

JYU DISSERTATIONS 853

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**Daria Hakola**

# Beyond Business Growth

## Unpacking the Determinants and Limitations

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JYVÄSKYLÄ UNIVERSITY  
SCHOOL OF BUSINESS AND ECONOMICS

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**Beyond Business Growth**  
**Unpacking the Determinants and Limitations**

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*The impossible could not have happened, therefore  
the impossible must be possible in spite of appearances*

*Hercule Poirot*

*by Agatha Christie*

## ABSTRACT

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The motivation for this dissertation arises from the need to address the long-held assumptions in the entrepreneurship field about the causes and outcomes of business growth. Existing research often portrays business growth as a universal solution, neglecting the problems raised by this approach and the influence of specific determinants and contextual factors. This dissertation, emphasizing smaller businesses, explores the impact of the entrepreneur, industry, and environmental level determinants on firm-level outcomes. The primary objectives are to identify the determinants of successful business growth, particularly growth modes, growth intention, and institutional influences, and to explore the relationship between growth and other key metrics, including business profitability and scaling.

The dissertation includes an introductory chapter and four studies, each addressing specific questions with theoretical and practical insights. The first study explores why businesses choose specific growth modes through a systematic literature review. The second study examines the effect of entrepreneurial growth intention on business growth in a longitudinal survey setting. The third study employs meta-analysis to assess the influence of entrepreneurial growth intention on different business performance measures, considering the moderating effects of formal and informal institutions. The fourth study focuses on the implication of high growth for business scaling through a systematic literature review.

The dissertation contributes to strategic entrepreneurship literature by taking a more comprehensive look at business growth, scrutinizing the effects of factors once universally deemed beneficial for business success. This dissertation offers a more nuanced understanding of business growth by incorporating data across different geographic and institutional contexts and addressing business performance through various measures. In particular, the dissertation challenges the field's assumption of the role of an entrepreneur in business growth. It also extends the conversation about the trade-offs between growth and other performance benchmarks. Additionally, the dissertation forges a link between classical debates on company growth catalysts and modern discussions about the complexities and implications of growth for lasting business success.

Keywords: business growth, profitability, scaling, growth mode, growth intention, formal and informal institutions

## TIIVISTELMÄ (ABSTRACT IN FINNISH)

Hakola, Daria

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Tämän väitöskirjan motivaatio syntyy tarpeesta käsitellä yrittäjyyskentässä pitkään vallinneita oletuksia yritysten kasvun aiheuttajista ja seurauksista. Aikaisempi tutkimus kuvaa usein liiketoiminnan kasvun universaalina ratkaisuna, sivuuttaen tähän lähestymistapaan liittyvät ongelmat sekä tiettyjen tekijöiden ja kontekstuaalisten olosuhteiden vaikutukset. Tämä väitöskirja, keskittyen pieniin yrityksiin, pyrkii tutkimaan yrittäjän, toimialan ja ympäristötason aiheuttajien vaikutusta yritystason tuloksiin. Väitöskirjan paljastaa onnistuneen yrityskasvun taustalla olevat aiheuttajat, painottaen kasvutapoja, kasvuaikkeitä ja institutionaalista vaikutusta; sekä tutkii kasvun ja muiden keskeisten mittareiden, kuten yrityksen kannattavuuden ja skaalautuvuuden, välistä suhdetta.

Väitöskirja sisältää johdantoluvun ja neljä tutkimusta, jotka kunkin käsittelevät erityisiä kysymyksiä teoreettisesti ja käytännöllisesti. Ensimmäinen tutkimus tarkastelee systemaattisen kirjallisuuskatsauksen avulla, miksi yritykset valitsevat tiettyjä kasvutapoja. Toinen tutkimus tutkii yrittäjän kasvuaikoiden vaikutusta yrityksen kasvuun pitkittäistutkimuksen avulla. Kolmas tutkimus käyttää meta-analyysiä arvioidakseen yrittäjän kasvuaikoiden vaikutusta yritysten erilaisiin suorituskykymittareihin, ottaen huomioon muodollisten ja epämuodollisten instituutioiden moderoivat vaikutukset. Neljäs tutkimus keskittyy korkean kasvun vaikutuksiin yrityksen laajentamiseen systemaattisen kirjallisuuskatsauksen kautta.

Väitöskirja edistää strategisen yrittäjyyden tutkimusta tarjoamalla kattavamman katsauksen yrityskasvuun ja tarkastelemalla aiheuttajia, joita aiemmin pidettiin yleisesti yrityksen menestyksen kannalta hyödyllisinä. Tämä väitöskirja tarjoaa syvällisemmän ymmärryksen yrityskasvusta yhdistämällä tietoa eri maantieteellisistä ja institutionaalisisista konteksteista ja käsittelemällä yrityksen suorituskykyä eri mittareiden kautta. Varsinkin väitöskirja haastaa alan oletukset yrittäjän roolista yritysten kasvussa. Se laajentaa myös keskustelua kasvun ja muiden suorituskykymittareiden välisistä kompromisseista. Lisäksi väitöskirja luo yhteyden klassisten keskustelujen ja nykyaikaisten keskustelujen välille yrityskasvun aiheuttajien ja kasvun monimutkaisuuksien ja vaikutusten suhteen organisaation pitkäaikaiseen menestykseen.

Asiasanat: yrityskasvu, tuottavuus, skaalaus, kasvutapa, kasvuaikomis, viralliset ja epäviralliset instituutiot

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Jyväskylä, October 2024

Daria Hakola

## LIST OF ORIGINAL STUDIES

I	<p>Hakola, D., &amp; Sarna, B. (2023). Motivation behind alternative growth modes in SMEs: a systematic literature review. In M. Xheneti, S. Costa, J. Heinonen, &amp; A. Kurczewska (Eds.), <i>Contextual Embeddedness of Entrepreneurship: Frontiers in European Entrepreneurship Research</i> (pp. 107-136). Edward Elgar Publishing. <a href="http://dx.doi.org/10.4337/9781035320684">http://dx.doi.org/10.4337/9781035320684</a></p> <p>Earlier versions were presented at the European Academy of Management (EURAM) Doctoral Consortium 2021 online and the Research in Entrepreneurship and Small Business (RENT) conference 2021 in Turku, Finland.</p>
II	<p>Hakola, D., Rönkkö, M., &amp; Peltonen, J. (2024). Exploring the Paradise: The Dark Side of Growth Intention. Unpublished manuscript.</p> <p>Earlier versions were presented at the Babson College Entrepreneurship Research (BCERC) conference 2022 in Waco, the 83<sup>rd</sup> annual meeting of the Academy of Management Doctoral Consortium 2023 in Boston, and accepted at the European Academy of Management (EURAM) conference 2023.</p>
III	<p>Hakola, D., Ilyas, I. M., &amp; van Essen, M. (2024). Revisiting the impact of growth intention on firm growth and profitability: A meta-analysis on institutions. Under review.</p> <p>Earlier versions were presented at the European Academy of Management (EURAM) conference 2023 in Dublin, the 43<sup>rd</sup> Strategic Management Society (SMS) conference 2023 in Toronto, the 27<sup>th</sup> Nordic Academy of Management (NFF) conference 2024 in Reykjavik, and the 84<sup>th</sup> Annual Meeting of the Academy of Management (AOM) 2024 in Chicago. A version of this study has been selected by the Entrepreneurship division of the European Academy of Management to receive the 2023 Best Paper Award Sponsored by SIMA.</p>
IV	<p>Achtenhagen, L., Hakola, D., &amp; Naldi, L. (2024). Beyond High Growth: Disentangling the Complexities of Business Scaling. In J. Jansen, &amp; V. Collewaert, <i>Handbook of Research on Scaling and High-Growth Firms</i>. Edward Elgar Publishing. In Print in 2024.</p>

## AUTHOR'S CONTRIBUTION

Article Title	Authors and Contributions	Detailed Evaluation
Motivation behind alternative growth modes in SMEs: a systematic literature review	Hakola, D. (Candidate): Conceptualization, Data curation, Methodology, Formal analysis, Writing – original draft, Writing – review & editing Sarna, B: Conceptualization, Data analysis, Writing – review & editing	As the primary author, I was responsible for research problem definition and literature collection, the study's design and data collection. I further significantly contributed to data analysis, results interpretation, and writing.
Exploring the Paradise: The Dark Side of Growth Intention	Hakola, D. (Candidate): Conceptualization, Formal analysis, Methodology, Writing – original draft, Writing – review & editing Rönkkö, M.: Resources, Formal analysis, Methodology, Conceptualization, Supervision, Writing – original draft, Writing – review & editing Peltonen, J.: Resources, Writing – review & editing	As the primary author, I carried the main responsibility in the manuscript's first and later versions writing. I also significantly contributed to the study's idea development, literature review and theoretical framework development, research dissemination, and preliminary analysis.
Revisiting the impact of growth intention on firm growth and profitability: A meta-analysis on institutions	Hakola, D. (Candidate): Conceptualization, Data curation, Resources, Methodology, Writing – original draft, Writing – review & editing Ilyas, I. M.: Conceptualization, Formal analysis, Writing – original draft, Writing – review & editing Van Essen, M.: Writing – review & editing, Supervision	As the primary author, I led the idea development and conceptualization of this meta-analysis. I was responsible for data collection and curation, results interpretation, and writing.
Beyond High Growth: Disentangling the Complexities of Business Scaling	Achtenhagen, L.: Conceptualization, Formal analysis, Software, Supervision, Writing – original draft, Writing – review & editing Hakola, D. (Candidate): Conceptualization, Formal analysis, Writing – original draft, Writing – review & editing, Visualization Naldi, L.: Conceptualization, Writing – original draft, Writing – review & editing,	While I was the second author, I significantly contributed to multiple aspects of the study, including research problem development, data collection, coding, and analysis, and the manuscripts' writing.

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ORIGINAL PAPERS

# 1 INTRODUCTION

In recent years, we have seen an excessive emphasis on business growth in entrepreneurship, with the field assumption among researchers and practitioners that growth is the measure of business success<sup>1</sup>. This focus attributes a significant portion of success to the entrepreneur. This celebration of growth has become almost obsessive, evident in investors' positive decisions toward startups with growth ambitions (Feifer, 2023; Kleinert, 2023), the prioritization of growth potential by business incubators and accelerators, and media narratives in publications like *Forbes* and *Entrepreneur* highlighting fast-growing startups and unicorns. Academic research also reflects this emphasis, with a dominance of studies in entrepreneurship examining growth as the primary outcome of interest (Kiviluoto, 2013; Urbano et al., 2019) and with a significant share of research on "gazelles," or high-growth firms, highlighting the importance of rapid expansion (Jansen et al., 2023).

However, the long-standing overemphasis on growth presents several problems for developing the entrepreneurship field. Most notably, it leads to a relatively simplistic understanding of business growth (Achtenhagen et al., 2017), emphasizing "how many" and "how much" rather than "how" and "why" companies grow (McKelvie & Wiklund, 2010). This narrow focus fails to bridge the micro and macro perspectives on business growth and its consequences (Jansen et al., 2023). Consequently, we face a mismatch between the anticipated value of business growth, its determinants, and the reality: a majority of high-growth firms experience repeated setbacks (Lee, 2014), where most businesses fail to grow (Daunfeldt & Halvarsson, 2015) and the economic gain from growing companies is smaller than a detriment caused by business failures (Coad et al., 2020).

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<sup>1</sup> In this dissertation, the business success is used in abstract sense to discuss various characteristics and processes and their role in strategic entrepreneurial actions and outcomes, following previous research practices (e.g., Davidsson et al., 2023). Business success can refer to numerous outcomes including but not limited to growth, profitability, ability to adapt to sociocultural trends and regulatory shifts.

Thus, understanding what makes a business successful remains a compelling pursuit for entrepreneurship scholars and practitioners (McKelvie et al., 2021; Shepherd & Gruber, 2021). This task is complicated by shortcomings in past research, including an overly simplistic treatment of growth, debates over the extent of human agency in business success, and the overlooked importance of context-specific factors. Addressing these shortcomings requires a more nuanced approach to studying business growth that challenges the field's prevailing assumptions and explores the diverse pathways through which businesses achieve success.

The existing overly simplistic view has led to the universal portrayal of business growth as a panacea, prompting many companies to adopt growth as their primary goal across various development stages (Weiss et al., 2023). Despite evidence suggesting that prioritizing growth over factors like profitability can lead to underperformance in both areas (Davidsson et al., 2009), the dominance of growth as a goal remains evident (Weiss et al., 2023). Meanwhile, the literature presents conflicting views: some studies affirm a positive correlation between growth and profitability (Fuertes-Callén & Cuellar-Fernández, 2019; Wolff & Pett, 2006), while others argue against this possibility (Ben-Hafaïedh & Hamelin, 2021; Davidsson et al., 2009; Kiviluoto, 2013), highlighting a divided academic perspective on the implications of business growth for long-term organizational success. The concern of business growth is further problematized by how businesses achieve it. With earlier misconceptions about growth pattern homogeneity (Gilbert et al., 2006), the erroneous belief that small- and medium-sized enterprises (SMEs) were confined to organic growth alone has occurred. This narrative has been challenged, demonstrating a broader spectrum of growth mechanisms available to SMEs (Achtenhagen et al., 2017; Reynolds & Teerikangas, 2016) without a clear answer to why SMEs choose one method over another.

The unresolved nature of what drives business growth – entrepreneurial action or random luck – continues to provoke earlier introduced complex discussions on firm performance. On one side, there is a belief in agency within entrepreneurship and strategy literature (Davidsson, 2020; Davidsson et al., 2023), particularly viewing entrepreneurs as the drivers of their business success (Mitra, 2019; Unger et al., 2011; Von Nitzsch et al., 2024). This thought is further supported by empirical evidence for the positive relationship between growth intention, or what an entrepreneur intends to achieve in terms of growth (Hermans et al., 2015), and actual business growth (e.g., Cesinger et al., 2018; Delmar & Wiklund, 2008; Kolvereid & Åmo, 2019; Stenholm, 2011; Wiklund & Shepherd, 2003). Nevertheless, an alternative viewpoint exists, which credits much of business growth to luck and unforeseen circumstances (e.g., Coad et al., 2013; Coad & Storey, 2021; Denrell, 2004), indicating that the force of will and strategy may not fully explain why businesses succeed, thus presenting a challenge in understanding the pathways to organizational behavior and outcomes (Denrell et al., 2015; Nason & Wiklund, 2018).



Additionally, firm performance research often overlooks the critical role of the external environment and contextual factors that influence entrepreneurial activity (Davidsson et al., 2023). Business ventures are inherently shaped by their context, reflecting a dynamic interplay with the surrounding environment (Ben-Hafaïedh et al., 2023). Entrepreneurs navigate diverse contexts, each presenting unique opportunities that significantly impact their capacity to turn their goals into tangible outcomes for their businesses. The effectiveness of these entrepreneurial activities varies considerably across different settings, particularly influenced by different institutional frameworks (Alterskye et al., 2023; Epure et al., 2023). Thus, the contingency arising from contextual variation can significantly shift previously considered established norms (Bennett et al., 2023), highlighting the importance of context in shaping business success.

## 1.1 Purpose of the dissertation

This dissertation challenges prevailing assumptions in entrepreneurship regarding the determinants and consequences of business growth. It is motivated by the three significant limitations in current research that impede the comprehensive development of the field (Edwards, 2021; Welter et al., 2017). Specifically, it is motivated by the triad of grand research limitations in existing studies on firm performance: the uncertainty surrounding entrepreneurial agency in forecasting business success, overly simplistic treatment of business growth, and neglect of external elements like formal and informal institutions. To tackle these limitations, the dissertation, rooted in the theory of planned behavior and the institutional-based view, explores the interactions among various individual, firm, and environmental variables affecting performance. The ultimate aim is to generate fresh insights and clarify the mechanisms that facilitate strong business performance, providing a new understanding of the routes to enduring growth. Thus, the dissertation investigates the reasons SMEs grow in specific ways, the function of entrepreneurial agency (e.g., growth intentions) in forecasting outcomes (e.g., growth, profitability), the influence of institutions in turning entrepreneurial intentions into tangible performance, and how this performance (i.e., growth) can contribute to broader business scaling. Through this work, the dissertation seeks to enhance the holistic knowledge of the strategic entrepreneurship domain. As a step in this direction, it addresses four guiding research questions through a series of four studies:

*RQ1: Why do SMEs favor certain growth modes over others, and what factors influence their choices?*

This question relates to the recently discussed broad spectrum of growth options for SMEs and addresses the limitations identified in previous studies that concentrated on growth modes in isolation. By integrating knowledge across three growth modes – organic, acquisitive, and hybrid – specifically within the context

of SMEs, answering the question provides insights that align with the actual challenges and decisions faced by entrepreneurs and managers in smaller enterprises. Addressing this question offers a comprehensive understanding of growth strategies in SMEs and paves the way for further empirical and theoretical exploration of small business growth.

*RQ2: Why do some entrepreneurs' growth intentions lead to firm growth while others do not?*

This question seeks to investigate the complex relationship between entrepreneurs' growth intentions and the actual growth of their businesses. The disparity in how researchers theorize the role of intentions, how practitioners discuss ambition, and the limited support that empirical studies provide for this effect indicate that our understanding of growth intention is incomplete. Recognizing that business growth is typically non-linear and influenced by a myriad of factors, addressing this question acknowledges that the impact of growth intention on business growth is likely affected by various mechanisms and is not straightforward. Furthermore, the urgency for this research question is motivated by the observation that current literature often overlooks the possibility of negative consequences of growth intention on firm growth.

*RQ3: How do the effects of entrepreneurs' growth intentions vary for different firm performance measures, and how do formal and informal institutions shape the relationship?*

This question expands upon the findings and challenges uncovered while attempting to answer RQ2. Essentially, RQ3 progresses from an initial focus on understanding how entrepreneurial growth intention influences subsequent business growth to a more detailed examination of this influence. It does so by considering different indicators of business success, such as growth and profitability, along with various moderating factors, including formal and informal institutional characteristics. As such, this question highlights the importance of further accumulating knowledge on how growth intention translates into tangible business-level outcomes and the situational factors that modify this relationship.

*RQ4: How can high growth help to achieve business scaling?*

The question arises from the observation that "growth" and "scaling" are often used interchangeably in academic discourse. However, as the interest in specifically understanding scaling increases, it becomes evident that we lack a comprehensive understanding of its paths, long-term implications, and key drivers. Responding to this question highlights the necessity to explore significant themes, approaches, and the varied outcomes of business scaling. This question seeks to enhance our limited insight into scaling and to transition the narrative from general growth debates to a more insightful conversation on scaling practices.

Each research question contributes to the study of firm growth by either expanding or critically engaging with existing knowledge. While the connection between the questions and the individual studies within the dissertation is evident, it is essential to highlight how they address the triad of grand limitations in growth research. RQ1 to RQ3 help explain how entrepreneurial agency influences firm growth, reflecting the common issue of overemphasizing individual responsibility in predicting firm-level outcomes. By raising RQ1, RQ3, and RQ4, the dissertation tackles the challenge of oversimplifying business performance by offering a more nuanced understanding of growth processes. Addressing RQ1 and RQ3 extends our knowledge of how institutional contexts shape entrepreneurial agency, strategic choices, and outcomes, addressing the grand limitation of overlooking environmental contingencies in prior research. The research questions RQ1 to RQ3 challenge the simplistic attribution of business success to entrepreneurial agency by exploring its influence and boundary conditions. Meanwhile, RQ4 shifts the focus of the audience toward exploring how firms can achieve sustained success, aligning with emerging trends in business environments. By acknowledging the importance of different growth determinants and modes, RQ4 connects with previous questions but also addresses the more specific issue of leveraging high growth as a strategic choice for efficient, long-term outcomes. The first three questions focus on enhancing our understanding of the reasons and drivers behind SME growth. In contrast, the final question acts as a "so what?" challenge, applying the earlier findings to explore how insights about ambitious growth can be leveraged to achieve more enduring outcomes at the firm level.

## **1.2 Outline of the dissertation**

This dissertation is structured into an introductory chapter followed by four independent studies. Chapter 1 (current chapter) outlines the background of the research problem. It starts with discussing the theoretical and practical rationales for studying the nuances of business growth. It is followed by the introduction of the four guiding research questions of the dissertation. Chapter 2 introduces the critical theoretical warrants and concepts employed throughout the dissertation. It further explains the connection between the dissertation's key concepts and the preceding theories. Chapter 3 summarizes the philosophical and methodological approaches adopted in this dissertation. It offers a concise overview of the decisions made across the studies alongside considerations of research trustworthiness. Chapter 4 synthesizes the four studies of the dissertation, presenting an overview of the critical elements of each study, including its title, purpose, methods, findings, and contributions. Chapter 5 concludes with reflections on the theoretical and practical implications arising from fulfilling the overall research aim of this dissertation. This chapter also discusses current limitations and suggestions for future studies.

## **2 THEORETICAL BACKGROUND**

The overarching purpose of this dissertation is to address the dominant assumptions about business growth and deepen our understanding of the effects of various characteristics at the individual, firm, and environmental levels on business performance. Due to the complexity of the task, several theoretical perspectives are employed in this research effort. Given that relying solely on data to support theoretical claims leads to methodological fallacy (Ketokivi & Mantere, 2021), the Theory of Planned Behavior (TPB), the Institutional-based View (IBV), and related warrants are introduced below for the justification of the claims made. Furthermore, the chapter presents the key concepts and the positioning of the four studies within the triad of research limitations addressed in this dissertation.

### **2.1 Theory of Planned Behaviour**

Entrepreneurship starts with intent, a cornerstone of entrepreneurial agency (McMullen & Dimov, 2013). Rooted in the Theory of Planned Behavior (TPB) (Ajzen, 1991), the intention of an individual to undertake a specific action predicts the behavior to take place in the future. This theory posits that the intention to act, influenced by attitudes, subjective norms, and perceived behavioral control, significantly impacts the actual performance of the behavior. In the essence of TPB, individual intentions signify the level of effort they are prepared to invest in executing a behavior. These intentions emerge from three components: the individual's attitudes towards the behavior, reflecting their judgment of engaging in it; subjective norms, indicating the social pressures and expectations to act or refrain from acting; and perceived behavioral control, which considers the individual's self-assessment of their ability to perform the behavior amidst potential obstacles. As depicted in Figure 1, TPB suggests distinguishing between the three warrants, shaping the strength of the behavioral intentions and thereby influencing the actual behavior – the stronger

the intention, the greater the probability of the behavior taking place (Ajzen, 1991).

An entrepreneurial growth attitude is warranted for a significant impact of entrepreneurial agency on business growth performance (Wiklund et al., 2003). This attitude towards business growth, characterized by a favorable evaluation of growth outcomes, is a critical determinant of following intentions and subsequent performance (Hermans et al., 2015). McKelvie et al. (2021) showed that positive attitudes towards growth – especially those driven by the perceived financial benefits – strongly predict the intention to pursue expansion. Those who expect growth will lead to increased income and economic stability are more motivated to engage in growth-oriented behaviors, such as investing in new technologies and seeking external capital (ibid.). This attitude is crucial as it translates into actionable strategies that enhance firm performance. Additionally, the perception of growth being a realistic and attainable goal further bolsters this intention, reinforcing the commitment to growth initiatives (Uy et al., 2015). Thus, a positive growth attitude may be a crucial warrant for entrepreneurial intention, driving actions that improve firm performance through deliberate and focused efforts.

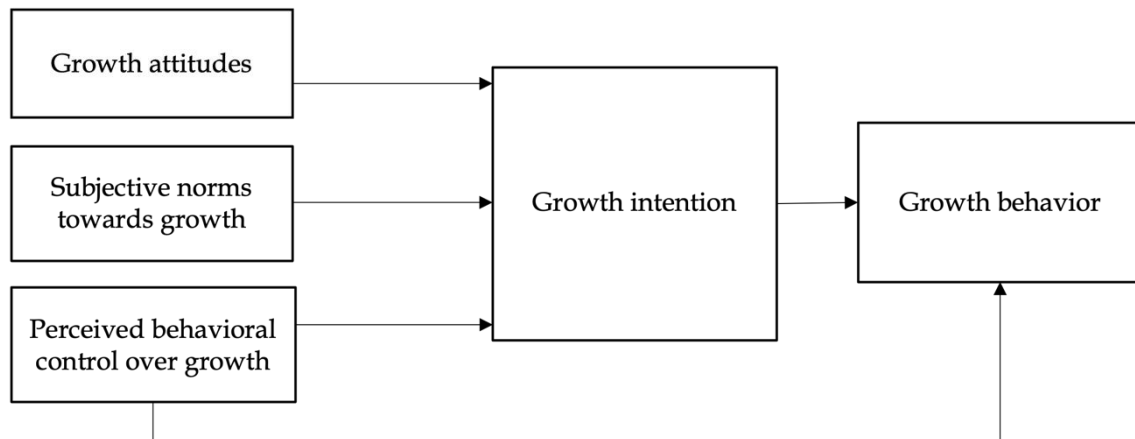
When entrepreneurs experience positive social pressure towards growth, a second warrant for the intention-performance relationship, they are likely to develop stronger intentions to grow their business (Kolvereid & Isaksen, 2017). Environmental cues enable individuals to understand a specific social context and align their actions with established behavioral patterns or norms (Cialdini & Trost, 1998). This way, individuals are more inclined to adhere to a specific social norm if they perceive the environment as promoting that norm (Blay et al., 2018). The influence of these subjective norms can develop in several ways. When business growth is seen as a desirable behavior in society, individuals are likelier to adopt growth-oriented behavior. They perceive these strategies as validated by their peers, reducing the fear of risks and uncertainty associated with business growth (Li et al., 2019; Verheul & Mil, 2011). Additionally, in case examples of successful entrepreneurs being evident in the environment, entrepreneurs may also adhere to growth-oriented behaviours to imitate the success of others. Given that growth imitation has been earlier described as one of the motivations for business expansion (Moatti, 2009; Yang & Hyland, 2006), growth success creates a blueprint for others to follow.

Ajzen (1991) highlighted that intentions translate into actions only when the individual has volitional control over the behavior, pointing out that external and internal factors like time, money, skills, and the cooperation of others, which affect perceived behavioral control, also directly affect whether an action is carried out, acknowledging that not all actions are under complete volitional control. Thus, Ajzen (2020) has further refined TPB by emphasizing a specific focus on the role of perceived behavioral control. This third warrant influences intentions' formation and their translation into actual behavior. The premise is relatively straightforward: the more significant the control people feel over their actions, the higher the probability of their intentions becoming reality. This

perspective emphasizes the complex relationship between entrepreneurial intentions and behavioral execution, which is especially relevant given that entrepreneurs and their goals are believed to influence their firms (Baron et al., 2016; Von Nitzsch et al., 2024).

In the context of business growth, the implications of TPB mean that entrepreneurs are more inclined to seek out business growth when they have a positive attitude about it, perceived societal encouragement, and have faith in their abilities. For instance, if entrepreneurs perceive the growth of their business as advantageous and socially endorsed (for example, by noting the success of other entrepreneurs in growth and feeling that society supports such ventures), this enhances their favorable disposition towards growth efforts, resulting in the formation of solid growth intentions. Moreover, possessing the necessary resources, adequate experience, and the right skillset enhances their perceived behavioral control, thereby boosting the probability of entrepreneurs pursuing initiatives aimed at business growth. TPB has been previously employed as an anchor theoretical perspective in earlier entrepreneurship research (for example, Esfandiar et al., 2019; Kautonen et al., 2015; Stenholm, 2011; van Breukelen et al., 2004).

FIGURE 1 Model for growth according to TPB (Hermans et al., 2015, p. 148)



With other motivational concepts related to growth intention, it is reasonable to consider alternative theoretical lenses in this dissertation. Entrepreneurial motivation to grow, closely tied to growth intention (see Chapter 2.3.2), suggests goal-setting theory (Locke & Latham, 2002) as a viable option. This theory posits that human motivation steers individuals toward goal-relevant activities, enhances commitment, and promotes the pursuit of challenging goals, utilizing feedback to refine strategies and boost performance (ibid.). Entrepreneurial goals help to transform entrepreneurial traits into business growth (Baum & Locke, 2004). However, the agency is viewed as having the capacity to impact outcomes through intentional actions, integrating belief systems, and self-regulation (Bandura, 2001). The authors note that goal-setting theory emphasizes linking task performance with conscious performance goals over mere intentions (Locke & Latham, 2002). Given the crucial role of intended effort in entrepreneurial

growth (Delmar & Wiklund, 2008), focusing on intentions rather than motivations, which lack this intended effort component, aligns better with the dissertation's aims.

With a similar difference in scope and focus, the TPB is chosen over the expectancy theory (Vroom, 1964)—another alternative from the motivational psychology domain. According to this theoretical perspective, human motivation toward action is dictated by the expectancy of an effort leading to a certain performance that ultimately results in a rewarding outcome. Within this theory, humans are perceived as rational decision-makers who calculate the outcomes of their efforts based on their perception of reward attractiveness and their own skills. On the contrary, the TPB assumes that individuals are affected not only by their own beliefs but also by the external world (i.e., social pressure), adopting a more holistic approach to environmental influence.

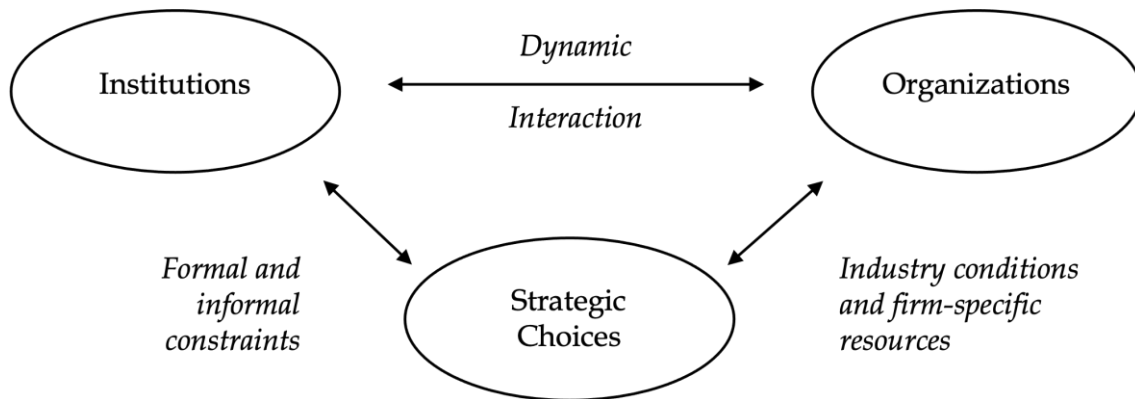
## **2.2 Institutional-based view**

Earlier, TPB suggested that the journey from intention to action is not always straightforward. Factors such as time limitations, financial constraints, insufficient skills, or other external barriers may obstruct the realization of intentions into actual performance (Ajzen, 2020). An individual's ability to navigate these obstacles, coupled with the aid of past experiences and external support, determines their actual control over the behavior (ibid.). Consequently, entrepreneurial activities are susceptible to the surrounding environment, including its institutional context (Ben-Hafaïedh et al., 2023).

The concept of institutions has diverse interpretations and has evolved through contributions from scholars in sociology, economics, and political sciences (Scott, 2008). Veblen (1899) described institutions as established habits of thought among people, laying the groundwork for institutional economics (Scott, 2008, pp. 1–17). Within the European tradition of institutional analysis, Durkheim defined institutions as a result of cumulative activity and association, the role of which is to “institute” originally subjective and individual ways of acting and judging (ibid.). Weber, in 1922, built on these ideas by highlighting the role of authority structures and bureaucracy in shaping organizational behavior through rules and regulations (Weber, 1978). Berger and Luckmann (1967) framed institutions as socially constructed realities that are a product of social interactions within a social class system that provides stability and meaning to social roles. March and Olsen (1983) discussed the logic of appropriateness, where institutional norms guide behavior, and Williamson (Williamson, 1989) added transaction cost economics, focusing on how institutions reduce the costs of economic transactions. Finally, North (1990) posited that institutions are the constraints or the rules of the game created by humans, essential for reducing uncertainty and shaping economic performance that structures political, economic, and social interactions between institutions (the rules) and organizations (the players).

Inspired by the institutional theory, this dissertation aligns with the baseline idea that organizations are sculpted by their institutional environments (Zucker, 1987). However, the course of investigation does not primarily concern organizational adaptation, conformity, and their quest for legitimacy as the aspects central to institutional theory (DiMaggio & Powell, 1983). The focus of this dissertation<sup>2</sup> is placed on the school of thought rooted in strategic management about the influence of institutions, in particular, organizational responses to different institutional frameworks and their influence on performance. Thus, the logic of the institutional-based view (Peng, 2002) is followed in this dissertation. As depicted in Figure 2, institutions are treated as independent variables alongside organizations, continuous interactions with which define strategic choices vital for business performance. Earlier, a number of investigations were conducted employing IBV in the field, for instance, when studying the effect of institutions on entry mode choices and overall institutional influence for improving entrepreneurship rates (e.g., Estrin et al., 2009; Stephan & Uhlaner, 2010).

FIGURE 2 An institutional-based view (Peng, 2002, p. 253)



As recently summarized, multiple elements are traditionally studied within the economic domain of the institutional perspective (Sahin & Mert, 2023). Thus, the interplay between embeddedness (informal norms and cultures), institutional environment (legal and regulatory frameworks), governance (contractual and organizational structures), and resource allocation (market and price mechanisms) is often portrayed as a collective determinant of business strategies, operational effectiveness, and competitive positioning (Williamson, 2000). However, within IBV, institutions are typically differentiated between formal

<sup>2</sup> It is essential to acknowledge the contingency theory (Donaldson, 2001), which, similarly to institutional theory and IBV, emphasizes the role of environmental contingencies (i.e., task uncertainty and interdependence) in achieving organizational effective adaptation. However, the importance of trade-offs between technological belonging and the size of firms, debates about determinism versus the ability to choose, and other controversies in predicting organizational structural adaptation (pp. 125-161) do not support the integration of this theoretical perspective to the dissertation.



and informal (Marano et al., 2016; North, 1990). Formal institutions such as political structural, financial systems, and education organizations are constituted by explicit political, legal, and economic regulations that guide individual behavior and facilitate exchanges (Bowen & De Clercq, 2008). Meanwhile, informal institutions consist of the cultural dimensions, including societal values and beliefs, that influence behaviors and interactions (Cuervo-Cazurra et al., 2019; Fuentelsaz et al., 2015; North, 1990).

Earlier research showed that the availability of robust formal and informal institutional structures directly affects the entrepreneurial context and outcomes (e.g., Audretsch et al., 2021; Webb et al., 2020; Welter & Smallbone, 2011). Formal institutions establish a stable environment conducive to business operations, ensuring that legal and financial systems support entrepreneurial activities (Angulo-Guerrero et al., 2024; Boudreaux & Nikolaev, 2019). SMEs' economic impact and employment generation are strongly dependent on the effectiveness of institutions through their entrepreneurship regulations and policies (Arshed et al., 2014). Informal institutions play a crucial role in shaping expectations and increasing predictability in social interactions, thereby influencing the decisions and behaviors of individuals and organizations (North, 1990). These informal structures can also fill gaps left by formal institutions, ensuring smoother operations even when formal systems are inadequate (Webb et al., 2010).

The positive impact of IBV on entrepreneurial activities and decision-making has sparked further research interest. Entrepreneurship scholars began to wonder how the severity of institutional voids, defined as the lack or failure of institutions to support efficient market transactions, impacts the productivity of entrepreneurial endeavors (Webb et al., 2020). Formal institutional voids can take various forms. For example, unclear property rights can make it difficult for entrepreneurs to secure value, reducing their willingness to invest (Khoury & Prasad, 2016). Strict bankruptcy regulations can inhibit new business creation, and limited capital markets can restrict access to startup and growth funds (Lee et al., 2007). Additionally, the lack of communication, transportation, and utility infrastructure can further hinder entrepreneurial activities by increasing operational costs (Webb et al., 2010). Meanwhile, informal institutional voids, such as restrictive social norms and a pervasive lack of trust, can significantly impede entrepreneurial activities (Collewaert et al., 2021; De Soto, 2006; Webb et al., 2020). These voids limit individuals' willingness to take risks and invest in new ventures, while localized and undiversified administrative mechanisms fail to support efficient market transactions, further constraining resource utilization (Khoury et al., 2015; Webb et al., 2020).

IBV is a seemingly useful framework for studying entrepreneurship in general, emphasizing social conditions, financial assistance, and governmental policies (Álvarez et al., 2014). In addition to the effects of institutional failure and supportive formal and informal forces on business development, IBV has proven to be important in understanding entrepreneurial behavior in a longitudinal setting. For instance, regulatory frameworks and societal perceptions of entrepreneurial failures in the environment can foster entrepreneurial reentry

after earlier unsuccessful performance and have long-term implications for the business landscape (Simmons et al., 2014). Furthermore, the application of IBV in entrepreneurship studies may assist in crafting efficient ways for the interplay among formal and informal elements as well as its moderation potential on entrepreneurial activity (De Clercq et al., 2014).

Altogether, favorable institutions support entrepreneurial efforts, while unfavorable ones hinder them, making the quality of these frameworks essential for business success (Cuervo-Cazurra et al., 2019; Kimjeon & Davidsson, 2022). Thus, the quality of institutions significantly shapes entrepreneurial behavior, where some societies foster entrepreneurship while others create barriers, negatively affecting the overall entrepreneurial landscape (Bruton et al., 2010). This variation in the level of government actions, societal norms, and market incentives is a defining force in the level of entrepreneurial entries and new venture trajectories (ibid.). Thus, the institutional environment shapes entrepreneurs' success, which dictates opportunities and challenges (Alterskye et al., 2023; Epure et al., 2023). Incorporating the IBV perspective allows the dissertation to account for the ways firms are constrained or enabled by the institutional context in which they operate.

## **2.3 The key concepts**

SMEs, despite their considerable economic importance, have not consistently been the primary emphasis within the academic discourse on entrepreneurship. Thus, it is important to provide a more comprehensive presentation regarding the theoretical relevance of SMEs in addition to their empirical value. Additionally, firm performance and growth intention may seem relatively straightforward. However, the debate surrounding the conceptual definitions, means of operationalization, and their interchangeable use with related terms complicates the conversation. Finally, despite the possibility of distinct definitions of firm and business growth – with the former being the expansion of a specific company and the latter being a broader term that refers to the expansion of any business entity, including SMEs, startups, and large corporations – this dissertation does not adhere strictly to these definitional distinctions (Gupta et al., 2013). Similar to previous research (e.g., Cesinger et al., 2018; Eide et al., 2021), the terms are used interchangeably at times to enhance the dissertation's readability rather than to align with any particular school of thought on their definitions. Altogether, this section aims to clarify the central concepts and their applicability in this dissertation.

### **2.3.1 Firm performance**

Performance has many meanings. Only within the Oxford English Dictionary does performance have thirteen meanings, with the most common referring to “[t]he quality of execution of [...] an action, operation, or process” (Oxford

University Press, n.d.). In reality, firm performance is one of the most prominent concepts in organizational research, but its meaning is ambiguous. As Miller et al. (2013) concluded, using a single abstract term for firm performance can be challenging due to a considerable variation in how the concept was addressed earlier. Based on their findings, typically, researchers select among three principal approaches to treating firm performance: the latent multidimensional construct approach, focusing on abstract, higher-order factors; the separate constructs approach, which isolates performance into specific, unrelated constructs; and the aggregate construct approach, advocating for a composite measure that integrates multiple performance aspects into a collective assessment. The principal distinction between the first and the last approaches is that the former views firm performance as a construct existing deeper than its dimensions measured by the shared variance among its dimensions, while the latter treats it as a composite of these dimensions, accounting for both shared and nonshared variances. Meanwhile, the middle approach evaluates firm performance through distinct, independently analyzed variables.

Followed by various approaches to defining and analyzing firm performance, there has been an informal predisposition of approaches across different fields. The term firm performance, either as an umbrella abstract term or a composite variable, has been traditionally a popular topic in studies published in strategic management journals (e.g., *Strategic Management Journal*, *Administrative Science Quarterly*, *Organization Science*, and *Academy of Management Journal*) (Miller et al., 2013). Meanwhile, a notable trend in entrepreneurship journal publications is the increasing focus on business growth as a critical indicator of business performance and success (Kiviluoto, 2013). This emphasis is evident in the frequent coverage of business growth within specialized entrepreneurship journals (e.g., *Journal of Business Venturing*, *Small Business Economics*, and *Entrepreneurship Theory and Practice*). In contrast, traditional strategic journals have given it comparatively less attention.

### **2.3.1.1 Business growth and profitability**

Firm performance, especially in smaller businesses, is evaluated using diverse financial and nonfinancial measures (Stam et al., 2014; Venkatraman & Ramanujam, 1986). In the entrepreneurship literature, scholars commonly treat growth and profitability as distinct yet critical performance indicators (Davidsson et al., 2009; Stam et al., 2014).

Given that firm growth has been a top headliner in entrepreneurship research, it is only natural that growing a business is recognized as a critical benchmark for entrepreneurial success, positioning growth as a vital measure of a firm's achievement (Nummela et al., 2005; Wallin et al., 2016). In the pursuit of understanding growth, a clear divide exists between those who view it as a linear, manageable process and those who perceive it as an unpredictable, opportunistic journey (Gupta et al., 2013). Depending on whether growth is addressed from a resource-based, motivational, strategic adaptation, or configurative theoretical perspective, its definition can stem from revenue generation, value addition,

business volume expansion, and more qualitative aspects like market positioning or product quality (ibid.). In entrepreneurship research, business growth is commonly operationalized by considering size changes in revenue or the number of employees.

Research on business growth often discusses high-growth businesses. A high-growth business achieves rapid and sustained expansion in key performance metrics such as revenue, employee count, and market share (Navarro et al., 2012). These firms utilize various growth strategies, including geographical expansion, product diversification, and customer acquisition, and often demonstrate exponential growth rates that far exceed the industry average (Dillen et al., 2019). However, to move beyond merely measuring how much firms can grow, more emphasis is needed on growth as a multidimensional phenomenon, with significant attention given to the various contexts that enable controllable and proactive elements to contribute to growth (Moreno & Casillas, 2008).

Meanwhile, economics and strategic management scholars prefer to posit profitability as an essential predictor of business success (Delmar et al., 2013). Caused by business growth, excessive use of strategic resources, and increased risk-taking (Block et al., 2015) draw attention to the vulnerability of financial performance, thus triggering research on firm profitability. A standard method for assessing firm profitability involves analyzing returns on assets, which effectively accounts for differences in company size by focusing on profit relative to assets (e.g., Delmar et al., 2013; Panda et al., 2021).

### **2.3.1.2 Scaling**

Alongside ongoing debates on the tradeoffs between growth and profitability (e.g., Ben-Hafaïedh & Hamelin, 2021; Davidsson et al., 2009; Weiss et al., 2023), another critical scholarly discussion gains momentum. The longstanding perception of business growth as a universal solution is being redefined to emphasize its role in driving efficiency through increased productivity and decreased costs (Jansen et al., 2023). This shift is paralleled by a growing effort among scholars to differentiate between business growth and scaling.

Echoing Penrose's (1959, p. 19) analogy, where business growth is compared to a caterpillar evolving into a butterfly, scaling involves a significant organizational transformation, especially in their initial stages (Lee & Kim, 2024). While tightly related, scaling is not just mere growth (Coviello, 2019). Accordingly, scaling is "an increase in the size of a focal subject that is accompanied by a larger-than-proportional increase in the performance resulting from the said subject" (Palmié et al., 2023, p. 6). While growth typically involves expanding operational capacity and incrementally increasing outputs, scaling is considered a more complex endeavor that demands aligning internal modifications with external market dynamics, prioritizing strategic efficiency and innovation. Scaling encompasses profound organizational changes designed to refine and streamline operations, setting the stage for rapid yet lasting expansion (DeSantola & Gulati, 2017).

### 2.3.1.3 Approach to performance in this dissertation

There is a consensus that a fundamental goal of both entrepreneurship and strategic management theory and research is to enhance business performance. However, this performance encompasses multiple dimensions, and improvements in one area may concurrently result in adverse effects in another (Carton & Hofer, 2006, pp. 5–6). Within this dissertation, firm performance denotes the multifaceted nature of business success, acknowledging the varied dimensions of the term. Thus, adopting a separate construct approach when evaluating organizational performance offers a methodologically sound framework by recognizing the uniqueness of each performance dimension (Carton & Hofer, 2006, pp. 13–38; Miller et al., 2013). This perspective is also supported by empirical evidence suggesting low commonality among performance indicators, as discussed by Wong et al. (2008).

The approach permits a clearer understanding of how different aspects of performance influence the overall health of an organization, facilitating more precise management and improvement strategies. Moreover, it articulates the theoretical difficulties associated with combining dimensions without a clear rationale or proportional weighting, which can lead to misleading conclusions about business success (Miller et al., 2013). While the concept of firm performance as a multidimensional construct has faced criticism, focusing solely on a single dimension to predict firm-level outcomes can also be considered a limited and narrow approach (Wong et al., 2008). In alignment with the previous rationale, this dissertation adopts the separate construct approach when treating firm performance as a dependent variable. Thus, firm performance is measured in several ways, including business growth, profitability, and scaling.

The emphasis on the performance of SMEs is evident throughout the dissertation. Besides the value of SMEs for economic and social development, their significance within the theoretical framework should not be taken for granted for several reasons. First, SMEs exhibit a higher sensitivity towards institutional contexts, which can severely affect their growth trajectories and overall success (Arshed et al., 2014; Saha et al., 2023). Institutional components, including but not restricted to statutory frameworks, monetary infrastructures, and regulatory policies, possess the capacity to either facilitate or impede entrepreneurial activities. Because SMEs often operate with fewer buffers against institutional shocks compared to larger firms, their experiences are useful for studying how institutional determinants can either promote or restrict organizational performance (Spigel & Harrison, 2018). Second, smaller enterprises frequently demonstrate better performance compared to larger ones in niche markets due to their operational agility and capacity for rapid innovation (Narula, 2004). This is an intriguing situation, given their resource scarcity. Thus, studying SMEs' performance in terms of growth, profitability, and innovativeness offers valuable insights into what drives entrepreneurial success under conditions of resource scarcity and environmental contingencies (Rawhouser et al., 2024; Scheidgen et al., 2024). Third, the growth trajectories of SMEs differ significantly from those of larger firms (Achtenhagen et al., 2017;

Haleblian et al., 2009). Due to their limited size and resources, SMEs often employ alternative strategies with a typical focus on growth through personal networks and prioritizing incremental innovations over major mergers or acquisitions. This gradual and adaptable growth path helps illustrate how smaller firms navigate obstacles like limited financial resources and market access. Altogether, SMEs represent not merely an empirical classification but also a critical perspective through which multiple aspects of entrepreneurship theory can be developed.

### **2.3.2 Entrepreneurial growth intention**

Entrepreneurship is a process that starts with intent, yet the subject of entrepreneurial intentions varies across interpretations of goals (McMullen & Dimov, 2013). Human intention is the effort one plans to exert to perform a behavior (Ajzen, 1991, p. 181). In this dissertation, entrepreneurial growth intention is defined as what an entrepreneur intends to achieve in terms of growth, combined with the level of effort intended to invest (Hermans et al., 2015, p. 139). This concept represents the effort a person is willing to invest in pursuing entrepreneurial endeavors.

Various interrelated and overlapping motivational concepts have been used to explain business growth. This approach has resulted in a lack of precise terminology in the field (Levie & Autio, 2013). Terms such as willingness (e.g., Stenholm & Toivonen, 2009), ambition (e.g., Wallin et al., 2016), motivation (e.g., Delmar & Wiklund, 2008; McKelvie et al., 2017), intention (e.g., Cesinger et al., 2018; Stenholm, 2011), aspiration (e.g., Hanifzadeh et al., 2018; Tominc & Rebernik, 2007), passion (e.g., Drnovsek et al., 2016), and attitude (e.g., McKelvie et al., 2021) toward growth are often used simultaneously, contributing to the challenge of establishing a coherent terminological framework.

At the individual level, particularly for entrepreneurs, growth intention and motivation are deeply interconnected, with intention being the more actionable. While one's attitudes and aspirations define motivation, intention goes further by incorporating these aspirations alongside intended efforts (McKelvie et al., 2017). Growth attitude refers to whether an entrepreneur sees growth's effects as positive; growth aspiration refers to the size the entrepreneur wants their company to become within a specific period (McKelvie et al., 2017). The intended effort (Delmar & Wiklund, 2008, p. 443) occurs when an individual believes in having control through owning necessary knowledge and resources and firmly believing in their effectiveness in pursuing the action (Ajzen, 2020).

## **2.4 Understanding current limitations and positioning the dissertation**

As highlighted in the introduction, this dissertation originates from recognizing the shortcomings in our current understanding of how different entrepreneurial,

firm-level, and institutional factors influence business performance. Identifying the factors contributing to business success has proven challenging, compounded by several shortcomings. These shortcomings encompass a simplistic approach to addressing disagreements regarding the extent of human agency in business success, an overly simplistic understanding of business growth, and the overlooked significance of context-specific factors. This section explains the three primary limitations contributing to the existing uncertainty around the factors driving business success, further underlining the complexity of pinpointing the determinants of business performance.

#### **2.4.1 Contradicting view of entrepreneurial agency in firm performance**

Previous conversations about predicting behavior have pointed out a frequent bias: attributing excessive responsibility to individuals for particular results and underestimating the impact of external factors. This tendency is called the fundamental attribution error (Weiner, 2010). Subsequently, the scholarly debate surrounding business success's determinants is rich and complex. On the one hand, there is a compelling argument that the success and growth rates of business ventures bear more similarity to the randomness of a gamble than the direct result of entrepreneurial characteristics (Coad et al., 2013; Coad & Storey, 2021). In particular, this school of thought portrays firm growth as being better explained by random processes than entrepreneurial skills because there are always firms that grow and do it faster than others in any period of time, as is expected in a random process (Coad & Storey, 2021). Similarly, the sustained variations in business profitability could be another reason behind the success narratives of organizations, where the impact of randomness and chance comes under the spotlight (Denrell, 2004). Thus, Denrell et al. (2015) emphasize the profound effects of random variation on organizational outcomes, arguing that randomness can systematically shape business growth trajectories and outcomes. They suggest that the unpredictability inherent in chance events plays a crucial role in determining the paths of business expansion, challenging the traditional reliance on deterministic models to predict business growth. This finding suggests a paradigm shift in understanding business outcomes, where chance plays an important role, overshadowing the traditionally emphasized individual entrepreneur traits and qualities (Coad & Storey, 2021).

On the other hand, the entrepreneur's central role as an agent of change and growth within the firm, emphasizing the significance of individual capabilities and actions in crafting business success, has been underscored in the seminal work of Shane (2003). This conceptual framework points out the significance of the entrepreneur's proactive behavior – decision-making and steps taken to discover, evaluate, and utilize opportunities – as a critical factor influencing the company's path and achievements. Through their unique abilities, insights, and motivations, entrepreneurs do more than just recognize and pursue opportunities; they also determine the strategic orientation, boost innovation capabilities, and shape the competitive standing of their business. This belief in the strength of entrepreneurial agency has received vast attention from scholars

with a large number of studies investigating the effects of various entrepreneurial characteristics on business outcomes, including the impact of motivational factors (e.g., Baum & Locke, 2004; Cesinger et al., 2018; Delmar & Wiklund, 2008; Drnovsek et al., 2016).

However, this polarization of views on entrepreneurial agency in published research can be problematic. A framework from the strategic management field has been proposed for a long time that incorporates decision-makers' attributes, organizational structures, and environmental attributes, emphasizing their inseparability and joint impact on performance (Clark et al., 1994). Within the discussion on environmental determinism, firms are assumed to engage in different combinations of strategic choices, which guide specific market patterns and internal mechanisms as part of a mutual adaptation process. It is proposed that co-evolutionary configurations of this adaptation carry the power to affect the performance of smaller firms in terms of profitability and employment (Sorge & Brussig, 2003). In particular, such elements as market conditions, institutional distance and integration, and their continuous interaction shape the interplay of environmental determinism and firms (Mtar, 2010). Following the emphasis on co-adaptation from this point of view, it becomes evident that external forces affecting firm performance, such as regulatory frameworks and institutional settings, are structured and, to some extent, predictable as opposed to randomness of luck. Thus, it is a logical development in the field to see studies adopting a middle ground, where the scholars agree that while entrepreneurship fundamentally requires agency, varying degrees of environmental context and other factors should also be given due consideration (e.g., Davidsson, 2020; Davidsson et al., 2023).

Even within studies that emphasize the importance of entrepreneurs through the lens of their growth intentions, a lack of consensus is evident. The research presents a mixed picture: several studies point to a positive effect, especially within smaller firms (e.g., Cesinger et al., 2018; Kolvereid & Åmo, 2019; Stenholm, 2011). Conversely, a subset of the literature suggests that the connection between an entrepreneur's intentions for growth and actual firm expansion is very modest (e.g., Baum et al., 2011; LeBrasseur et al., 2003; Wiklund & Shepherd, 2003). Levie and Autio (2013) further elaborate on this by indicating that the impact of growth intentions can be classified as small to medium at best. Echoing this sentiment, Kolvereid and Isaksen (2017) argue that while growth intention contributes to business growth, it is not the primary driver. Instead, other elements offer better predictions of growth rates (Delmar & Wiklund, 2008), suggesting that the significance of growth intention is a subject of ongoing debate. Subsequently, this dissertation addresses how entrepreneurial intentions affect business growth (Study II) and other means of firm performance in SMEs (Study III).

#### **2.4.2 Limited view of business growth**

The complexity of business growth, particularly among small firms, is emphasized by their unique and non-linear growth paths (Achtenhagen et al.,



2017). Despite the fundamental assumption of growth in entrepreneurship, there is a notable lack of understanding of the specific ways firms grow (Davidsson et al., 2010; Gilbert et al., 2006). Challenges include an oversimplified view of growth, a failure to distinguish between growth modes, and a lack of focus on how these modes affect a firm's adaptability and operations (Ego, 2022; Wright & Stigliani, 2013). These challenges have resulted in a poor understanding of how smaller firms navigate their growth, whether through organic development, acquisitions, or strategic partnerships. For instance, while there are studies available about the success of strategic alliances (e.g., Gaur et al., 2011) and their middle point – efficient governance (e.g., Pittino & Mazzurana, 2013), current literature has not grasped why SMEs would prefer this hybrid option of growth instead of growing differently. The literature's limited engagement with the factors influencing a firm's choice of growth mode, especially in the context of SMEs, underscores a significant knowledge shortage (Achtenhagen et al., 2017). This problem persists despite acknowledging the importance of adapting growth strategies to a firm's capabilities and the external business environment, highlighting the need for further research. As a result, this dissertation attempts to answer the question of the antecedents of growth mode selection in SMEs (Study I).

The interplay between growth and profitability makes the complex landscape of firm performance even more complicated, particularly within the context of smaller firms (Delmar et al., 2013). Driven by investor expectations and entrepreneurial ambition for rapid expansion, SMEs often prioritize growth (Jansen et al., 2023; Kuckertz et al., 2023), which can overshadow the critically important profitability (Ben-Hafaïedh & Hamelin, 2021; Davidsson et al., 2009). Entrepreneurship literature underscores these metrics' distinct yet interconnected roles in shaping business outcomes (Mansikkamäki, 2023; Stam et al., 2014), highlighting the necessity of aligning growth intentions with broader organizational strategies and behaviors (Ajzen, 2020). A misalignment in this case would foster the challenge SMEs face, where the pursuit of growth, primarily through acquisitive strategies in resource-limited settings, may inadvertently compromise profitability (Weiss et al., 2023). The inherent risks tied to entrepreneurial high-growth intentions—marked by high-risk undertakings and overconfidence—accentuate this dilemma (Kraft et al., 2022; Wennberg et al., 2016), emphasizing the critical need for balanced strategic planning and risk management to ensure the harmonious coexistence of growth and profitability for long-lasting business success. As a step in this direction, an attempt has been made to answer whether entrepreneurial growth intention has a similar effect on firm profitability as it has on growth (Study III).

Finally, scholars have recently questioned the overly simplistic view of growth as a universal remedy. It acknowledges a pivotal shift in scholarly and practical approaches to understanding business growth, particularly examining the once unchallenged obsession of high growth as the main hallmark of successful entrepreneurship (Kuckertz et al., 2023; Pearce & Pearce, 2020). This re-evaluation is driven by increasing concerns about the unsustainable use of

natural resources and the pressing need for companies to address the significant challenges highlighted by the UN's Agenda 2030 (Banerjee et al., 2021). It underscores the distinction between mere growth and scaling, with the latter understood as a strategic enhancement in size that yields disproportionately greater performance improvements (Palmié et al., 2023). However, our current knowledge lacks a comprehensive understanding of the processes (Shepherd & Patzelt, 2022; Van Lancker et al., 2023), long-term transitions (Schou, 2023), and drivers behind business scaling (Bohan et al., 2024). It is because scholars have shed light on the determinants and consequences of business scaling, with very modest attention paid to what happens in between (Lee & Kim, 2024). This shortcoming is serious because a lack of understanding of how firms should approach scaling is shown to directly affect business performance (ibid.). As a step in this direction, an attempt has been made to understand how high-growth strategies can effectively achieve business scaling (Study IV).

### **2.4.3 Limited view of environmental contingency in firm performance**

Our constrained understanding of entrepreneurial growth intention's role in predicting business success is further complicated by limited insight into the effects of contingency factors, such as institutional variations and conditions disrupted by unforeseen events.

Differences in the institutional environment profoundly impact the forms and objectives of entrepreneurial activities (Webb et al., 2020). Formal institutions, encompassing the financial sector, educational systems, and government frameworks, are instrumental in shaping the landscape of entrepreneurial endeavors, particularly influencing entrepreneurial ambitions for business growth (Chowdhury et al., 2019). These institutions affect entrepreneurship by providing or limiting access to varying qualities of resources necessary for profit generation through established frameworks (Bowen & De Clercq, 2008; De Clercq et al., 2013). For example, high-quality institutions foster a supportive environment for business development, encouraging entrepreneurs to take well-considered risks and engage in innovative practices (Boudreaux & Nikolaev, 2019). The cultural backdrop also plays a crucial role in determining firms' outcomes. Culture, as Hofstede (1981) explains, differentiates one group's thought processes from another's, collectively representing societal ambitions and needs. It influences the importance of various societal requirements, steering behaviors, and choices (Erez & Nouri, 2010). Through its established norms and values, the national culture guides entrepreneurs' decision-making processes (Shepherd et al., 2015), with significant repercussions for firm performance (Marano et al., 2016; Sarooghi et al., 2015). Therefore, cultural environments can encourage or hinder business development and entrepreneurial efforts (Miao et al., 2017).

Various institutional elements, including normative, cognitive, and regulatory aspects, assist entrepreneurs with their firms, while cultural perceptions profoundly impact entrepreneurial decision-making (Bruton et al., 2010). Despite the wide acceptance of institutional factors playing a definitive

role in predicting business success, there are several limitations in its earlier applicability. Earlier excessive focus on studying the effect of culture on organizational performance in isolation from other institutional factors (Bruton et al., 2010) carries a severe threat to answering the “how” and “why” questions behind the firm growth phenomenon. Moreover, the tendency of IBV application in studies with a single-country focus is another limitation in understanding the mechanics of business success, as it does not allow for considerable variation among contexts (ibid.). Finally, the impact of institutional frameworks on the interaction between entrepreneurial growth intentions and actual business outcomes is still insufficiently explored (Lee et al., 2022; Li et al., 2019). The substantial effects of broader economic factors, such as market evolution and cultural standards, on the development of smaller firms (Rosenbusch et al., 2011) suggest that overlooking these elements leads to a considerable problem in our grasp of how intentions for growth translate into tangible business growth and profitability, thus masking the important interplay at hand. As a step in this direction, this dissertation attempts to develop knowledge on the moderating effect of formal and informal institutions on the interplay between entrepreneurial growth intentions and subsequent growth and profitability of their firms (Study III). In this attempt, the issues of geographical isolation and a lack of a balanced representation of institutional factors in a study design are fulfilled.

#### **2.4.4 Positioning of the studies**

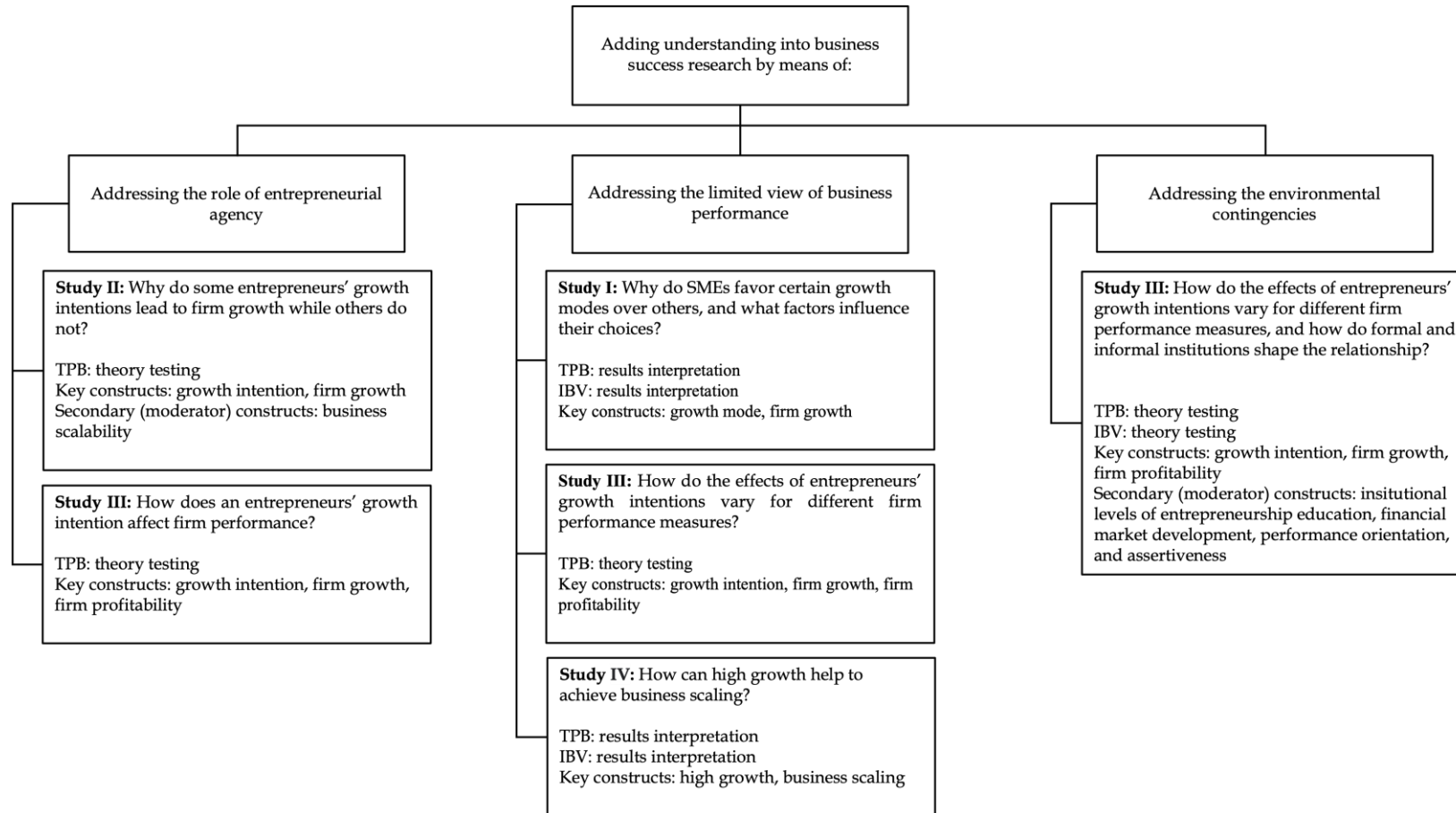
This section synthesizes how empirical studies align with the theoretical and conceptual aspects to address the literature's shortcomings. The framework initiates a dialogue on how individual, firm, and environmental variables influence business performance—a topic with limited understanding and consensus. Each of the four studies pursues specific research objectives, with the dissertation aiming for a nuanced understanding of business performance. Figure 3 shows the organization of the studies, integrating the earlier theoretical frameworks and addressing the overall research objective.

All four studies aim to enrich a nuanced knowledge of firm performance across multiple contexts and research settings. Study I explores the motives behind selecting different growth modes in SMEs. Studies II and III investigate the effect of entrepreneurial growth intention on firm outcomes. Study II mainly addresses the role of entrepreneurial agency in predicting business growth and addresses the boundary condition that a firm's growth potential may pose for translating intentions into actual performance. Meanwhile, Study III is motivated by the limited view of firm performance and environmental uncertainty by comparing the effects of entrepreneurial growth intention on different performance dimensions and across various institutional settings. Study IV takes business growth-related discussions to the next level by addressing the limitations of excessive focus on business growth, evident in entrepreneurship, and suggests how high growth could help achieve business scaling.

Given the complexity of the research objectives and the interconnections among studies in this dissertation, each of the three significant shortcomings outlined earlier are addressed across multiple studies. Study III has a three-fold goal of addressing all the listed shortcomings by testing the effect of growth intention on firm performance in general terms, on growth versus other performance measures, and performance across various institutional factors.

While several theoretical perspectives are explicitly referenced in some parts of the dissertation—for instance, the TPB in Studies II and III and the IBV in Study III—other studies employ principles related to these theories without explicitly referring to the theories. For example, the results in Studies I and IV were interpreted on multiple levels, including the aspects of the individual (e.g., a decision-maker’s intention) and institutional belonging. Notably, incorporating the four studies and the derived model sheds light on how firms may reach successful performance regarding growth, profitability, or scaling. It focuses on growth mode determinants, entrepreneurial growth intentions, and institutional varieties. As depicted in Figure 3, each study is presented utilizing the guiding research question concerning earlier described literature shortcomings addressed in this dissertation and its key theoretical and conceptual aspects applied.

FIGURE 3 Organization of the studies



### **3 METHODOLOGY**

This section introduces the methodological choices of this dissertation by identifying the philosophical stance as a starting point of this research. It further outlines its empirical setting, describes the analysis process, and reflects on the choices to ensure research quality and ethical standards. It is hard to imagine a research project taking off entirely as a blank slate without any pre-existing choices and cognitive assumptions (Lukka & Modell, 2010). Thus, discussing the philosophical stance guiding the research approach to generate more knowledge is essential (Lincoln et al., 2011). This research challenges the long-held field assumptions about the determinants and consequences of business growth, highlighting a call to action noted in prior studies (e.g., Epure et al., 2023; Poudel et al., 2019). The methodological choices are also made because analyzing business performance requires a more multidimensional approach. Therefore, the objective is to develop an understanding of individual and broader variables derived from internal and external dimensions.

#### **3.1 Critical realism philosophical position**

In the earlier sections of this dissertation, the motivation for the current research was presented as stemming from the misleading assumptions about business growth, leading to a shortage of understanding of why some businesses succeed while others fail. This limitation is primarily due to a lack of consensus in previous research stemming from conflicting or insufficient empirical evidence. This dissertation aims to address these limitations, which aligns well with the principles of the critical realism philosophical position. As Bhaskar (2009, pp. 3–66) concluded, scientific inquiry goes beyond mere observation of phenomena, delving into the underlying structures and mechanisms that govern them. In Bhaskar's explanation of critical realism, reality is stratified into three domains: the real, the actual, and the empirical (Bhaskar, 2008, p. 56). At its first level, the domain of the empirical includes all phenomena that are directly observable and

can be empirically verified. This level is where scientific inquiry primarily engages, making the observations and studying visible outcomes that result from the complex interplay between the actual and the real, providing a tangible window into the otherwise hidden mechanics of reality (ibid.). Above this, the domain of the actual comprises the events that exist objectively, occurring whether or not they are observed, thus distinguishing them from experiences that require human observation to be acknowledged (Hoddy, 2019). And finally, the domain of the real is where the existence of causal powers is expected to happen, yet not directly observable (ibid.). This logic suggests separating what we can empirically investigate, what occurs, and what stands behind these occurrences. This understanding, based on the philosophy of critical realism, indicates that the world is not only what is immediately visible but is also constituted by deeper, often unseen layers that exert causal influences (Bhaskar, 2009, pp. 3–66). By uncovering and understanding these underlying structures, individuals are better equipped to challenge and alter the constraints that limit human knowledge (Archer et al., 1998).

Critical realism, as a philosophical stance, supports a view of reality that recognizes an objective world that exists independently of human perceptions, thoughts, or observations (Clarke, 2010). This approach critiques the empirical limitations of positivism, which restricts knowledge to observable phenomena, and the relativist views of constructivism, which sees reality as a product of social perceptions and cultural influences (Layder, 1990, pp. 170–177). Critical realism suggests that the underlying structures and mechanisms responsible for observable phenomena, though not directly visible, can be deduced to some extent through scientific methods, underscoring the role of science in revealing these concealed structures (Clarke, 2010). The emphasis on deep structures encourages a more comprehensive approach in social science research, advocating for methodologies that not only seek correlations but also strive to explain the causal mechanisms behind observed patterns (Bhaskar, 2009, pp. 151–152). Driven by Bhaskar’s emphasis on the unobservable mechanisms that affect observable outcomes, critical realism supports using diverse methodologies to uncover deeper truths about social phenomena. It supports exploring areas lacking consensus or incomplete knowledge, as it advocates scientific uncovering of the deeper, often hidden mechanisms that explain observable phenomena (Bukowska, 2021).

Contrary to the underlying logic of positivists that “to be scientific, social science must stick closely to empirical observations that are measurable at high levels” (p. 141), the causal mechanisms studied in this dissertation are treated as going outside of a closed system with the predictive capacity of theory (on which positivism rests), with consideration of socially constructed phenomena to emphasize the causal mechanisms often operating ‘behind the backs’ of actors (Fleetwood & Ackroyd, 2004, p. 154). Despite the traditional association of specific methodology with particular philosophical approaches, the principal idea in this dissertation lies within the belief in a world that has a structure with multiple levels of reality; these structures are transformational, and knowledge

is dualistic. Meanwhile, a theory is perceived as an assumption about the connectedness of actors, events, and related causal sequences affected by generative mechanisms. This dissertation is built on the principle that the interactions between the causal mechanisms and particular contextual variations can explain the outcome to some extent.

Based on the principles of critical realism, there is a reality that is not shaped by our perceptions, but this reality can be explored and understood through scientific research. This philosophical perspective champions tangible phenomena, such as business growth reflected through revenue or profitability measured by returns on assets. Both observable and less apparent elements influence these phenomena. This research explores the complex, layered causal relationships that affect outcomes at the company level, shaped by various dimensions of reality, including the characteristics of individual entrepreneurs and the broader institutional environment. This multi-layered view aligns with the critical realism approach, emphasizing the importance of recognizing that the mechanisms driving these relationships might not be directly observable but can be inferred through scientific analysis. Accordingly, the choices regarding contextual framing, data collection, and analysis are heavily driven by the earlier principles. As an illustration, the motives for choosing growth modes are studied in the context of SMEs, which emphasizes their differences from larger enterprises (Study I); the effects of entrepreneurial growth intention are interpreted with emphasis on context, such as business model variation (product vs. service firms), industry belonging (IT) (Study II) and driven by variation in institutional factors (Study III); growth strategy of high-growth firms is considered within the context of emerging concept of scaling with further emphasis on duality of effects of high growth for hybrid, digital and other categories of scaling (Study IV).

By challenging traditional views on key determinants of business growth and the role of growth itself, there is a critical opportunity to re-evaluate our existing understanding, recognizing that some aspects of this knowledge might be more complex than previously thought. To conclude, the choices made in the dissertation align with the philosophical implications of critical realism for research practice (Fleetwood & Ackroyd, 2004, pp. 156–160). The principles include theory indispensability (e.g., questioning existing literature and knowledge to address the conceptualization of things and what causes what); establishing the operation of mechanisms by constructing theory together with data collection (e.g., study design with identification of different contexts); giving no privilege to particular kinds of data and application of multiple methods (i.e., focus on clarifying causal mechanisms, rather than limiting to a specific generative mechanism).



## 3.2 Methodological choices

The dissertation comprises four studies, leveraging distinct methodological approaches tailored to answer specific research questions. The starting point was to explore the dynamics behind the growth disparities among businesses, prompting the first study to investigate the various growth strategies businesses employ. The first study used a systematic literature review, driven by the shortcomings identified in existing literature, particularly the limited insights into small business growth dynamics (McKelvie & Wiklund, 2010). This review aimed to accumulate the literature and deepen the understanding of why businesses grow in particular ways. This review focuses on categorizing the rationales from various levels influencing SMEs to adopt organic, acquisitive, or hybrid growth modes. The growth of SMEs involves unique dynamics (Harbermann & Schuilte, 2017). To comprehend these complexities, a systematic literature review as a methodological approach that offers reduced reliance on personal interpretation and ensures a thorough exploration of existing research is essential (Sutton et al., 2019).

As understanding developed about the motivations behind growth mode selection in SMEs, the pivotal role of entrepreneurial agency and goals in explaining business growth became evident. This insight prompted further investigation into why some SMEs succeed in growing while others do not, centering on the entrepreneur as the primary unit of analysis. Subsequently, Study II was thus shaped by the influential TPB (Ajzen, 1991) and related research focusing on how entrepreneurial motivational factors predict business growth outcomes (e.g., Cesinger et al., 2018; Delmar & Wiklund, 2008; McKelvie et al., 2021; Stenholm, 2011). Leveraging longitudinal, annually collected survey data from Finnish IT companies for over ten years from 2008 to 2017 by the National Software Industry Survey (Rönkkö & Peltonen, 2012), Study II seeks to assess the impact of entrepreneurial growth intentions on their firms' growth rates by catching the longevity of the effect. Given that Finland has been ranked high for its entrepreneurial drive within the National Entrepreneurial Context Index (Hill et al., 2022), it seems to be an excellent empirical context for the study.

Importantly, Davidsson's (2009) seminal work, followed by the well-known simulation of Ben-Hafaïedh & Hamelin (2021), highlighted the limitations of using only business growth as a benchmark for successful entrepreneurship. This work suggested a broader perspective was necessary. Additionally, the concept of external enablers became increasingly recognized for its significant role in explaining entrepreneurial success, as noted by field researchers (e.g., Davidsson et al., 2023; Kimjeon & Davidsson, 2022). These insights have necessitated a shift away from focusing solely on business growth and urging consideration of external contingencies in understanding business success. As an attempt in this direction, Study III adopts the separate construct approach to analyzing firm performance (as introduced in Section 2.3.2.). This approach involves comparing the impact of entrepreneurial growth intentions on business growth with its

effect on profitability within these firms. The focus of this study is twofold: it not only investigates the role of agency, as manifested through entrepreneurial growth intentions in firm performance but also explores the moderating effects of institutional variations across different countries of operation. A meta-analysis method was selected to address this complex goal, which allows aggregating, synthesizing, and comparing diverse results from previous studies conducted in various settings and provides new insights (Combs et al., 2021).

Finally, the development of this dissertation, alongside advancements in the academic world, highlights a growing interest in business scaling as a crucial dialogue on how businesses can achieve and maintain growth. Coinciding with the UN's 2030 Agenda for Sustainable Development Goals, several prestigious journals almost simultaneously launched special issues dedicated to this timely subject. These include the *Journal of Business Venturing*, which focuses on scaling in the digital age; the *Journal of Management Studies*, which calls for research on scaling up to sustain rapid growth; and the *Journal of World Business*, a special issue on international scaling. Triggered by a shortcoming in understanding how firms can effectively scale – considering that high growth is not consistently stable (Belitski et al., 2023) – Study IV synthesizes existing research to explore potential strategies and tensions within business scaling employing a systematic literature review. Given the novelty and the varied methods used to explore business scaling (Tippmann et al., 2023), there is a significant limitation in our understanding of scaling strategies and their relation to growth. A systematic literature review is particularly beneficial in this context as it enhances the depth of analysis and prioritizes objectivity and clear objectives to develop a robust and comprehensive understanding of the subject (Denyer & Tranfield, 2009).

### **3.3 Research materials and analysis**

This section summarizes the methodology and four distinct datasets collected for and applied in the comprehensive analysis of determinants and limitations of business growth. Even though the studies in this dissertation aim to answer their guiding research questions, they offer a net of interconnected points of view that develop the overall understanding of several factors that stand behind maintainable business growth. A more nuanced breakdown of each study's data collection and analysis methods is presented in Table 1, emphasizing their contributions to the three significant limitations of existing research about business performance.

#### **3.3.1 Study I: Motivation behind alternative growth modes in SMEs: a systematic literature review**

A systematic literature review was carried out to examine the empirical research concerning the reasons behind the growth modes of SMEs. The methodology

developed by Denyer and Tranfield (2009) was employed, which focuses on reducing subjectivity in data collection and enhancing the robustness of the analysis.

Keywords with the root term 'firm growth' were initially searched within the Scopus and Web of Science databases, focusing on entrepreneurial academic journals known for their significant impact. Based on this preliminary search, the search strings were assembled. The search strings were applied in Scopus, and checks were made against EBSCO Host Business Premier and Web of Science to ensure no studies were overlooked. Only empirical studies were considered, specifically those from peer-reviewed journals, to ascertain antecedents of growth mode decisions. Studies that did not meet the quality criteria were excluded. Additionally, an emphasis was placed on SMEs, excluding larger companies, unless the studies specifically addressed firm size. Following the PRISMA model, the screening process culminated in a final sample of 72 studies.

Patterns in the data were systematically identified and coded (Saldaña, 2011) using Atlas.ti 22 software, with variations due to different researchers accounted for by additional checks on coding consistency (*ibid.*). This process generated three primary clusters of growth mode antecedents in SMEs: internal, external, and decision-specific. By focusing specifically on SMEs, a distinct framework was developed that highlighted the critical roles of firm structure, entrepreneurial leadership, and growth imitation.

### **3.3.2 Study II: Exploring the Paradise: The Dark Side of Growth Intention**

The relationship between growth intention and firm growth was examined using longitudinal survey data collected annually from Finnish IT companies over a decade (2008-2017) by the National Software Industry Survey (Rönkkö & Peltonen, 2012). The distinct characteristics of product and service companies within the software industry provide a compelling backdrop for theoretical examination. The focus was on independent small and medium-sized software companies based in Finland. Due to numerous micro firms within the sample, the analysis was confined to a subsample of companies reporting at least €100,000 in revenue. The procedure resulted in a dataset of 2,773 observations from 1,285 unique firms, which was utilized for the study.

The measurement of growth intention involved an eight-item scale tailored for this study, similar to a scale validated in earlier work (McKelvie, 2007). Growth was quantified using the average revenue growth over three years, with the necessary revenue data being derived from the Orbis Europe database, where a comprehensive revenue history up to 2019 was nearly fully available.

The analysis began with a graphical examination of the relationship between growth intention and growth. The primary hypotheses were tested using location-scale models (McNeish, 2020). These models are an extension of traditional population average linear regression models, incorporating a second equation for error variance. Unlike standard linear regression, which models the expected value of the dependent variable across various independent variables and assumes constant variance around this value (Wooldridge, 2013), location-

scale models also consider factors influencing the variance around the predicted regression line, thus facilitating a more nuanced analysis (Newbert et al., 2022).

### **3.3.3 Study III: Revisiting the impact of growth intention on firm growth and profitability: A meta-analysis on institutions**

A rigorous dataset for the meta-analysis was assembled using a five-stage approach (e.g., Vishwanathan et al., 2020). The process began with a study of critical literature on growth intentions. A manual search of articles was then conducted in prominent entrepreneurship journals. It was followed by a thorough keyword search across major databases, focusing on terms related to growth intentions and firm performance. Articles were identified for relevance by examining their titles, abstracts, and full texts. The dataset was further enriched by implementing a two-way snowball method, which included a manual review of references and tracking of citations. Finally, efforts were made to contact authors directly for any unpublished studies and missing data necessary for the analysis.

Applying the inclusion and exclusion criteria yielded a final sample of 66 studies, encompassing over 212,000 observations. As the independent variable, growth intention is an individual-level construct. Only studies reporting the same or similar individual-level measures as growth intention were included. Growth measures encompassed sales, employees, and mixed factors, while profitability measures included returns on sales, equity, assets, and others, primarily gathered through self-reported surveys. Additional non-financial measures such as innovation performance—including the number of new products launched, new processes implemented, and patents approved—and mixed performance measures like internationalization and export performance were included. Global Entrepreneurship Monitor (GEM) scores for entrepreneurship education and World Economic Forum reports for financial market development were employed for formal institutions. For informal institutions, performance orientation, assertiveness, future orientation (control variable), and humane orientation (control variable) were operationalized by using the Global Leadership and Organizational Behavior Effectiveness (GLOBE) cultural dimensions data (House et al., 2004).

Following the rigorous data set collection, information extraction was conducted following the protocol established by Lipsey and Wilson (2001), which included gathering data on effect sizes, performance constructs, and sample sizes. The Hunter and Schmidt meta-analysis approach (HSMA) (Hunter & Schmidt, 2014) examined the link between growth intention and firm performance. Furthermore, meta-analytical regression analysis (MARA), as outlined by Lipsey and Wilson (2001), was applied to assess the moderating effects of various formal and informal institutional variables.

### **3.3.4 Study IV: Beyond High Growth: Disentangling the Complexities of Business Scaling**

Similar to the previous literature review conducted within this dissertation, the methodology developed by Denyer and Tranfield (2009) was employed to reduce subjectivity in data collection and enhance the robustness of the analysis. A rigorous data collection process was used to ensure a thorough sample. The initial step involved searching for keywords such as 'high growth' and 'scaling' in Scopus and Web of Science, specifically within high-impact entrepreneurship journals. This process was followed by creating and applying three search strings in the Web of Science, designed to capture a broad spectrum of relevant research. Search results management and data coding were performed using the Covidence software, which aligns with current practices for systematic review efficiency (Cleo et al., 2019; Steel et al., 2021). Articles were selected from highly ranked, peer-reviewed journals in business and entrepreneurship. A cross-reference search was also performed, and only articles published post-1990 were considered, with a benchmark year marked by Siegel et al.'s (1993) seminal work defining high-growth firms. The preliminary screening involved 3,231 unique records, which were reviewed for titles and abstracts by two authors, with 527 advancing to full-text review. Following the PRISMA model, the process concluded with a selection of 256 studies.

To improve the analysis's precision, reliability, and relevance to the research question, patterns within the data were systematically identified, allowing for the organic emergence of codes (Saldaña, 2011). Using Covidence's extraction template, relevant codes were assigned to specific content segments. High correspondence was achieved in the initial full-text screening, followed by a good intercoder agreement rate on the coding alignment. Variability in coding due to different researcher interpretations was addressed by having two authors review and analyze the total sample, ensuring consistent coding practices. This process led to the identification of five primary themes (internal vs. external scaling, factors influencing scaling, scaling through digitalization, scaling for hybrid organizations, and domestic vs. global scaling) related to scaling modes in fast-growing companies.

## **3.4 Research trustworthiness and ethics**

It is worth reminding that this dissertation is guided by the critical realism philosophical approach. Critical realists maintain that reality has both a transitive and an intransitive dimension. An external world, independent of human consciousness, coexists with a dimension that includes socially shaped perceptions of reality. These layers of reality, invisible in nature, are not fully observable (Bhaskar, 2008). Additionally, no favoritism of particular data types over others is another critical principle of this philosophical stance respected in the dissertation (Fleetwood & Ackroyd, 2004). Given the complexity of scientific

inquiry, diverse research methods are applied to ensure the rigor of the constructed understanding.

Considering that parts of this dissertation engage with the qualitative branch of research—with Studies I and IV structured as systematic literature reviews—the trustworthiness of the research warrants discussion, consistent with qualitative research traditions. This dissertation adheres to the criteria of credibility, dependability, confirmability, and transferability (Lincoln & Guba, 1985, pp. 289–331) by maintaining consistent approaches throughout the studies. Studies I and IV adhered to the systematic literature review guidelines (Denyer & Tranfield, 2009) for studies' planning, sample studies selection, literature synthesis, and findings reporting in a transparent and replicable manner. Thus, a detailed description of the aforementioned steps has been provided to ensure transparency in research implementation practices. Furthermore, to address the common issue of personal bias in qualitative research (Hlady-Rispal & Jouison-Laffitte, 2014), data collection, selection, and coding in Studies I and IV were conducted collaboratively with co-authors. This approach enhances inter-rater accuracy and minimizes the impact of personal subjectivity. In response to the limitations in generalizing findings from qualitative research (Gobo, 2004), these studies aimed to reach a level of theoretical generalization that signals the transferability of the results. For example, Study I focuses on SMEs aimed to thoroughly depict the context and clearly define the concept under investigation—the motivations for growth mode selection—without extending the findings beyond the study's boundaries.

For Studies II and III, research trustworthiness and rigor were primarily assessed through the reliability and validity of the constructs and procedures used, as is customary in quantitative research (Hlady-Rispal & Jouison-Laffitte, 2014). Consistent with the quantitative research rigor guidelines established by Coviello and Jones (2004), these studies collectively adhered to critical principles such as definitional rigor, longitudinal methodology to accommodate time dimensions, cross-national comparisons, and comprehensive sampling frames in data collection.

This dissertation adheres to the ethical principles outlined in the Finnish Code of Conduct for Research Integrity, as outlined by the Finnish National Board on Research Integrity (TENK) (Keiski et al., 2023). It upholds the critical principles of research integrity by ensuring the reliability of research through careful management of research design, materials, methods, and analytical approaches. Additionally, honesty, respect, and accountability principles have been followed in the transparent and fair reporting and communication of research findings.

TABLE 1 Overview of the data generation and analysis used

Study	Guiding Research Question / Hypotheses	Data generation	Data analysis
Study I	What are the antecedents of growth mode selection in SMEs?	A systematic collection of empirical published articles on motivations behind growth modes selection in SMEs published between 1980 and 2022 (n = 72)	Content classification thematic analysis, <a href="#">Atlas.ti 22</a> software
Study II	H1: Increasing growth intention is associated with increasing variance of growth rates so that growth intention increases both positive and negative growth outcomes. H2: The effect of growth intention on the variance of growth rates is stronger for companies offering products than companies offering services.	Longitudinal survey-based dataset collected between 2008 and 2017 in Finland and financial data collected from Orbis Europe Database (n = 1, 285)	Quantitative location-scale model analysis, Stata software
Study III	H1: An entrepreneur's growth intention is positively related to firm performance. H2: The effect of an entrepreneur's growth intention is stronger on firm growth, as opposed to firm profitability. H3: The effect of an entrepreneur's growth intention on firm performance is stronger in countries characterized by high levels of entrepreneurship education. H4: The effect of an entrepreneur's growth intention on firm performance is stronger in countries characterized by high levels of financial market development. H 5: The effect of an entrepreneur's growth intention on firm performance is stronger in countries characterized by high levels of performance orientation. H 6: The effect of an entrepreneur's growth intention on firm performance is weaker in countries characterized by high levels of assertiveness.	A collection of empirical articles on the effects of entrepreneurial growth intention on firm performance in SMEs across 23 countries (n = 66)	Hunter and Schmidt meta-analysis approach (HSMA) and meta-analytical regression analysis (MARA), Stata software
Study IV	How can high growth help to achieve business scaling?	A systematic collection of empirical published articles on high growth and scaling approaches published between 1990 and 2024 (n = 256)	Content classification thematic analysis, Covidence software

## **4 SUMMARY OF THE STUDIES**

This section provides an overview of the four studies included in the dissertation. All authors' contributions and previous progress of the studies are explained at the beginning of the dissertation. The studies are at different stages of development, with some being published, some under review, and one unpublished manuscript.

The following section summarizes the four studies, including research aims, applied methods, and findings following the overall purpose of the dissertation (see also Figure 3). This section focuses on each study's contribution to the dissertation's broader objective: to address the shortcomings of understanding firm performance. The following section (Chapter 5) further elaborates on this broader contribution of the dissertation as a whole.

### **4.1 Study I: Motivation behind alternative growth modes in SMEs: a systematic literature review**

The study aims to elucidate the factors influencing SMEs' decisions regarding their growth modes, focusing on differentiating between organic, acquisitive, and hybrid growth strategies. This research is necessary to fill the substantial shortcomings in understanding the context-specific antecedents that guide these strategic decisions. The objective is to provide a more straightforward framework for understanding how SMEs navigate their growth options in response to internal capabilities and external conditions.

Through a systematic literature review of 72 studies, a comprehensive dataset comprising multinational and cross-industry data was collected and analyzed to establish an understanding of the topic. The review process was carefully designed by following the protocol to minimize biases and enhance the depth of the analysis, involving criteria for article selection and data extraction focused on SME-specific studies of a certain quality. This method allowed for a detailed examination of the nuanced influences on SME growth modes.



The results demonstrate that SMEs' growth mode choices are not random but are significantly influenced by specific antecedent factors. SMEs select among organic, acquisitive, and hybrid growth modes. Organic growth is primarily driven by internal resources and the entrepreneur's desire for control and independence, focusing on financial stability and internal capabilities. Acquisitive growth is chosen for rapid expansion, leveraging market and product diversification to enhance competitive edges and operational scale, influenced by the firm's structure and market dynamics. Hybrid growth is a strategic middle ground, enabling SMEs to collaborate through alliances and partnerships to overcome resource limitations and adapt to regulatory and geographical challenges, balancing autonomy with external resource advantages. The outcome product of this study is a framework of categorized motives behind selecting these growth modes in SMEs.

## **4.2 Study II: Exploring the Paradise: The Dark Side of Growth Intention**

The study begins by acknowledging a tendency to treat ambition as a trait of successful entrepreneurs. Consequently, numerous theories and scholars in entrepreneurship suggest that growth intention significantly shapes business success. Despite this, the empirical evidence of the relationship between growth intention and business growth shows mixed results. Some research supports a link, whereas others indicate only small effects. This study delves into the complex role of growth intentions, proposing that while high growth intentions can drive success in firms with high growth potential, overly ambitious goals might hinder growth, suggesting a nuanced effect of growth intention on business outcomes.

The proposed scenario was tested using a decade-long panel dataset of 1,285 IT SMEs in Finland, gathered through an annual survey. While considering possible positive and negative effects of growth intention, the study's central hypothesis posits that growth intention does not primarily drive growth by elevating the expected growth rate but rather by increasing the variability of growth outcomes, encompassing both positive and negative rates. This variability stems from the fact that while firms with high growth potential may experience enhanced growth due to high growth intentions, those with limited potential may see diminished growth. Furthermore, the study indicates that the distinction between service and product firms significantly moderates how growth intentions translate into business growth. Both hypotheses were supported by graphical examination and location-scale models. Thus, it is concluded that the growth intentions of entrepreneurs can have both positive and negative effects on their firms' growth. These effects are influenced by the firm's growth potential, which is affected by the scalability of the business model. The study adds to entrepreneurship discourse by demonstrating that while

growth intentions are theoretically vital for driving growth, in practice, their effects can be even sometimes adverse, underscoring the need for a balanced perspective in teaching and training entrepreneurial skills.

### **4.3 Study III: Revisiting the impact of growth intention on firm growth and profitability: A meta-analysis on institutions**

The role of entrepreneurs' growth intentions and their impact on business success has been investigated, with studies exploring whether entrepreneurs control their destinies or if success is due primarily to luck. While many scholars demonstrate that growth intention can positively influence firm growth, some researchers argue that external factors like market dynamics and resource fluctuations play a more significant role, often attributing business success to chance. Moreover, the complexity of firm performance, including contradicting variables such as growth and profitability, complicates understanding of growth intention's effects. Triggered by this inconclusiveness, this study underscores the ambiguity in how growth intention relates to firm outcomes and points to a lack of understanding the influence of institutional factors on this relationship.

Driven by TPB and IBV perspectives, the study outlines six hypotheses to test the relationship between entrepreneurial growth intention, various firm performance types, and moderating effects of institutional variables. After rigorously collecting the data from 66 independent empirical studies containing over 212,000 observations and compiling evidence from 23 different countries, the HSMA and MARA analysis methods were applied. As a result of the analysis, the study reveals that the impact of growth intention is particularly significant for business growth, while its effect on profitability is not significant. Regarding the influence of formal and informal institutional factors, the study finds that entrepreneurship education enhances the positive relationship between growth intention and firm performance. At the same time, financial market development negatively affects this relationship. Additionally, performance orientation strengthens, and assertiveness weakens the impact of growth intention on firm performance. In conclusion, the study contributes to the field by demonstrating that entrepreneurial growth intentions do not uniformly result in enhanced firm performance. Instead, the outcomes vary based on the specific aspects of firm performance and the prevailing institutional conditions within each country.

### **4.4 Study IV: Beyond High Growth: Disentangling the Complexities of Business Scaling**

The traditional celebration of high-growth firms as a benchmark for entrepreneurial success is now being questioned in light of its long-lasting impact

and the drive toward sustainable practices. This re-evaluation has spurred research into how business growth can be recalibrated to support the Sustainable Development Goals, focusing on scaling to achieve enhanced productivity and efficiency rather than just size expansion. As a step in this direction, this study explores the nuances of scaling, distinguishing it from growth by its potential for broader organizational, societal, and environmental impacts. It calls for a deeper exploration into the scaling mechanisms and their efficacy in contributing to sustainable enterprise.

This study investigates the concept of scaling in high-growth firms, a topic that has recently sparked academic interest and debate, particularly in how scaling influences the expansion of both new and established ventures. To thoroughly understand the dynamics of scaling and its relation to high-growth enterprises, a systematic literature review was conducted using a methodological approach that emphasizes objectivity and clear research objectives. As a result of a robust data collection and selection process, the sample of 256 studies was used for further analysis.

The study explores the distinction between high growth and scaling in the literature, identifying scaling as a strategic, multifaceted process that goes beyond mere expansion to encompass significant organizational changes to optimize efficiency and innovation. The literature review uncovered several pivotal factors for business scaling, such as the necessity of strategic flexibility and resource orchestration, the significant role of human capital and founder characteristics, the alignment of strategic objectives with organizational roles, the impact of external macroeconomic factors like financial markets and governmental support; and the interaction between internal capabilities and external market conditions. Moreover, the study introduces the new concept of a 'scaling orientation' as a strategic approach to fostering sustainable and rapid growth, highlighting its importance as a comprehensive framework for understanding and executing scaling in various business environments. Within the study, business scaling orientation is defined as a strategic method that includes both internal and external growth strategies, utilizing these approaches to drive rapid expansion and transformation. This method emphasizes strategic adaptability, effective resource management, and an acute awareness of environmental needs, intending to achieve sustained value creation and continuous innovation.

## 5 CONCLUDING REMARKS

This introduction and the four studies in the dissertation discuss firm performance, focusing on the triad of limitations in earlier research. Thus, the discussion has been built around the role of entrepreneurial agency in business growth and contextual variations in predicting business success. The introduction presents the three significant shortcomings addressed in this research and the critical theories related to them. The preceding section also highlighted the four studies' findings and contributions. This chapter extends the overarching goal of this dissertation and the guiding research questions to align the findings with the current body of research. It explores the theoretical contributions derived from achieving the overarching objectives of the dissertation. Additionally, the chapter discusses practical implications, recognizes limitations, and proposes potential areas for further investigation. It includes a visual representation summarizing the contributions of the four studies and how they address significant research limitations presented earlier (refer to Chapter 2.4), as illustrated in Figure 3.

Business mentors frequently task prospective entrepreneurs to conclude their business ideas into a single sentence. In this vein, they encounter a structured formula or template, expecting them to define the Xs and Ys of their business proposals to secure the necessary funding from investors to kickstart their ventures. While many fall short, I find this exercise to be beneficial. Therefore, if tasked with summarizing the contribution of this dissertation in one sentence, I would likely express that by addressing the inconclusiveness about the roles of entrepreneurs, business growth, and contextual variations in predicting business performance, this dissertation not only enhances nuanced understanding but also broadens comprehension of why some businesses succeed while others do not.

A careful reader may note that this marks the first instance in the dissertation where the active voice is employed, whereas preceding sections follow a narrative in the third person. It does not indicate sloppy writing but rather a deliberate choice and matter of preference. The earlier chapters predominantly presented the ideas of previous researchers and theories or

shared insights from studies conducted in collaboration with co-authors, where the third-person writing style was deemed a fitting tribute to the wisdom of others. In contrast, this latest chapter is a compilation of my reflections on the implications of this research and what I carry forward as a researcher in the baggage of knowledge for future endeavors.

## 5.1 Addressing the research questions

This dissertation explores why some firms succeed while others fail. It addresses the triad of shortcomings in existing research on entrepreneurial agency in business success prediction, determinants of business growth, and external influences like institutions. Grounded in the theory of planned behavior and the institutional-based view, it studies the interplay of individual, firm, and environmental factors affecting performance. The research examines how firms grow, the role of entrepreneurial growth intentions in outcomes like growth and profitability, the impact of institutions on turning intentions into performance, and how this growth contributes to business scaling. The dissertation answers four guiding research questions through the studies:

1. RQ1: Why do SMEs favor certain growth modes over others, and what factors influence their choices?
2. RQ2: Why do some entrepreneurs' growth intentions lead to firm growth while others do not?
3. RQ3: How do the effects of entrepreneurs' growth intentions vary for different firm performance measures, and how do formal and informal institutions shape the relationship?
4. RQ4: How can high growth help to achieve business scaling?

The dissertation addressed RQ1 through a systematic literature review that examined the reasons behind adopting specific growth modes, particularly in the context of SMEs. In doing so, this study significantly contributes by addressing the shortcomings of prior studies that focused solely on single growth modes (Haleblian et al., 2009; Xie et al., 2017) or neglected the role of firm size when mapping growth mode selection determinants (Ego, 2022). It comprehensively synthesizes three growth strategies—organic, acquisitive, and hybrid—specifically tailored for small and medium enterprises. The factors embedded in the external environment, such as market competitiveness, industrial dynamics, and the target country's conditions for international growth, motivate entrepreneurs for inorganic and hybrid growth trajectories. Meanwhile, a range of internal and goal-specific aspects profoundly affect all three modes. This analysis aligns closely with the realities entrepreneurs and managers face in SMEs and offers a more coherent understanding of small business growth. Furthermore, the review suggests several avenues for further research development.

In response to RQ2, this dissertation contributes significantly to our understanding of entrepreneurial growth by illustrating the complexities of growth intentions. It reveals that while necessary for growth, growth intentions can also produce adverse outcomes when misaligned with a firm's growth potential, challenging the conventional expectations among entrepreneurship scholars that growth intentions foster business growth (e.g., Cesinger et al., 2018; Kolvereid & Åmo, 2019). Furthermore, the study reconciles theoretical expectations of positive effects with the more modest empirical findings in the existing literature by highlighting that intensifying growth intentions beyond a firm's capacity for growth can hinder further growth, marking a "strategic inflection point" (see for example, Morris et al., 2005) where continuing with previous growth strategies becomes counterproductive and potentially detrimental, underscoring the importance of aligning growth intentions with realistic firm potential to optimize performance.

For a more complex understanding of the effect of entrepreneurial agency on business performance, the dissertation addresses RQ3 through empirical investigation to refine the strength of the effect across different types of firm performance and institutional factors. By aggregating data from 66 studies across 23 countries to elucidate the nuanced relationships between entrepreneurial growth intentions and firm performance, the dissertation establishes that growth intentions propel business growth but have no significant impact on profitability. Moreover, it emphasizes the critical influence of formal and informal institutional contexts, demonstrating that favorable environments such as solid entrepreneurship education and performance-oriented cultures amplify the positive effects of growth intentions. In contrast, developed financial markets and assertive cultures might mitigate these effects. Differences in the results of the two latest studies are likely due to their varied data sources. Study II's mixed effects on growth, drawn from Finland's IT sector, contrast with Study III's positive findings from global, cross-industry data compiled from earlier empirical studies, highlighting the impact of research scope on the outcomes.

Finally, RQ4 was triggered by criticism of the obsession with business growth, which is evident among scholars and practitioners. As a result, high growth can be instrumental in achieving business scaling by enabling organizations to rapidly expand operations and enhance outputs, as the literature suggests. Growth presents as an expansion of operations, which sets the stage for scaling, defined as a more intricate process that involves significant organizational transformation aimed at optimizing operations for exponential growth. High growth provides the necessary momentum and resources that allow a business to invest in and implement strategic innovations and efficiencies crucial for scaling. It also helps attract investment and talent, which is essential for supporting complex scaling processes that require harmonizing internal changes with external market forces. Effective scaling, therefore, relies on the foundation of high growth to facilitate profound organizational transformations, align strategic goals with market demands, and foster a culture that supports continuous innovation and efficiency improvements.

## 5.2 Theoretical contribution: Addressing the triad of limitations

The dissertation questions assumptions about business growth in entrepreneurship research, focusing on entrepreneurial agency and environmental factors. Revisiting its primary purpose reveals that four studies, each guided by distinct research questions, offer a nuanced understanding of the limitations of existing research (see Figure 4).

By applying the TPB theoretical lens, the dissertation tests the role of entrepreneurial agency. Traditionally, within the TPB framework, an individual's intention toward a behavior is considered to have solid determinant power in successfully performing that behavior (Ajzen, 1991). This trend is evident in earlier empirical entrepreneurship literature (e.g., Cesinger et al., 2018; Kolvereid & Åmo, 2019), with a large portion attributing a positive role to entrepreneurial growth intention in explaining SMEs' successful performance. However, this dissertation challenges the existing theoretical model regarding the assumption that stronger intentions result in positive outcomes. Instead, the availability of such intentions among entrepreneurs is theorized to be only a necessary ingredient for an intended effort to take place, ultimately leading to an organizational outcome. Overall, the dissertation's contribution to the TPB perspective and the question of entrepreneurial agency can be summed up in at least two ways.

First, the dissertation questions the feasibility of the positive relationship between direct intention and performance in entrepreneurship, particularly in SMEs. While Ajzen (2020) specifies possible scenarios within which intentions may not materialize, there is a lack of concern in the TPB framework paid to the possibility of entirely opposite, negative results stemming from strong intentions. The dissertation brings important knowledge about the dark side of entrepreneurial growth intention, where excessive intent can lead to detrimental outcomes. The findings of this dissertation illustrate the significant role of entrepreneurial agency in deciding their firm's destiny (for example, Studies I and II). Yet, the implications of this power may result in a negative outcome. As a possible explanation of this controversial effect of a seemingly positive variable, the dissertation emphasizes the importance of strategic alignment between entrepreneurial ambitions and firms' potential for growth, with the latter being partly driven by internal organizational processes and external institutional contingencies.

Second, the dissertation extends the discussion on entrepreneurial agency by demonstrating that a large portion of SMEs' success is determined by matters not directly in the control of entrepreneurs. While the TPB framework allows a possibility for human intention not to materialize, it does not explicitly include the role of chance in predicting behavioral outcomes. Within TPB, perceived behavioral control - a critical predictor for both intentions and the behavioral outcome - involves perceptions about factors that can promote or hinder behavior performance, such as an individual's skills, resources, time, and

cooperation from others (Ajzen, 2020). While these factors are important, such an agent-centric approach downplays the role of internal governance structures (Miller et al., 2014), external conditions (Weiner, 2010), and the possibility of chance events (Coad & Storey, 2021) in explaining firm behavior. This dissertation demonstrates the boundary conditions of entrepreneurial agency in predicting SMEs' success. As an illustration, with equal consideration for formal and informal institutional contingencies, industry characteristics, and entrepreneurial growth intention, Study III could explain less than half of the variance in SMEs' performance, leaving a considerable gap for other factors to chip in. This dissertation concludes the availability of other forces in predicting SMEs' performance in addition to entrepreneurial agency. The earlier discussed possibility of chance playing a role in performance finds support in the empirical findings from the strategic management field (e.g., Fitza, 2017), emphasizing that understanding the contexts in which human agency matters is the next important quest.

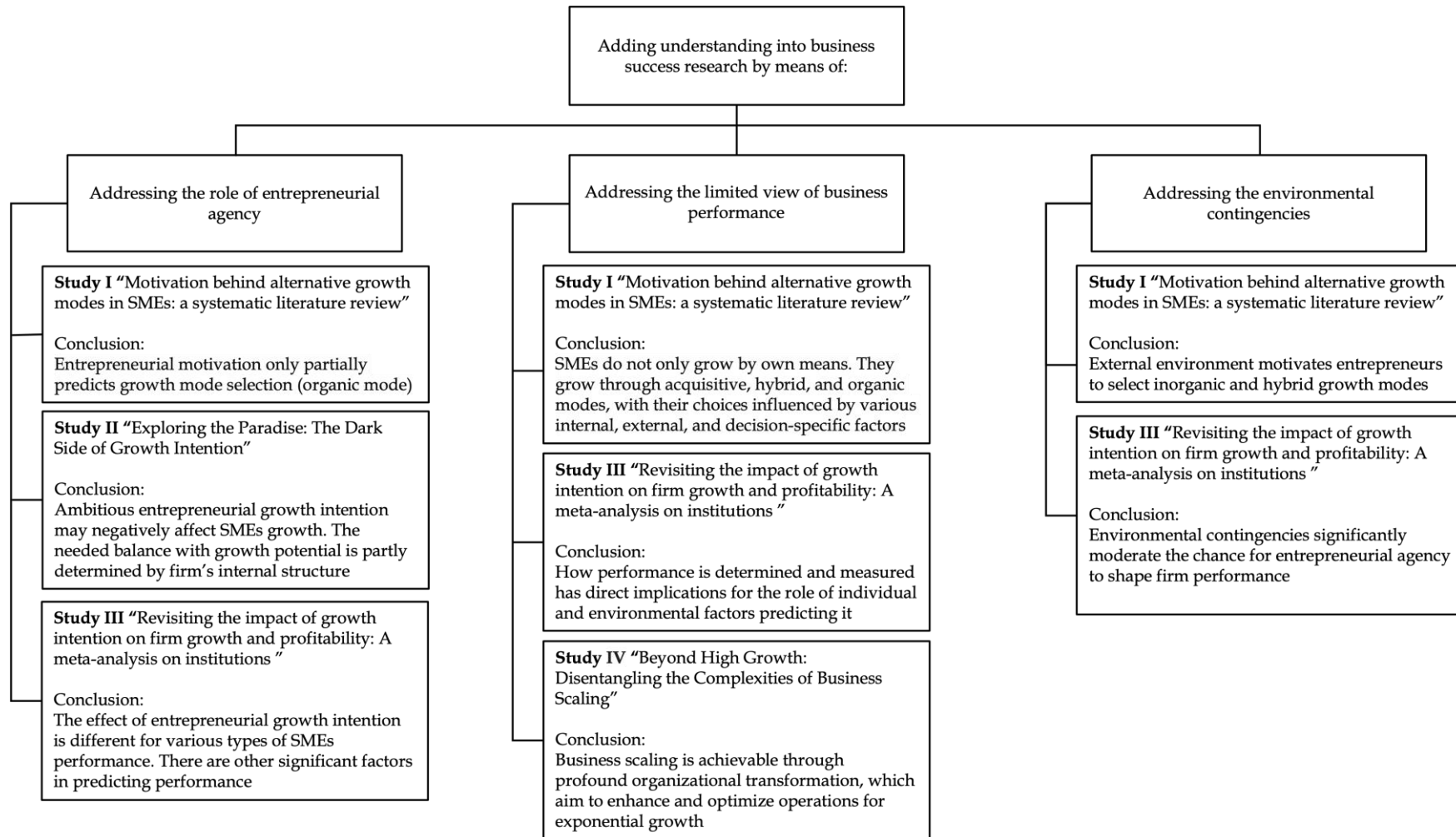
Earlier, the variation in performance measures was addressed, highlighting a more comprehensive issue of firm performance than its growth ability. A thorough review of previous entrepreneurship studies, including those produced in the dissertation, shows that having firm growth as a focal point often diverts attention from whether it should genuinely be entrepreneurship scholars' primary variable of interest. With the influential yet small in quantity studies (Ben-Hafaïedh & Hamelin, 2021; Davidsson et al., 2009; Mansikkamäki, 2023), it becomes evident that limiting SMEs' success to the question of how much a firm can grow in a given time is not only dangerous for organizational implications but also has negative implications for the field's development. It is not only because there is a considerable variation in the ways to grow for SMEs (Achtenhagen et al., 2017) and that not every type of growth is equally beneficial at all times (Weiss et al., 2023) but also that the question of growth efficiency and sustainability is being often neglected. This dissertation challenges the conventional entrepreneurship approach of attributing SMEs' success to growth by treating performance as a multi-dimensional concept, where success depends on balancing internal entrepreneurial drivers with external contingencies. With the introduction of the scaling orientation concept and outlining the areas of academic inquiry made upon the matter of organizational scaling, the subject of firm growth efficiency and durability is raised. This point resembles the latest concerns in management on the value of other performance attributes than growth, including but not limited to resourcefulness (e.g., Scheidgen et al., 2024) and scaling (e.g., Jansen et al., 2023).

Finally, the dissertation addresses the influence of environmental contingencies on entrepreneurial endeavors. By applying the IBV perspective in this complex quest, the studies in the dissertation address the limited consideration of environmental contingencies from earlier research. In particular, the dissertation follows a balanced approach to determining the moderating power of formal and informal institutional frameworks, which solves the earlier problem of cultural favoritism in institutional research (Bruton et al., 2010). It also



contributes to the theoretical implementation of the framework by testing in a longitudinal and cross-national setting to allow a more holistic understanding of how the effect of institutional support can materialize. These actions together allow us to conclude that the effect of institutional formal and informal aids does not always carry an expected outcome. As it happened in Study III, solid financial market development, a seemingly positive attribute for the ease and clarity of growing business, showed to weaken the initially positive intention-performance connection. With this in mind, the findings refine the earlier application of IBV by showing the difference in its applicability when considered in the context of entrepreneurial agency and the outcomes compared to solely focusing on performance (e.g., Mathias et al., 2021). Finally, the dissertation goes beyond testing the explanatory power of institutions on the independent variable (entrepreneurial agency) and the outcome variables (e.g., firm performance) in separate settings, unlike a large share of earlier research (e.g., Epure et al., 2023; Lohwasser et al., 2022). On the contrary, the dissertation attempts to develop an understanding of the mechanism behind institutional influence by testing its effect on the connection between entrepreneurial growth intentions and actual business outcomes – a matter that is still insufficiently explored (Lee et al., 2022; Li et al., 2019). As a step in this direction, this dissertation takes an initiative toward advancing knowledge on the moderating role of formal and informal institutions in the link between entrepreneurial agency and the subsequent firm-level outcomes.

FIGURE 4 Matching the theorized contribution with the findings



### 5.3 Practical implications

Given that the overarching purpose of this research is to challenge the field's assumptions about business growth and what allows some of them to be successful, the findings carry valuable implications in practice. Even though growth ambitions are widely celebrated by investors and society (Feifer, 2023), this dissertation suggests a more balanced approach. It underscores the importance of internal resources, strategic goals, and the entrepreneur's characteristics in deciding how an SME grows. This logic emphasizes the need for entrepreneurs and managers to evaluate their internal strengths and strategic objectives thoroughly before deciding how to proceed. Entrepreneurs and managers should consider the scale of their growth ambitions and the strategic and contextual factors influencing their business environment. It involves aligning growth strategies with internal capabilities and external market conditions and being particularly aware of the cultural and institutional contexts that could affect the implementation of these strategies.

Another critical implication is the need for firms to consider their growth's broader potential and societal impacts. This suggestion involves considering how high business growth can help them achieve a scaling orientation as a strategic approach that prioritizes strategic flexibility, resource orchestration, and keen responsiveness to environmental demands, aiming for sustained value creation and innovation. To capitalize on the implications of high business growth for achieving a scaling orientation, SMEs should use digital technologies to optimize financial, knowledge-based, and experiential resources to enhance innovation and maintain competitive advantages without overextending the firm. This strategy includes implementing digital business models to benefit from cost-free replication, allowing for rapid scaling without significant additional costs (Mithani, 2023). SMEs could also consider acquiring another company mainly to gain skilled employees rather than its products or services. This approach helps SMEs mitigate technological dependence on industry outsiders and accelerate digital transformation (Gala & Mueller, 2022). By doing so, SMEs can prioritize holistic goals over mere expansion (Bohan et al., 2024), integrating stakeholders' perspectives to drive meaningful, sustainable growth (Haugh et al., 2022; Siebold, 2021). Overall, this dissertation concludes that a dynamic, context-aware strategy that balances ambitious growth goals with pragmatic assessment and environmental sensitivity is essential for achieving long-term successful business performance.

The fact that this research partly utilizes primary data from Finland (Study II) – a country with a high ranking in the National Entrepreneurial Context Index yet facing challenges such as low early-stage entrepreneurial activities and constrained growth in new firms (Hill et al., 2022) – provides valuable practical implications for entrepreneurs and businesses in other countries. This juxtaposition highlights a crucial insight: even in environments broadly

supportive of entrepreneurship, significant underlying challenges can inhibit starting and scaling new businesses. For entrepreneurs and business leaders in other countries, particularly those with similar entrepreneurial-friendly policies, this suggests the importance of looking beyond surface-level indicators of business friendliness. It prompts a more profound analysis into barriers that might stifle new venture creation and growth, such as bureaucratic hurdles, gaps in funding ecosystems, or cultural attitudes towards entrepreneurship.

The practical implications for policymakers from the four studies in the dissertation collectively emphasize the need for nuanced, adaptive policies that support both the initiation and development of businesses while considering the broader economic and societal contexts. Recognizing that businesses may grow through various modes, policies should be versatile enough to support these strategies. For example, facilitating access to merger and acquisition opportunities or fostering cooperative networks can help businesses scale effectively according to their preferred growth modes. One way to dissolve the myth of acquisitive growth being meant for larger corporations only could be to streamline the awareness about regulatory processes for mergers and acquisitions to reduce the administrative burden on SMEs. Like the EU's Entrepreneurship Inclusive Programmes, where policy briefs aim to foster inclusive entrepreneurship for underrepresented and disadvantaged groups (OECD & Commission, 2019), this step could involve creating dedicated support units within regulatory bodies to assist SMEs with the legal and procedural aspects of M&A (i.e., mergers and acquisitions) activities. In addition to the education aspect about the M&A potential for SMEs, such an initiative could involve consultancy and legal guidance.

Since numerous firms close down early in their lifecycle (Anyadike-Danes & Hart, 2018), and the economic detriment caused by these failures outweighs the positive contributions from the growth of surviving companies (Coad et al., 2020), policymakers should also design programs specifically aimed at helping established SMEs to scale. Similarly to traditional incubators, these programs might include access to growth capital, scaling accelerators, and mentorship programs that connect growing businesses with experienced entrepreneurs and business leaders. Finally, as firms grow, it is essential for policies to encourage them to adopt sustainable practices that consider social and environmental impacts, similar to initiatives like California's Cap-and-Trade system in the USA (Bang et al., 2017) or the Swedish Swentec program supporting the development and marketing of innovative technologies that help reduce environmental impact (Guziana, 2011). This initiative may support businesses in achieving long-term success while simultaneously enhancing the surrounding environment. It might include enforcing sustainability standards or providing incentives for businesses that demonstrate ethical practices and contribute positively to societal goals, particularly helping SMEs to make a change by providing them with necessary and adequate tools.

## 5.4 Limitations and future research

The dissertation has limitations, which open several pathways for future research. One limitation is that earlier research has focused on investigating the effect of intentions on subsequent behavior only by concentrating on one choice of action at a time (Ajzen & Sheikh, 2013). Similarly, in this dissertation, Studies II and III considered entrepreneurs to have growth intentions with subsequent measurements taking place. It raises the question of how well intentions can forecast behavior in situations requiring a choice. In other words, what would be the effect of entrepreneurial growth intention if the analysis would equally include a choice of not growing by estimating the strength of intention of this inaction? Each action is a choice among multiple alternatives, including the option not to act. TPB argues that three core factors—our attitudes, perceived social pressures (subjective norms), and confidence in our capability to act (perceived behavioral control)—shape each choice's intentions. This theory suggests that individuals naturally lean towards the action they feel most positively about, as demonstrated by their most vital intention (Ajzen, 2020). It underscores the complexity of decision-making, where the influencing factors, such as attitudes, subjective norms, and perceived behavioral control, might not always present a direct opposition in different scenarios. To enhance precision in predicting intentions and subsequent behaviors, TPB advocates evaluating all its core components in context with every available option, where feasible (Ajzen & Sheikh, 2013). By examining both growth and non-growth intentions in parallel, future research can gain insights into how entrepreneurs make decisions when faced with the option to maintain the status quo versus pursuing expansion. In addition, further studies could specifically focus on perceived behavioral control and its influence on decision-making processes in complex situations where multiple choices are available. This research could assess how confidence in one's abilities affects the choice between acting and not acting and the later impact on business outcomes.

While human agency and firm success are often discussed in connection with entrepreneurial intentionality (Bandura, 2001), firm growth can occur even when entrepreneurs do not plan or intend for it to happen. This scenario is exceedingly probable for small firms because their survival often directly results from their ability to grow (Coad, 2009, p. 135). For instance, in rapidly developing sectors like software, firms may grow unintentionally, driven by external forces and fluctuations in product demand (*ibid.*). Thus, it could be very likely that not all entrepreneurs are motivated by growth, with some expanding simply to survive (Moen et al., 2016) or because an opportunity presents itself. While the dissertation emphasizes the potential dark side of entrepreneurial growth intention and its boundary conditions in affecting firm performance, further research could pay more detailed attention to the role of chance (Denrell et al., 2015; Fitza, 2017) in the irrational nature of organizational performance. For instance, future studies could investigate the strategic shifts that occur when

firms recognize unintentional growth to gain an advantage from it and create a long-term strategic advantage.

While metaphorically, some see an entrepreneur as the "face, arms, and limbs of a small firm" (Mitra, 2019), this perspective might downplay the significance of context-specific knowledge. The research presented in this dissertation seeks to unravel the complex "black box" of relationships between individual-level variables, external contingencies, and organizational outcomes. Despite the extensive efforts to decode what drives superior business performance, it is possible that some elements of this "black box" have not been fully addressed. For instance, while the IBV traditional formal and informal institutional elements were integrated into the theoretical framework and empirically tested in the dissertations, the role of other critical external contingencies was left with more modest attention. In particular, incorporating competitive dynamics and technological development into the theoretical model of the dissertation would have allowed a more balanced approach to studying contingency effects. The level of technological development through a firm's innovation capability is shown to make a difference in performance in earlier studies (e.g., Pittino et al., 2013). Even though the role of formal and informal institutions has been emphasized in studying competitive dynamics (Fernández & Usero, 2010) and the role of competition and technological dynamics were discussed in empirical results (e.g., Studies I, III, and IV) considering the interplay between entrepreneurship and context is highly important (Ben-Hafaïedh et al., 2023; Berg & Mitra, 2022). Thus, adding other external contingencies to the range of studied external determinants of business growth could improve research coherence and enhance our grasp of the field's situational nuances (Champenois et al., 2020). By building on existing theoretical frameworks, future studies should explore under-researched areas such as rural entrepreneurship, technology-driven ventures, and minority entrepreneurship in various geographical contexts. Additionally, comparative international studies could be particularly insightful when addressing the misconception about growth barriers among SMEs about their size (Karlsson, 2021).

Finally, the dissertation heavily depends on the synthesis of knowledge used in the literature review and meta-analysis studies. With a high degree of fragmentation in entrepreneurship, knowledge accumulation is essential for advancing the field, as it allows scholars to build upon existing research and tackle significant challenges (Chrisman et al., 2022). Thus, it should be prioritized alongside knowledge creation (ibid.). Yet, one may wonder how likely it is to tackle the problem of earlier studies focusing on "how much" and "how many" aspects of growth by synthesizing this literature. Although effective knowledge compilation is an essential basis for future implications to theoretical development (Combs et al., 2021), entrepreneurship researchers can do several things to improve knowledge accumulation in the field in tackling entrepreneurial challenges. Within the context of secondary data analysis, future studies could address the "why" and "how" questions of business performance by employing constructive replication, modifying elements of existing studies

while preserving core research questions and integrating diverse empirical methods like meta-analyses, qualitative syntheses, and historiometric analyses to understand better and reshape the traditional approach to business growth research (Chrisman et al., 2022).

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