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**Title:** Motivation behind alternative growth modes in SMEs : a systematic literature review

**Year:** 2023

**Version:** Accepted version (Final draft)

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**Please cite the original version:**

Hakola, D., & Sarna, B. (2023). Motivation behind alternative growth modes in SMEs : a systematic literature review. In M. Xheneti, S. Costa, J. Heinonen, & A. Kurczewska (Eds.), Contextual Embeddedness of Entrepreneurship (pp. 107-127). Edward Elgar.  
<https://doi.org/10.4337/9781035320684.00015>

**Cite as:** Hakola, D., & Sarna, B. (2023). Motivation behind alternative growth modes in SMEs: a systematic literature review. In M. Xheneti, S. Costa, J. Heinonen, & A. Kurczewska (Eds.), *Contextual Embeddedness of Entrepreneurship: Frontiers in European Entrepreneurship Research* (pp. 107-136). *Edward Elgar Publishing*. <http://dx.doi.org/10.4337/9781035320684>

## Motivation behind alternative growth modes in SMEs: a systematic literature review

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### INTRODUCTION

Firm growth is an inevitable assumption of entrepreneurship (Gundry and Welsch 2001), which can be understood better if more attention is paid to how companies grow (McKelvie and Wiklund 2010). Researchers experienced difficulties because of growth uncertainty (Wright and Stigliani 2013), an over-simplistic treatment of growth (Davidsson and Wiklund 2000) and a lack of distinction between growth modes under the assumption that all firms grow similarly (Gilbert et al. 2006). As a result, the question of how firms grow is overlooked in the current literature (Achtenhagen et al. 2017). This is a significant shortcoming, because a growth mode defines a firm's adaptability to changing environments (Carsrud and Brännback 2011), and its performance and operations (Davidsson et al. 2010).

The question of growth modes has intrigued researchers. Organic growth (OG) is commonly distinguished from acquisitive growth (AG). Growing a firm organically means developing and utilizing resources and capabilities, and internally produced R&D and innovation (Agnihotri 2014). AG, on the contrary, implies one firm buying out another firm to gain resources (Agnihotri 2014), whereas control holding can be equally distributed or held by one party (Hemvichitr 2018; Öberg 2012). While acquisitions are competitive and based on market prices, alliances are a less risky form of cooperation (Dyer et al. 2014). Contractual cooperation with external actors while preserving ownership rights and asset control is

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referred to as hybrid growth, or growth by partnerships (McKelvie and Wiklund 2010). It implies growing through franchising, licensing, and strategic alliances or joint ventures (Agnihotri 2014; Zou et al. 2010).

McKelvie and Wiklund (2010) differentiated major growth modes, whereas Moatti et al. (2015) parsed the effects of modes on corporate performance. Pasanen (2007) compared companies growing organically to those growing acquisitively. Yet firms choose modes depending on their own capabilities, making it unlikely that companies follow the same growth mode forever (Achtenhagen et al. 2017; Capron and Mitchell 2010). Despite these earlier studies on growth modes, there are gaps in the research which limit the knowledge about why firms grow the way they do (Davidsson et al. 2010; Delmar et al. 2003).

The first gap in the literature is a lack of knowledge about antecedents of alternative growth mode decisions (Ego 2022). Certain questions about growth modes were undervalued (Clarysse et al. 2011) and we know little about contextual effects on growth mode selection (Wright and Stigliani 2013). Second, the existing assumptions about growth modes come primarily from studies on large-scale enterprises (LSE) (Alemayehu and Van Vuuren 2017; Elango 2005). Even though small and medium-sized enterprises (SME) have different motives when choosing how to grow than do LSEs, there is a research preference to study large companies in the context of acquisitive and hybrid growth (Van Gils and Zwart 2009; Weitzel and McCarthy 2011). Although a recent study by Ego (2022) attempted to tackle the first shortcoming, it has not addressed the context of SMEs. The lack of knowledge about antecedents of growth mode decisions in SMEs remains unsolved.

The aim of this study is to answer the call to further understand small firm growth (Amankwah-Amoah et al. 2022; Reynolds and Teerikangas 2016). The study's motivation comes from the knowledge fragmentation about the context of SMEs: believing that mainly LSEs grow externally proved to be incorrect (Reynolds and Teerikangas 2016; Weitzel and McCarthy 2011), and what we know from the literature about M&As is built mainly on samples of LSEs. Because companies of different sizes operate differently (Haleblian et al. 2009), we explore the literature on the topic of SME growth modes to understand why smaller firms select certain strategies. To do so, we aim to answer the following research question: what are the antecedents of growth mode selection in SMEs? Because SMEs grow in a non-linear, episodic way, they engage in a variety of modes beyond simply AG and OG (Achtenhagen et al. 2017). We therefore differentiate among theoretically and empirically established growth modes: organic, acquisitive and hybrid.

This systematic literature review offers two important contributions. First, it overcomes limitations from previous studies focusing on single growth modes (Haleblian et al. 2009; Xie et al. 2017) by synthesizing insights about three growth modes (organic, acquisitive, and hybrid) specifically in SMEs. This knowledge is closer to the realities faced by entrepreneurs and managers in SMEs and offers a more coherent understanding of small firm growth. Second, this review suggests several paths for the further development of related empirical and theoretical research.

## METHODOLOGY

Growth in SMEs is a complex process, because small firms grow in unique, unpredictable ways (Harbermann and Schuilte 2017). Researchers can thus benefit from using in-depth qualitative methodological techniques. A systematic literature review has less reliance on individual judgement, higher comprehensiveness (Sutton et al. 2019), and is excellent for answering ‘why’ questions (Mallett et al. 2019). We adopt Denyer and Transfield’s (2009) approach to eliminating subjectivity in data collection and ensuring the robustness of the analysis by setting clear research objectives.

To obtain a rigorous sample, we performed data collection in several steps. First, we searched for keywords in the Scopus and Web of Science databases with the root term ‘firm growth’. For keywords search, we focused on entrepreneurship academic journals with a strong impact factor.<sup>i</sup> Second, we applied search strings in the Scopus database. We cross-checked with EBSCO Host Business Premier and Web of Science databases to avoid missing relevant studies. We included only empirical studies to determine ex-ante antecedents of growth mode decisions (Ego 2022). To ensure sample quality, we included only articles from peer-reviewed academic journals. In line with earlier studies (Newbert 2007; Zahoor et al. 2020), each author performed abstract screening of the initial duplicate-free batch of 1,990 articles to ensure the match between the review’s topic and the sample. Because of research inconsistency until the 1980s, we followed the example of earlier reviews and found this lower boundary reasonable (Ego 2022; Slangen and Hennart 2007). We focused on SMEs by filtering for company size. We included studies about SMEs and certain empirical studies that included companies of different sizes.<sup>ii</sup> The latter were included only if the authors clearly addressed the context of firm size. This was done because the effect of firm size is frequently studied in comparative samples. However, we included only those findings relevant to SMEs. We screened out working and conference papers, retracted papers, and book chapters.

Finally, we performed a cross-reference search for relevant studies which corresponded to previous screening criteria. Table 1 shows the data search process, which yielded a final sample of 72 studies.

<INSERT TABLE 1 ABOUT HERE>

To improve analysis accuracy, reliability and fit between data and theory, we systematically detected patterns in the data (Eisenhardt 1989). We constructed data patterns by process coding, where codes emerged from the data (Saldaña 2011). Following the steps described in Saldaña (2011), we performed our analysis with Atlas.ti 22 software, where relevant pieces of content were assigned codes. Variation in coding is possible due to the differences between researchers (Saldaña 2011), so coding consistency was confirmed by additional code screening from the sub-sample by a co-author.

By constructing clusters from data-emergent codes, our analysis yielded three major groups of antecedents of growth mode decisions in SMEs: internal, external, and decision specific. Even though we structured the findings based on the data, it is recommended to have a scheme to distinguish differences and similarities among the data (Ginsberg and Venkatraman 1985). To visualize our results, we adopted the framework of growth mode selection applied by Ego (2022). However, because we specifically focused on SMEs instead of mixing companies of all sizes together, our framework of mode antecedents is not the same. We elaborate on the importance of firm structure, entrepreneur, and growth imitation as additional motivations for certain growth modes in SMEs. These antecedents are also known as facilitating factors of growth in small firms (Davidsson et al. 2010). Furthermore, certain factors from macroenvironmental and decision-specific antecedents proposed in earlier studies did not find support in our data. The difference between our integrative framework and the one used earlier once again demonstrates that the context of LSEs is not applicable to studying SMEs (Benning and Flatten 2020).

## FINDINGS AND INTERPRETATION

### **Overview of Findings**

As expected, our systematic review confirmed that knowledge about firm growth, in particular small firms, is fragmented. There is a noticeable difference in how much attention is paid to growth modes in SMEs, because over 60 per cent of the collected articles were

excluded after applying the company size filter. Similar fragmentation is evident in growth modes. The majority of publications (68 per cent) with a focus on single modes studied M&As, while OG (16 per cent) and hybrid (16 per cent) modes were addressed less frequently. There is also an uneven frequency of studying antecedents of growth modes. We document antecedents and growth modes discussed in the literature in the sample overview (see Appendix Table 2).

By taking a closer look at the sample, we see that research output about the topic is unevenly distributed: most of the included studies were published between the years 2009 and 2019. Additionally, the collected studies are scattered across various sectors and countries. Cross-industry studies are dominant in the sample (52 per cent), others focused solely on technology and manufacturing (28 per cent), and the remaining studies (20 per cent) focused on other sectors, such as export, knowledge, winery, and crafts. Most studies are from European countries (42 per cent, mostly carried out in Sweden). Others are from the United States of America (11 per cent), the United Kingdom (7 per cent), China (7 per cent), India (5 per cent).

The antecedents of growth modes received unbalanced attention in the studied literature. The most frequently researched antecedents are firm strategy (67 per cent), resources (38 per cent), and structure (24 per cent). Related literature about SMEs paid the least attention to sociocultural factors (2 per cent) and non-entrepreneur members of companies (1 per cent). We present the major motivations behind the selection of growth mode in SMEs in the integrative framework in Table 3.

<INSERT TABLE 3 ABOUT HERE>

### **Antecedents of organic growth mode selection in SMEs**

According to the literature, SMEs mainly pursue OG due to internal and decision-specific reasons. As illustrated in the framework, the key antecedents of OG are organizational resources, a growth goal to control resources, the entrepreneur, and specific strategic goals.

Our results suggest that resources are the most important reason why SMEs grow organically. In the sample, we distinguished financial, knowledge-based, and experience-based resources. It is common to measure financial resources by organizational assets and cash flow (Blanco-Mazagatos et al. 2007). We find that firms meeting business requirements

to maintain profitability by their own means are less likely to consider alternative modes (Brush et al. 2009; Faeroevik and Maehle 2022). Moreover, OG is considered less expensive than M&As and hybrid growth, and so surviving companies may focus their resources on it (Becchetti and Trovato 2002; Knight 2004). In addition to the financial side, knowledge- and experience-based resources (Klier et al. 2017) are crucial for OG in SMEs. Companies feel confident to grow without outside help when they have strong knowledge-related advantages, including managerial expertise (Alemayehu and Van Vuuren 2017; Clarysse et al. 2011; Pattinson 2019), technological know-how (Achtenhagen et al. 2017; Clarysse et al. 2011), and a competitive product (Keogh and Evans 1998; Warren and Fuller 2009; Zou et al. 2010). It finds support in the transaction cost economy perspective (Williamson 1985: 52–6) where firms with high asset specificity grow organically (Clarysse et al. 2011; Nakos and Brouthers 2002; Pattinson 2019). When a key product is very specific, there are fewer potential targets to merge or align with (Achtenhagen et al. 2017). Finally, companies with strong experience-related resources prefer OG. Examples are SMEs with strong domestic and international market experiences as well as marketing capabilities (Achtenhagen et al. 2017; Zou et al. 2010).

The selection of a growth approach depends on a firm's growth-related objectives (Shepherd and Wiklund 2009). The growth-related goal is the second most frequent antecedent of OG in our sample. The growth goal motivation is specific: SMEs consider the ability to control performance and resource allocation to be the main growth goal, and thus prefer OG. This decision-specific antecedent is often triggered by a company's avoidance of competitive rivalry and opportunistic behaviour, which is especially relevant for SMEs with technological advances at hand (Brush et al. 2009; Scott-Kennel and Akoorie 2004). In addition, companies with specific target customers and restrictions applied to resources avoid M&As and collaborations so as to preserve control over internally generated advantages (Achtenhagen et al. 2013; Nason et al. 2019; Weisbord 1994).

The third most important reason SMEs grow internally is the entrepreneur. The importance of the entrepreneur for OG has roots in the theory of planned behaviour (Ajzen 1991). Based on the theory, an entrepreneur's intention and subsequently invested effort into an action is higher if the action is perceived positively and the entrepreneur has behavioural control over the situation (Ajzen 1991). Thus, an entrepreneur's motivation, abilities, and other characteristics influence the growth strategy followed in the firm (Benning and Flatten 2020; Wiklund and Shepherd 2003). This is consistent with our findings. Entrepreneurs with motivation for growth find their firms growing internally, and sometimes even becoming

high-growing firms (Andersson 2003; Barba Navaretti et al. 2022). Additionally, an entrepreneur's prior OG experience, education, and age trigger selection of this mode. More educated and experienced entrepreneurs explore and exploit internal growth opportunities more successfully than others do (Wiklund and Shepherd 2003) just as SMEs with younger entrepreneurs grow at a faster rate (Barba Navaretti et al. 2022).

Similar to the earlier factors, the fourth most frequent antecedent is also an internal factor: organizational strategy. Research on business strategies varies. Some focus on innovativeness and growth (Datta et al. 2009), others discuss strategies such as customer-led and market-oriented approaches (Slater and Narver 1999), and 'first-mover' versus 'follower' business strategies (Cleff and Rennings 2012). Our findings show that SMEs grow internally if their strategy is to develop their own new products even if it threatens their profitability (Barba Navaretti et al. 2022; Geuvers 2016). This strategy is applied to both international and domestic types of geographic expansion (Alemayehu and Van Vuuren 2017; Navarro et al. 2012). It is also interesting that some SMEs grow organically simply to survive. In this case, their strategy is to survive tight competition rather than gain competitive advantage or become more profitable (Velasco and Montoya 2020).

### **Antecedents of M&A growth mode selection in SMEs**

To present the major antecedents for AG selection in the framework, we focus on the most frequently discussed factors: firm strategies for diversification and internalization, organizational structure, microenvironment, and decision-specific goals to boost own growth and reduce risks.

In contrast to OG, expansion through M&As is heavily driven by organizational strategy. Based on the results, product diversification and internalization are the major strategic reasons for SMEs to do M&As. They pursue AG to diversify own product portfolio or product-related processes (Achtenhagen et al. 2013; McCann 1991; Reynolds and Teerikangas 2016; Soni et al. 2019) and reach new markets (Knoerich 2010; Öberg 2012). However, an SME's own level of product diversification moderates the relationship between organizational strategy and choice of a mode: firms with a diversified product portfolio do more M&As than do those with a specific product offering (Amit et al. 1989; Nakos and Brouthers 2002). This is in line with earlier findings where we concluded that SMEs with high asset specificity avoid alliances to preserve an existing product. Similar to product diversification, companies follow AG for geographical diversification. Especially companies



with small home markets perform M&As to enter international markets (Andersson 2003; Keogh and Evans 1998). Increasing the level of innovativeness by M&As is another popular reason for AG (Clarysse et al. 2011). It is not surprising that M&A is ‘a fundamental evolution’ for innovative SMEs (Bonardo et al. 2010). Finally, SMEs aim to purchase managerial know-how (Clarysse et al. 2011; Reynolds and Teerikangas 2016). Gaining managerial expertise as a motivation for M&As finds support in the evolutionary perspective on firm growth (Penrose 2009). A firm’s OG, based on the managerial ability to utilize physical and human resources, is limited to a degree by available managers and their capabilities. Firms therefore start growing through M&As once they encounter the limitations of their own personnel (Lockett et al. 2011).

Another antecedent of AG is organizational structure, including firm age, size, and legal form. We conclude that not only older SMEs acquire other companies more often than younger ones do (Delmar et al. 2003; Pasanen 2007; Zou et al. 2010), but also that their acquisitions are more successful for internalization purposes (Naldi and Davidsson 2014). Older firms also exit through mergers more frequently, as they possess valuable assets after years of existence (Coad and Kato 2021; Lee and Lee 2015). Empirical evidence regarding organizational size is somewhat inconclusive. Some claim that larger SMEs choose M&As over OG to diversify their products (Sánchez-Peinado and Menguzzato-Boulard 2009), especially when their own product portfolio is not too specific (Lockett et al. 2011). These findings are relevant to Jensen’s explanation of a free-cash flow motive (Jensen 1986). Because larger and older firms are supposed to have more cash at hand than smaller and younger units do, they are willing to invest excessive financial resources to grow via M&As rather than internally (Alemayehu and Van Vuuren 2017; Amankwah-Amoah et al. 2022; Hussinger 2010). Some, however, show that the likelihood of AG is not affected by organizational size (Moatti 2009). Finally, organizational form as an antecedent for AG received some attention in the literature. The findings suggest that SMEs with a high level of experience in cross-border M&As on their boards (Yang 2015) and transitioning to become public organizations (Rios 2021) or those that are already public (Adhikari et al. 2018; Bonardo et al. 2010) value AG much more than OG.

Our findings show that another visible difference between OG and AG antecedents is that the latter is somewhat determined by external factors, in particular an SME’s microenvironment, such as industry and competitors. As an illustration, SMEs grow through M&As especially when operating in low-tech industries (Cefis and Marsili 2011; Delmar et al. 2003). It is so because firms operating in high-tech industries innovate simply because of

industry dynamism in order to survive, while SMEs in low-tech industries gain strong competitive advantages by purchasing innovation and technological know-how (Cefis and Marsili 2011). The uncertainty of dynamic industries as an antecedent of AG in SMEs has been previously explained to trigger the purchase of innovative technological solutions (Clarysse et al. 2011) and save firms from future unpredictability (Reynolds and Teerikangas 2016).

In addition to the effect of industry, SMEs are influenced by competition in two ways. First, a competitive business environment pushes SMEs towards M&As. In response to intense competition, SMEs perform M&As to establish global presence (Reynolds and Teerikangas 2016), win competition for a certain customer group (Sharkley 2006), and increase overall performance in comparison to others (Agnihotri 2014; Hussinger 2010). Second, there is considerable evidence of another competitor behaviour effect, in particular parallel M&A or simply imitation. In other words, SMEs pursue AG for no better reason than because others do so. Yang and Hyland (2006) and Moatti (2009) show that SMEs carry out M&As more if their competitors have done so to retain their place in the market. However, it goes beyond imitation of a competitor's behaviour. SMEs carry out M&As in response to increased M&A activity by their suppliers and major customers in order to maintain volume and speed in providing services to them (Achtenhagen et al. 2017; Öberg and Holtström 2006). This is in line with the findings in Moschieri and Campa (2009) about the increased probability of AG caused by an overall increase in M&A activity on national and international levels.

The final major antecedent of selecting AG in SMEs are growth goals. In contrast to the OG motive, SMEs pursue external growth for three reasons: to increase growth volume, speed up the growth process, and reduce risks. The motivation to grow more through M&As is especially relevant to SMEs from emerging markets (Knoerich 2010), growth-oriented innovative firms (Cotei and Farhat 2018; Pasanen 2007), and firms with growth as a key strategic goal (Mawson and Brown 2017; Nakos and Brouthers 2002). Our data show that SMEs not only want to grow, but they want to do it fast. SMEs thus look for M&A opportunities to rapidly increase their domestic (Pattinson 2019; Weisbord 1994) and international presence (Achtenhagen et al. 2017). Finally, AG is seen as a suitable option for companies to reduce risks related to the unpredictability of growth. Companies operating in a single business face more risks related to customer retention and operational development when growing by their own means, meaning they prefer to grow through M&As (Pasanen 2007; Sánchez-Peinado and Menguzzato-Boulard 2009). Furthermore, firms select AG to

reduce the high contractual risks of a target country when expanding their presence abroad (Nakos and Brouthers 2002).

### **Antecedents of hybrid growth mode selection in SMEs**

According to the studied sample, the major antecedents of hybrid growth in SMEs derive from internal factors (organizational strategy and resources), external factors (macroenvironment), and decision-specific factors (interfirm connections). Having both strategy and resources as its main antecedents supports the idea of a hybrid mode as being somewhere between internal and external growth strategies (Reddy et al. 2016).

Similarly to growth by M&A, the hybrid growth mode is heavily justified by organizational strategic choices. There is considerable evidence that SMEs form alliances when their strategy is internalization (Achtenhagen et al. 2013; Lin et al. 2020), diversification (Naldi and Davidsson 2014; Sánchez-Peinado and Menguzzato-Boulard 2009), or the acquisition of know-how (Poblete et al. 2022; Scott-Kennel and Akoorie 2004). Similar to AG, hybrid growth is motivated by both product and geographic diversification, and the acquirement of know-how strategy includes technology and managerial expertise.

A lack of financial resources is supported in the literature as a reason for SMEs to select hybrid growth mode over M&As (Achtenhagen et al. 2017). The empirical evidence regarding resources is rather conclusive: the low availability of financial resources makes firms form alliances rather than M&As. Several studies refer to this preference due to a shortage of financial means (Achtenhagen et al. 2017; Alemayehu and Van Vuuren 2017). Meanwhile, excessive financial resources combined with strong networking capabilities give SMEs the freedom to select the hybrid mode over OG (Amankwah-Amoah et al. 2022).

Earlier mentioned networking resources play an important role in triggering SMEs to form alliances. Having interfirm connections with others, or simply a partner, is acknowledged as one of the major reasons to pursue hybrid growth. While some researchers show the importance of interfirm connections in general (Child et al. 2022; Zou et al. 2010), others estimate the importance of contextual-related factors such as partner type, size, and location (Van Gils and Zwart 2009). Our review also reveals the importance of trust towards interfirm partnerships as an antecedent of hybrid growth in SMEs. A belief in a partner's trustworthiness and an emotional connection facilitate forming an alliance for SMEs (Liao and Long 2019).

Another stream of research accounts for the influence of macroenvironment on the choice of hybrid mode. The influence of legal, economic, and political effects has received attention before, yet has a modest presence in the sample. Factors related to a target country to which a company is planning to expand partly determine growth-related strategic choices (Ego 2022). In the collected studies, there are several characteristics of a target country which explain the hybrid growth in SMEs. A suitable level of regulations and entry barriers facilitate SMEs in penetrating a foreign country by means of a hybrid mode (Bradley and Gannon 2000; Child et al. 2022). This evidence finds support in the global study of Blevins et al. (2016) about the macroenvironmental effects on the organizational choices of market entry modes. In addition to the target country's regulations, distance also matters. While interfirm connections explain a company's wish to ally with a partner-like company from a similar environment, it is preferred to enter a geographically distant market to increase a non-existing or small market presence (Mawson and Brown 2017; Van Gils and Zwart 2009).

## DISCUSSION AND FUTURE RESEARCH DIRECTIONS

In this study we have attempted to answer the question of what the antecedents of growth mode selection are in SMEs. This research is relevant for understanding why smaller companies grow the way they do. Based on our synthesis of the empirical findings, we conclude that SMEs select OG due to internal reasons: resource specificity, objective to control growth process, entrepreneur's characteristics, and product development strategy. Meanwhile, AG is mainly explained by an organizational strategy to differentiate and innovate, firm structure, microenvironmental factors and multiple growth goals. Hybrid growth is chosen due to an SME's specific strategic choices, availability of resources, interfirm connections, and favourable macroenvironmental factors.

This study offers several contributions. First, we address the shortcomings of existing research on small firm growth (Amankwah-Amoah et al. 2022; Wright and Stigliani 2013). Our synthesized response to what stands behind growth mode selection in SMEs gives a more realistic view of the small firm growth process. Second, our systematic review is the first one to present a synthesized understanding of different factors that influence SMEs' decisions regarding their growth strategies. We build upon a recent study by Ego (2022) by specifically focusing our attention on companies of small and medium size. This is important because existing studies do not accurately address the context of SMEs (Alemayehu and Van Vuuren 2017; Moatti 2009). Our findings differ from those in Ego (2022) in the integrative framework of growth mode antecedents. Our focus on SMEs revealed additional important

antecedents, including organizational structure, growth imitation, and the entrepreneur. Additionally, we found no sound presence of research on the importance of market regulations and sociocultural factors in the context of smaller firms and their growth strategies. Our study is therefore a starting point for in-depth research on the growth mode of small firms.

This study has several limitations. First, the sample includes mainly empirical studies, where growth is a performance measurement of SMEs. However, many small companies do not grow and cease existence at early stages (Davidsson et al. 2010). Thus, researchers should explore the impact of different growth modes by including both well-performing and under-performing companies. Second, synthesizing studies about growth is difficult due to differences in time frames, growth indicators, and reliability of growth measures (Delmar et al. 2003). It is difficult to compare a growing company in, for example, the gaming industry with a more conventional manufacturing company. Gaming companies are used to starting big by performing M&As right from the beginning, which eliminates OG, at least during start-up. One way to address this puzzle is to explore the sequence of modes in companies across different industries and study the effects of external factors. This would be an extension of Achtenhagen et al. (2017), who proposed a new classification of growth modes.

A third limitation is the lack of conclusive knowledge about the effect of a firm's lifespan on a growth mode. Where some argue for no effect of a firm's stage on its strategic choice (McCann 1991), others see a potential relationship (Scott-Kennel and Akoorie 2004). Future research may address whether the lifespans of SMEs affect the motives behind growth modes. Similarly, the effects of economic and political environments should be addressed. Although there are macroeconomic studies with LSE samples on the motives of growth strategies, our sample had only 1 per cent of studies on the effect of sociocultural factors and 5 per cent on the effect of government regulations on growth mode selection in SMEs. Future research should answer the call by Pacheco et al. (2010) for studies on the effect of different institutional and economic factors on entrepreneurship.

Fourth, researchers should pay attention to different decision-making entities and their role in the selection of growth modes. Relevant research seems to be missing in the context of SMEs, because only 6 per cent of studies discussing M&As and 3 per cent of studies featuring hybrid growth researched the role of the entrepreneur. Meanwhile, only 4 per cent of the studies addressed the role of other decision-makers. The role of entrepreneurs and other decision-making parties is crucial for small firm growth (Brush et al. 2009; Warren and

Fuller 2009). Further investigation in these directions should respond to the call in Ego (2022).

Finally, one can hardly classify M&As as a homogeneous category because its definition varies across the literature. Penrose (2009: 137) used ‘merger’ for any method of firms’ integration: acquisition, equal cooperation, or firm fortification through industrial restructuring. Others apply the term ‘M&A’ for both mergers and acquisitions, yet often refer to acquisitions only (Haleblian et al. 2009). This means the studies in the sample featuring M&As have not separated mergers from acquisitions. Similarly, despite a tradition of differentiating between domestic and cross-border M&As (Vaara et al. 2005), we have not distinguished between types of M&As. We therefore see a great value in future research that examines the motivations behind mergers and acquisitions in domestic and international settings independently.

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APPENDIX

*Table 1. Steps of the systematic literature search*

<b>Stage 1: keyword search</b>	<b>Search strings: assembled from collected keywords</b>	
Early scope search for keywords with root term [Firm growth]	(SME OR “entrepreneurial firm” OR “small firm” OR “small compan*”) AND (“growth mode”); (SME OR “entrepreneurial firm” OR “small firm” OR “small compan*”) AND (“organic growth”); (SME OR “entrepreneurial firm” OR “small firm” OR “small compan*”) AND (merg* AND acquisi*); (SME OR “entrepreneurial firm” OR “small firm” OR “small compan*”) AND (“acquisi* growth”); (SME OR “entrepreneurial firm” OR “small firm” OR “small compan*”) AND (“merg* growth”); (SME OR “entrepreneurial firm” OR “small firm” OR “small compan*”) AND (“hybrid growth”); (SME OR “entrepreneurial firm” OR “small firm” OR “small compan*”) AND (“firm growth” OR “business growth” OR “company growth” OR “organizat* growth” OR “entrepreneurial growth	
<b>Stage 2: main search</b>	<b>Additional information</b>	<b>Total</b>
Database search with applied search strings	Dates filter: 1980-2022 Language filter: English Field filter: business, management, and accounting	1,990
Title, keyword, and abstract screening	Additional filtering for empirical studies	286
Full studies screening		258
Company size screening		98
Peer-review journal screening		64
Adding articles identified through cross-referencing		72
Total sample size		72

*Table 2. Studies included in the sample, alphabetically ordered*

Author	Year	Publication source	Industry	Country	Discussed antecedent	Discussed growth mode
Achtenhagen et al	2013	Long Range Planning	Diverse	Europe	Firm: performance, strategy; Microenvironment: imitation; Decision-specific: growth goal (control), inter-firm linkages	Organic / M&A
Achtenhagen et al	2017	Long Range Planning	Diverse	Sweden	Firm: resources, experience, strategy; Microenvironment: industry, imitation; Decision-specific: growth goal (speed)	Organic / M&A / Hybrid
Adhikari et al	2018	Review of Quantitative Finance and Accounting	Innovation	US	Firm: strategy, structure; Microenvironment: industry	M&A
Agnihotri	2014	Corporate Communications	Diverse	India	Firm: performance; Microenvironment: competition	Organic / M&A / Hybrid
Aiginger and Tichy	1991	Small Business Economics	Diverse	Austria	Firm: resources, strategy; Microenvironment: industry	M&A
Alemayehu and Van Vuuren	2017	Journal of Small Business and Entrepreneurship	Diverse	Africa	Firm: resources, strategy; Microenvironment: industry	Organic / M&A / Hybrid
Amankwah-Amoah et al	2022	Journal of International Management	Manufacturing	Ghana	Firm: resources, strategy; Macroenvironment: target country	M&A / Hybrid
Amit et al	1989	Contemporary Accounting Research	Diverse	US	Firm: resources	M&A
Andersson	2003	Journal of Small Business and Enterprise Development	ERP	Sweden	Firm: strategy; Decision-maker: entrepreneur; Macroenvironment: global economy	Organic / M&A / Hybrid
Arena and Dewally	2017	Journal of Financial Research	Banking	Global	Firm: experience; Macroenvironment: socio-cultural factors, target country	M&A
Barba Navaretti et al	2022	Small Business Economics	Diverse	Europe	Firm: strategy; Decision-maker: entrepreneur	Organic
Becchetti and Trovato	2002	Small Business Economics	Manufacturing	Italy	Firm: resources	Organic
Benitez et al	2018	MIS Quarterly: Management Information Systems	Technology	Spain	Firm: performance	M&A

Benning and Flatten	2020	International Journal of Globalisation and Small Business	Technology	n/a	Firm: experience; Decision-maker: entrepreneur	M&A
Bonardo et al	2010	The Journal of Technology Transfer	Diverse	Europe	Firm: strategy, structure; Microenvironment: industry	M&A
Bradley and Gannon	2000	Journal of International Marketing	Diverse	Europe	Firm: resources, strategy, structure; Microenvironment: industry; Macroenvironment: target country	Hybrid
Bretherton	2003	Journal of Euromarketing	Winery	Global	Firm: resources, strategy; Decision-specific: inter-firm linkages	Hybrid
Brush et al	2009	Business Horizons	n/a	UK	Decision-specific: growth goal (speed, control)	Organic / Hybrid
Cefis and Marsili	2011	Journal of Evolutionary Economics	Manufacturing	Netherlands	Microenvironment: industry	Organic / M&A / Hybrid
Chen et al	2009	International Journal of Research in Marketing	High Technology	China	Firm: resources	Organic / M&A / Hybrid
Child et al	2022	Journal of International Management	Diverse	Global	Firm: strategy; Macroenvironment: target country; Microenvironment: industry; Decision-specific: inter-firm linkages	Hybrid
Coad and Kato	2020	Small Business Economics	Diverse	Japan	Firm: structure	M&A
Cotei and Farhat	2018	Small Business Economics	Diverse	Global	Firm: resources, strategy, structure; Decision-maker: entrepreneur; Decision-specific: growth goal (volume)	M&A
Clarysse et al	2011	Strategic Entrepreneurship Journal	Technology	Belgium	Firm: resources, experience, strategy; Microenvironment: industry	Organic / M&A
Danzon et al	2007	Managerial and Decision Economics	Biotechnology	Global	Firm: resources, strategy	M&A
Delmar et al	2003	Journal of Business Venturing	Diverse	Sweden	Firm: structure; Microenvironment: industry	Organic / M&A / Hybrid
Elia et al	2021	Long Range Planning	Diverse	Global	Decision-maker: entrepreneur	M&A
Faerovik and Maehle	2022	Journal of Small Business and Entrepreneurship	Diverse	Norway	Firm: resources, strategy, structure	Organic / M&A
Furlan et al	2014	International Journal of Entrepreneurial Behaviour and Research	Manufacturing	Italy	Firm: resources, performance	Organic



Geuvers	2016	International Journal of Entrepreneurship and Small Business	Diverse	Sweden	Firm: resources, strategy; Decision-maker: entrepreneur	Organic
Harbermann and Schuilte	2017	Journal of Small Business Strategy	Crafts	Germany	Firm: strategy; Decision-specific: growth goal (volume)	Organic / M&A
Hussinger	2010	Technovation	Diverse	Germany	Firm: resources, strategy, structure; Microenvironment: competition; Decision-specific: inter-firm linkages	M&A
Irwin et al	2019	Journal of Small Business Strategy	Diverse	US	Firm: resources	M&A
Keogh and Evans	1999	Journal of Small Business and Enterprise Development	Diverse	UK	Firm: resources, performance, strategy	Organic / M&A / Hybrid
Kim and Jin	2017	Journal of Management and Organization	Computer	US	Firm: strategy	M&A / Hybrid
Knight	2004	Strategy & Leadership	n/a	n/a	Firm: resources, experience, strategy; Microenvironment: industry; Decision-specific: growth goal (control)	Organic / M&A / Hybrid
Knoerich	2010	Journal of International Management	Machinery and Equipment	Germany	Firm: resources, performance, strategy; Decision-specific: growth goal (volume), inter-firm linkages	M&A
Lee and Lee	2014	International Entrepreneurship and Management Journal	Diverse	US	Firm: structure	M&A
Liao and Long	2018	Business Strategy and the Environment	Diverse	China	Firm: strategy; Decision-specific: inter-firm linkages	Hybrid
Lin et al	2020	Entrepreneurship and Regional Development	Diverse	China	Firm: strategy; Decision-maker: entrepreneur	M&A / Hybrid
Lockett et al	2011	Journal of Management Studies	Diverse	Sweden	Firm: resources, experience, strategy, structure	Organic / M&A
Malmström and Wincent	2012	International Journal of Entrepreneurship and Innovation Management	Knowledge	Sweden	Firm: experience, strategy; Decision-maker: entrepreneur	M&A / Hybrid
Mawson and Brown	2017	Industry and Innovation	Diverse	UK	Firm: experience, strategy; Macroenvironment: target country; Decision-specific: growth goal (volume), inter-firm linkages	Organic / M&A / Hybrid
McCann	1991	Journal of Business Venturing	Technology	Global	Firm: resources, strategy, structure	Organic / M&A / Hybrid

Moatti	2009	European Management Journal	Retail	Global	Firm: experience; Microenvironment: imitation	M&A / Hybrid
Montoya et al	2020	Journal of Global Business and Technology	Diverse	Sweden	Firm: strategy; Decision-specific: inter-firm linkages	Organic / M&A / Hybrid
Nakos and Brouthers	2002	Entrepreneurship theory and practice	Diverse	Greece	Firm: strategy; Decision-specific: growth goal (volume, risk)	Organic / M&A
Naldi and Davidsson	2014	Journal of Business Venturing	Diverse	Sweden	Firm: strategy, structure	Organic / M&A / Hybrid
Nason et al	2019	Journal of Business Venturing	Diverse	Sweden	Firm: strategy; Decision-specific: growth goal (control)	Organic / Hybrid
Navarro et al	2012	Journal of Management and Organization	Diverse	Spain	Firm: strategy	Organic / M&A / Hybrid
Öberg and Holtström	2006	Journal of Business Research	Diverse	Global	Microenvironment: imitation	M&A
Öberg	2012	European Journal of International Management	Diverse	Global	Firm: strategy	M&A
Pasanen	2007	Journal of Enterprising Culture	Diverse	Finland	Firm: resources, performance, structure; Decision-specific: growth goal (volume, risk)	Organic / M&A
Pattinson	2019	International Journal of Entrepreneurship and Innovation	Nano Technology	England	Firm: resources, performance, strategy; Decision-specific: growth goal (speed, volume)	Organic / M&A
Poblete et al	2022	Long Range Planning	n/a	Sweden	Firm: resources, strategy; Microenvironment: industry	Hybrid
Ponikvar et al	2018	Small Business Economics	Manufacturing and Service	Slovenia	Firm: performance	Organic / M&A / Hybrid
Popli and Sinha	2014	Asia Pacific Journal of Management	Diverse	India	Firm: experience	M&A
Rexhepi and Srhoj	2018	World Review of Entrepreneurship, Management and Sustainable Development	Diverse	Macedonia and Croatia	Firm: strategy	Organic / M&A / Hybrid
Reynolds and Teerikangas	2016	International Business Review	Telecommunication	UK and Finland	Firm: strategy; Microenvironment: industry, competition	M&A
Rios	2021	Strategic Management Journal	Manufacturing	US	Firm: strategy	M&A

Sánchez-Peinado and Menguzzato-Boulard	2009	Industrial Marketing Management	High Technology	China	Firm: experience, strategy, structure; Microenvironment: industry; Decision-specific: growth goal (risk), inter-firm linkages	Organic / M&A / Hybrid
Scott-Kennel and Akoorie	2004	International Journal of Entrepreneurship and Small Business	Knowledge and Technology	New Zealand	Firm: resources, strategy; Microenvironment: industry; Decision-specific: growth goal (volume, control)	Organic / M&A / Hybrid
Sharkey	2006	Organization Development Journal	n/a	n/a	Microenvironment: competition; Decision-specific: growth goal (control)	Organic / M&A
Soni et al	2019	Global Business Review	Information Technology	India	Firm: strategy; Macroenvironment: target country; Decision-specific: growth goal (volume)	M&A
Van Gils and Zwart	2009	International Small Business Journal	Diverse	Belgium and Netherlands	Firm: experience, strategy; Macroenvironment: target country; Decision-specific: inter-firm linkages	Hybrid
Warren and Fuller	2009	International Journal of Enterprise Information Systems	Horticultural	UK	Firm: resources, performance; Decision-maker: non-entrepreneur; Microenvironment: industry; Decision-specific: growth goal (control)	Organic
Weisbord	1994	Journal of Managerial Issues	Law	US	Firm: strategy, structure; Decision-specific: growth goal (speed, control)	Organic / M&A
Weitzel and McCarthy	2011	International Journal of Entrepreneurship and Innovation Management	Diverse	US and Western Europe	Firm: strategy	M&A
Wiklund and Shepherd	2003	Journal of Management Studies	Diverse	Sweden	Decision-maker: entrepreneur; Microenvironment: industry	Organic
Yang	2015	Management Decision	Diverse	Global	Firm: strategy, structure; Macroenvironment: target country	M&A
Yang and Hyland	2006	Journal of Management	Finance	Global	Firm: experience, strategy; Microenvironment: imitation	M&A
Zou et al	2010	Asia Pacific Journal of Management	High Technology	China	Firm: resources, experience, structure; Decision-specific: inter-firm linkages	Organic / M&A / Hybrid

Table 3. Integrative framework: antecedents of growth mode selections in SMEs

Antecedent categorization			Antecedents increasing the likelihood to select internal / external / hybrid growth mode		
			Organic	M&A	Hybrid
Internal factors	Organization	Resources	High financial resources High technological capabilities High resources specificity		Low financial resources (vs. 'M&A') High financial resources & networking capabilities (vs. 'Organic')
		Strategy	Desire to develop own products	Desire for product & market diversification Desire to increase innovativeness Desire to gain technological capabilities	Desire for product & market diversification Desire to gain technological capabilities
		Structure		Longer tenure Larger size Board's experience	
	Decision-making entity	Entrepreneur	Strong motivation Previous 'organic' experience Relevant education		
External factors	Macroenvironment	Target country			Low entry barriers Low level of regulations Environment distance vs. similarity
	Microenvironment	Industry		High industry dynamism High-tech VS. low-tech industries	
		Competition		High 'M&A' activity among competitors High 'M&A' activity among customers and suppliers	
Decision-specific factors	Growth goal		Desire to control performance & resources	Desire to increase growth volume Desire to increase growth speed Desire to reduce risks	
	Inter-firm linkages				Availability of suitable partnerships High trustworthiness of partnerships

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## NOTES

- <sup>i</sup> ABS (2018) chartered journals with level four and three, and with journal impact factor exceeding three in entrepreneurship, are included for keywords search.
- <sup>ii</sup> We refer to SME as a business enterprise employing less than two hundred fifty employees (European Commission 2005)