitude to news and changes in the organisation. So, Delmar adds to the understanding of change as an important prerequisite for growth, in that he also includes the firm's attitude towards change in the explanation. From this, it follows that it is not enough, with changes in the environment, in order for growth to take place. A positive attitude towards these changes is also necessary if the firm is to be able to exploit these changes.

Together, these findings point to the importance of an entrepreneurial strategy, change and the attitudes towards change in explaining small firm growth: firms that operate in dynamic markets, follow an entrepreneurial strategic orientation and have a positive attitude towards change are more likely to grow than other firms.

Another important conclusion drawn by Wiklund is that the strategic orientation of the manager in a small firm is likely to be equal to the strategic orientation of the firm (p. 244). Brytting adds to this understanding in pinpointing that the emergence of a strategy in many small firms often depends on the choices made immediately and intuitively by the manager when he/she faces new opportunities. If the manager perceives the opportunity as sustaining his/her chances of "having fun", then the manager will make the firm respond to the opportunity, and this response will develop into a strategic change in the firm. If not, the opportunity will "fade away" (Brytting, 1991b, p. 57). From these conclusions, it follows that an understanding of the entrepreneur is central to an understanding of how growing firms relate to their competitive environment, and of small firm growth in general. In the next section, I will focus on what the theses tell us about the entrepreneur.

The entrepreneur

"The owner-manager might take far-reaching strategic decisions and act without having to confront opposing arguments and logics" (Brytting, 1991, p. 182). In that way, the owner-manager has a different position than his/her peers in larger firms. From this conclusion, it is not surprising to see that the interest in "the entrepreneur" is extensive, as is our knowledge about this actor.

A closer analysis of behavioural differences between more or less successful entrepreneurs reveals that the main difference is that the former were more cautious, used long-term planning and employed external competence to compensate for their own weaknesses (Delmar, 1996, p. 62). Non-successful entrepreneurs (labelled “small business owner-managers” by Delmar) preferred control over their firm to business expansion. This finding might indicate that these managers are unable to delegate authority, which we know from previous research (Miller & Friesen, 1983) is a prerequisite for a firm’s performance, and, therefore, are unable to achieve firm growth. As indicated above, we know that managers in rapidly growing firms like to work with strategic work tasks (Wiklund, 1998, p. 240), while preferences to work with operational tasks have a negative influence on growth. According to Delmar, non-successful entrepreneurs also have a less well-developed personal network, they do not plan ahead, have poor knowledge of financial matters and are badly organised. These differences are independent of whether the failed entrepreneurs are oriented towards growth or not.

We also know that the attitudes of the small business manager to his/her work seem to be more important for growth than their attitudes to the possible benefits they can get from their work (Wiklund, p. 240). The aspiration for, for instance, a good standard of living or self-fulfilment through work has no association with growth, but aspirations to be creative at work and to work with strategic work activities do have a positive influence on growth.

More recent research adds to our understanding of how small business managers’ beliefs concerning the consequences of growth influence their overall attitude towards growth. Wiklund, Davidsson & Delmar (2003) found that non-economic concerns may be more important than expected financial outcomes in determining the overall attitude towards firm growth.

The most important determinant of performance related to the entrepreneur is, according to Delmar, motivation for business growth. Delmar also found that the growth motivation of the entrepreneur is strongly influenced by previous growth: “the experience of growth leads to growth motivation” (p. 63). Delmar concludes that motivation is more important than the ability for entrepreneurial performance (p. 69). This is also in line with more general findings that managers with many years experience in the firm and in the position of CEO correlate negatively, and often significantly, with a firm’s performance (Miller & Toulouse, 1986, p. 56). As a result of this finding, Delmar suggests that it is better to use “attitudes” than “values” when trying to predict entrepreneurial behaviour (as the former is a more proximal variable and, therefore, has a better predictive ability). This is also supported by the finding that, in a loss situation, entrepreneurs were keen to find explanations to this situation in the environment of the firm, while successful entrepreneurs attributed the success to internal causes (p. 63).

Brytting also identifies forces that drive growth in relation to the entrepreneur. Central in his discussion is the aim of the owner-manager to build a “self-sustained organisation” that can operate automatically, which is a necessary condition when the firm grows bigger. This means that managers that succeed in creating a more self-driven organisation have greater chances of achieving growth. Another driving force is the curiosity of the owner-manager, which, according to Brytting (p. 193), is based on a restlessness of the manager. This curiosity can result in new business opportunities that are often unplanned and that come from chance encounters or coincidences.

To sum up: A curious manager that has a positive attitude towards growth, enjoys working with strategic issues, deploys external competence to compensate for his/her own weaknesses and strives towards creating a self-driven organisation is more likely to achieve firm growth.

Resources and capabilities

The only thesis (out of the three under scrutiny in this paper) that includes an explicit discussion on resources and capabilities is the thesis by Wiklund. In the following section, I will summarise his conclusions in relation to these factors.

Even if resources and capabilities have been found to be of importance when it comes to organisational performance in general, Wiklund concluded that resources seem to be of relatively little importance to a firm's growth (p. 240). This finding was found to be valid for individual resources of the entrepreneur, the firm and for resources that are obtainable through the entrepreneur's network. Wiklund concludes that resources could not be seen as particularly important in predicting growth (p. 248).

Wiklund did, however, conclude that younger firms grow more rapidly than older ones (p. 240). Wiklund's study also shows that subsidiary status is unimportant to growth. He found no differences in growth between independent firms and firms that are subsidiaries in company groups. Another conclusion from Wiklund's thesis is that well-performing firms have larger management teams than low-performing firms (p. 241).

In his thesis, Wiklund treats resources and capabilities as a joint concept (p. 58). Based on his overall finding, which indicates that resources are of little explanatory value when trying to understand small firm growth, Wiklund concludes that a pure resource perspective is less appropriate in the search for a better understanding of why some small firms grow while others do not. His suggestion is, instead, to focus on the capabilities of the firm (p. 249). Future research should attempt to identify the relevant capabilities derived from the resources of the firms. Future research should not integrate resources and capabilities into one construct.

Organisational consequences of small firm growth

In the following two sections, I will focus on the consequence of firm growth and how these changes affect small firm growth. First, I will discuss how the organisational structure of the firm changes as the firm grows bigger. Second, I will elaborate on the changes in the social system that is imposed on growing firms.

Changes in organisational structure

According to Thompson (1967), a synthetic organisation is an organisation that develops, more or less spontaneously, to solve a specific and urgent matter (Brytting, 1991, p. 185). This kind of organisation can show instrumental rationality, which means that they make things happen, but they are not as efficient in terms of using resources in an optimal manner. The main advantages of the synthetic organisation are its flexibility and its shared commitment among its members. Its main disadvantages have to do with the fact that all parts of the organisation must be coordinated under great uncertainty and without the help of rules, procedures and hierarchy. In his discussion, Brytting sees similarities between the very small firm and the synthetic organisation. From this follows, according to Brytting, that the

same mechanisms that make the small, flexible firm able to solve a variety of problems and to survive in a turbulent environment are the same mechanisms that might hinder it from achieving internal efficiency (p. 186).

So, when the firm grows, the structure changes (has to change), and along with this change comes a dilemma that needs to be resolved. Should the firm keep its flexibility and its strengths that follow from small-scale advantages and live with the liability of smallness, or should it develop an internal efficiency that allows it to grow beyond its “smallness” and risk losing the advantages of being a small organisation? If the reduction of economic small-scale advantage caused by growth is to be compensated for, the small firm, if it wants to survive, has to develop economies of scale (Brytting, 1991, p. 197).

Another important conclusion about small firm growth, drawn by Brytting, is the recognition of the tension present within the small firm between spontaneity and systematic planning, and between the person/firm confusion and the self-sustained organisation (p. 191). These two tensions both impede small firm growth. The tension lies between spontaneity and systematic planning, and the strength of the former when the firm is small has to be – at least to some degree – replaced with the value of systematic planning as the firm grows bigger. This connects to the discussion above about the dilemma that follows from the fact that the small, growing firm needs to let go of, at least a bit of, its flexibility in order to become more efficient and develop economies of scale.

The tension between the firm as a form of self-expression and the creation of a self-sustained organisation might decrease as the firm grows larger and the importance of creating a self-sustained organisation becomes necessary. However, if the firm is to grow, the manager cannot see the firm as a form of self-expression any longer. Instead, his/her primary motivation must be to create a self-sustained organisation that can operate without the permanent presence of the owner-manager.

Changes in the firm's work structure and social system

One problem with managing growth in a small firm has to do with the changes in the power structure within the firm: the changes in individual work conditions and the power individuals have over their own work. Managing growth, from this perspective, is about getting the employees to understand the necessity of changes in the work structure and, therefore, in their working conditions. In short, and in the words of Leibenstein (1976, in Brytting, 1991, p. 52), the owner-manager must be able to make changes in the employment contracts and in the work effort of the employees to make the employees really understand the reasons for these changes. If this does not happen, the growth of the firm might risk being brought to a standstill.

Except for changes in the employment contracts, Brytting also concludes that growth leads to changes in the relationships within the firm. In his description of the changes of the social relationships within the small, growing firm, Brytting talks about a change from genuine to calculative relationships (p. 197). In short, this change poses a challenge to small firms, as this means that “[t]rust and dialogue between individuals, are replaced by more or less formal negotiations between de-personalized ‘parties’” (p. 198).

This means that small firm growth changes the way “things are done” in the firm. Therefore, the main task, according to Brytting, of small firm managers in the process of firm growth, is to change and reinvent the “dominant logic” which, at each point in time, is the foundation

of organisational action but, at the same time, is also the main barrier to future transition (Brytting, 1991, p. 77). If the logic that defines appropriate behaviour is not changed (both at a management and employee level) there is a risk that people in the firm will resist the changes that are necessary to achieve growth. In his conclusions, Brytting (p. 178) subsumes to the understanding of organising as a sensemaking process. "What is happening in the firm has to make sense, and the best way for the members to make sense of the firm is to share the same interpretive schema and then act according to that schema" (ibid.). From this follows that the changes in work/social relationships following in the wake of firm growth, as depicted above, have to make sense to all organisational members if growth is to take place.

Limitations in previous research

The three theses reviewed in this paper all contribute important knowledge about growth and performance in small firms. They do so in different ways and using different perspectives. All research conclusions stem from the framework that has been guiding the actual research, and every framework is a result of a trade-off between simplicity and complexity. If we include too many variables in our frameworks, we will end up with very complex models, and if we strive too much after parsimony, we will stand the risk of excluding relevant variables in our analysis. Even if the three theses approach their endeavours in different ways and from different perspectives, I would argue that they share a common weakness in the way they frame small firm growth. In the following section, I will discuss this weakness and indicate ways to overcome this in future research.

The main problem with the explanatory attempts to explain small firm performance/growth in the three theses is their conceptualisation of the firm's growth/performance. Even if they differ in their detailed approaches, both Delmar and Wiklund develop frameworks that are clearly loaded from an economist viewpoint, so does the implicit framework adopted by Brytting, even if he is on a "grounded-theory mission". I will come back to the consequence of this economic approach in a short while. Another related, and perhaps more important, drawback of the theses of Delmar and Wiklund is their basic understanding of entrepreneurship/small firm growth as primarily an individual achievement. I would argue that this mistake is due to the tradition within entrepreneurship research to address what happens when a firm is created. Expressed differently, entrepreneurship research has traditionally dealt with the pre-start phase of new ventures. Today, entrepreneurship research also focuses on growth issues in firms that are already established, but the theses of Delmar and Wiklund (together with other small business researcher coming from the entrepreneurship research tradition) fail to recognise that the phenomenon that they are studying is not happening in a social nothingness.

In the case of the pre-start-up phase, "entrepreneurship" happens in relation to one individual or in relation to a small group of individuals. The main ingredient is the establishment of a firm based on some kind of business idea/innovation. When it comes to "entrepreneurship" in terms of small firm growth, entrepreneurship is about continuously establishing and re-establishing organisations that are fit to do what is necessary to continue to be actors in the market. In comparison with entrepreneurship in the pre-start-up-phase, this phase involves a greater number of individuals, and, therefore, it is reasonable to assume that it also includes a social dimension (which is also indicated in the thesis by Brytting). This assumption can be supported with results from research on organisational change which show that

change (which is necessary to achieve firm growth) is likely to be made an object of resistance from organisational members (Labianca, Gray & Brass, 2000).

So, even if the psychological “input” constituted by the motivation of the individual manager/entrepreneur and the strategic “context” of the firm is of importance (especially in the study of the pre-start-phases), it needs to be added to in order to contribute to our understanding of performance “output” (cf. Johnson, 1993, in Wiklund, 1998, p. 48), especially when trying to understand the phenomenon of small firm growth. More specifically, the entrepreneur/manager needs to be put into a “social context” in which the motivations of the individual can be understood in relation to other actors.

The “context” is often included in more contemporary research on small firm growth, often under the heading of “environmental” factors. However, when the context (i.e. the environment) is included as a factor it is often done so in a rather simplistic (read: functionalistic) manner, and the environment is often understood using concepts such as task characteristics, characteristics of the market, competition, types of customers and so on (see, for example, Delmar, 1986, p. 68; Stewart, Watson et al. 1999). Behind this way of thinking lies a fault in the conceptualisation of the behaviour of the entrepreneur. It follows from this line of thinking that it is assumed that the individual operates/behaves in a social void and in a non-political context, and that the only valid factor influencing the behaviour of the entrepreneur is motivational in character (whether it is values, norms and attitudes or goals and intentions). We know from studies of what managers do that the work of managers (and, therefore, entrepreneurs) is constrained by conditioning factors in their social environment/context (Fondas & Stewart 1994; see also Hales 1986). I would suggest that what is needed is an understanding of the social “throughput” that transforms the strategies of the entrepreneur and the firm into (strategic/entrepreneurial) action.

So, while entrepreneurship in pre-start-up settings could be conceptualised as an individual achievement/endeavour, I would argue that entrepreneurship in firm growth settings is also a social achievement. This is also indicated by Delmar in his concluding discussion on the results of his thesis, in which he discusses the fact that individual difference in ability and motivation has only a moderate impact on business performance. The conclusion following this observation is that “business performance was not solely contingent on the performance of the entrepreneur as defined here” (Delmar, 1996, p. 66). In the subsequent discussion, Delmar notes that a relationship between the individual entrepreneur and a firm’s performance can be found only in a situation when the behaviour of the entrepreneur is under the entrepreneur’s complete volitional control (p. 66). The problem, which is also pinpointed by Delmar, is that “business performance requires resources, the cooperation with others, and skills” (*ibid.*, my italics).

In a small firm (i.e. not a micro firm) it is not enough to just have an entrepreneur with sufficient motives. He/she is not in full control of the actions of the firm and, consequently, not in control of the behaviour of the firm. From this follows that “[t]he entrepreneur may have the intention to perform in a particular manner, but may be hindered because this behaviour is not under his or her volitional control” (Delmar, 1996, p. 66). Delmar later explains the difficulty in this situation when he concludes that business performance is the outcome, not of a single behaviour, of complex sequences of coordinated acts (p. 68). He also notes that

his study fails to include “supposed important factors such as social ability” (p. 71).⁸ Delmar also recognises that his model of entrepreneurial performance does not take into consideration the importance of social relationships and how others perceive the entrepreneur (p. 72). He also notes that the formulation of strategies, goals, commitment and how they are communicated to others still is a “black box” in entrepreneurship research (p. 76).

One could argue that (traditional) entrepreneurship theories are more valid in the analysis of the start-up-phase of new ventures, but less valid when trying to understand the growth of small businesses. Therefore, the explanations proposed by Delmar and Wiklund, following their primary economic perspective, could be enriched by the adoption of frameworks inspired by modern social theory, which would suggest that entrepreneurial behaviour is not only explained by how the entrepreneur interprets a situation and generates appropriate responses (cf. Delmar, 1996, p. 72), but also by how entrepreneurial agency is situated in a social context.

To conclude, I would argue that the research reviewed here has failed to explore the social aspects of small firm growth. The theses, more specifically, fail to recognise that firm growth takes place in a social setting, a setting with structural properties that can be assumed to have an effect on whether firm growth will take place or not. Delmar (p. 68) also recognises this when he concludes that we need additional knowledge about “the social context of behaviour” and that a social psychological perspective is necessary in future research (p. 73) in order to be able to really understand the relationship between entrepreneurial behaviour and business performance. Also, Brytting indicates this in his finding that growing firms need to compensate for the reduction of economic small firm advantages by developing economies of scale (Brytting, 1991, p. 197). This means the routinisation of work roles and communication and the standardisation of products and services. According to Brytting, these changes risk leading to a change in the relationships within the firm. Instead of consisting of “genuine relations”, the firm instead will consist of “calculative relations”, which in turn means a shift in the underlying moral system on which the organising principles are resting. “Trust and dialogue between individuals, are replaced by more or less formal negotiations between de-personalized ‘parties’” (Brytting, 1991, p. 198). Therefore, it seems reasonable to assume that social factors also influence small firm growth. Consequently, future research should also study the social dimension of firm growth.

Future research and concluding remarks

The argument that additional research, from a social perspective is necessary, receives support from some recent research that has studied corporate culture in small firms (Choueke & Armstrong, 2000; Haugh & McKee, 2004). Based on a literature review, Choueke & Armstrong (2000) concluded that research on firm growth lacked a reference as to the effects of organisational culture on the development of small to medium-sized enterprises. In their explorative research, they concluded that the respondents in their study recognised the importance and the role of what is described as “corporate culture” in the success of their companies (p. 236). Haugh & McKee (2004) drew on the work of Schein (1992) in their study of values in four smaller firms and found a complex array of values in each firm. In only one

⁸ The reason for this is said to be that such variables were judged to be hard to measure within the chosen research design.

firm were they able to identify a homogenous culture. Independence, survival, control, pragmatism and financial prudence are identified as elements in what the authors label “the cultural paradigm of the smaller firm” (p. 378). Future research should show, in more detail, if there is a correlation between certain “cultures” and firm growth. Additional effort should also be directed towards achieving a better understanding of how the culture changes as a small firm grows larger, and if and how the “cultural paradigm of the smaller firm” might hinder small firm growth.

A more specific suggestion for future research is to focus on how efficient managers implement a growth strategy. From his study, Delmar concluded that the growth motivation of the entrepreneur is more important than ability for entrepreneurial performance. This is probably correct, but I would argue that the conclusion deserves further attention. If motivation is more important than ability, there is a risk that an extremely growth-motivated entrepreneur would grow his/her enterprise too quickly and, therefore, fail to change the way the firm is organised and lead. It might be that measures of “motivation” also include measures of the entrepreneur’s ability to adjust the organising principle of the firm to the present size of the firm. If this is the case, it follows that motivation per se is not enough. Growth motivation needs to be complemented with the ability to lead and manage this growth. Previous research has showed that organisations that succeed in their effort to move from start-up to growth tend to undergo dramatic structural change (Olson & Terpstra, 1992, p. 35). As the firm grows, they become more complex (both horizontally and vertically), more formalised and less centralised. In order to allow for the necessary changes in the way the organisation is structured, organised and managed, changes must be made in the “dominant logic” (Brytting, 1991, p. 77) underlying the work organisation of the firm. However, we know only little about how this is implemented.

The question of whether implementation of growth (i.e. how necessary changes are implemented) is essential is supported by previous research that has found that CEOs with an internal locus of control (LOC) achieve higher organisational performance irrespective of the pursued strategy. Therefore, it has been suggested that CEOs with an internal LOC differ from those with an external LOC in their ability to successfully implement any strategy (Boone, Brabander & Witteloostuijin, 1996, p. 687). According to Boone et al. (1996), from this follows that future research should not only focus on strategic choice but also on the process associated with the effective implementation of these choices. In the case of the small, growing firm, this means that the ability of the owner-manager to implement the organisational changes that are necessary to achieve growth should be essential for small firm growth.

That the question of implementation is relevant gets additional support from recent findings about the importance of human resource management (HRM) practices in facilitating rapid growth. Barringer, Jones & Neubaum (2005) found an emphasis on training to be much more prevalent in rapid-growth firms, which could be taken as an indication of the importance of changes in work content and a subsequent need of training, which, in turn, could be understood as a matter of implementation of a growth strategy. In a similar way, Mcpherson (2005) examined how managers’ conceptions of particular crises were translated into systems and structures within organisations to facilitate growth. Mcpherson used the concept of “knowing” in order to discuss the importance of “learning how to grow” (2005, p. 1139), which could also be interpreted as an issue of implementation.

In this paper, I have summarised what three doctoral theses have concluded about “organising for small firm growth”. I outlined a picture of what we know about the environment and the strategy of the growing firm, the entrepreneur/manager in the growing firm, the resources and capabilities in the growing firm and, finally, about what we know about the consequences of small firm growth. Except for summarising and synthesising the knowledge, my in-depth reading of these theses has revealed some shortcomings in our knowledge, and I have presented some ideas that deserve attention in future research. My aim is that this piece of work can inspire scholars of small firm growth to take on the endeavour that lies before us until we reach a better understanding of the phenomena of small firm growth.

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