GROWTH INTENTIONS OF OWNER-MANAGERS OF NEW MICRO-FIRMS

A survey of new micro-firms was conducted to confirm the Shapero-Krueger Model of growth intentions (Krueger et al., 2000): growth intentions depend upon the perceived desirability and perceived feasibility of business growth. In accordance with Chrisman et al. (1998), a firm is considered new if it was founded after 1990 and is assumed to not have reached the mature stage of organizational development. Growth in a firm is defined alternatively as the rate of increase in sales volume or the rate of increase in the number of employees experienced by the firm during its initial years of operation.

There were 115 respondents who completed the questionnaire, which included a short comment to the open-ended question: “Do you have any general comment to make on what it will take to grow your business?” Fifty-one firms had employees (on average, 1.6 full-time and 2.2 part-time), and 64 had no employees. The age of the firm did not explain the presence of employees. Only a minority of firms (39.5%) had sales of $100,000 or greater. On average, the owner-managers of these firms intended to increase their sales by over 30% in 2004, and 20% in 2005 and 2006. They expected to add 1.4 full-time employees (S.D. 2.7) and 0.5 part-time employees (S.D. 1.9) by 2006.

The findings indicate that the Shapero-Krueger model of growth intentions is relevant to new micro-firms in general. However, when comparing new firms with a few employees to new firms with no employees, significant differences emerge. The owner-managers of the former reported higher levels of perceived desirability and feasibility of growth, and their intentions to add employees over a three-year period were guided by both variables. They also indicated a greater concern for the economic and competitive environment. In contrast, the owner-managers of the latter intended to add employees based primarily on the perceived desirability of this growth, and were more concerned with their personal goals.

Business support agencies are well advised to distinguish between these two types of firms (and entrepreneurs) and tailor their services accordingly. For example, the owner-manager of a new firm with a few employees would benefit from readily available information on the economic environment, whereas their counterparts with no employees would be more interested in a review of personal and business goals, and how growth in the firm could enhance their goal attainment. The latter may scan their immediate task environment, but may tend to ignore the wider environment and its opportunities. Self-sufficiency and business growth may be complementary, but the owner-manager may need some assistance in scanning.