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Growth Intentions of Owner-Managers of Young Microfirms

Rolland Lebrasseur
Laurentian University, rlebrasseur@laurentian.ca

Huguette Blanco
Laurentian University, hblanco@laurentian.ca

John L. Dodge
Laurentian University, jdodge@laurentian.ca

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A survey of young microfirms was conducted to investigate their growth intentions. The findings confirm the distinct profiles of four types of firms categorized on the basis of current and future employment: Lifestyler, Entrepreneur, Manager, and Mover. They differ in terms of the owner's perceptions of the desirability and practicality of growing their firm, and with respect to the moderating variables of industry affiliation, business location, and investment level. Research issues and service implications for business support agencies are identified.

Over the past few years, private and public resources have been expended to help entrepreneurs move from the idea stage to the start-up stage and survive their initial years of operation. In contrast, research and practices to help young firms in the initial growth stage has lagged (Chaganti et al. 2002; White 2002). Given the current state of knowledge, a descriptive study of initial growth would be a positive contribution to our understanding of the issues.

The purpose of the study is to identify the characteristics of young firms that are likely to experience growth. The study is guided by a typology of young firms that differentiates them on the basis of current and future levels of employment. Growth intentions are investigated using the Shapero-Krueger Model (Krueger et al. 2000) that focuses on the perceptions of the businessowners in terms of the desirability and practicality of growing their young enterprises, and the impact of moderating variables. The end result is a profile of four types of young firms and a discussion of service implications for the small business support agencies.

Diversity within the Small Business Sector

In Canada, as well as in other industrialized countries, small businesses have replaced large firms as the motor of economic development, hence the interest in improving the survival rate of business start-ups (OECD 2000; Industry Canada 1996). By their very nature, small businesses are well suited to meeting the challenges of a changing economy because they can sustain an innovative and entrepreneurial spirit while remaining agile and adaptive to change (Industry Canada 2002).

Based on surveys executed by Statistics Canada, Industry Canada (2003) reported that microenterprises (0–4 employees) accounted for 19 percent of all businesses. Microenterprises are distributed broadly across both the goods-producing and service-producing sectors of the economy, but are predominant in construction, retail trade, business services, and consumer services.

The number of self-employed persons has grown substantially in the 1980s and 1990s (Industry Canada 2003, Table 10; Stanworth and Stanworth 1995). Of the self-employed people in Canada, 34 percent made use of paid help as either employees or contract staff. This statistic suggests that some of these one-person enterprises are evolving into employee-based enterprises. Self-employed persons are not likely to become paid employees of another firm (Dennis and Solomon 2001), as they have chosen this vocation. However, they are not a homogeneous group, and are driven by motives such as autonomy and independence, creativity, and security and stability (Feldman and Bolino 2000).

Working with small firms with fewer than 500 employees, Rutherford, McMullen, and Oswald (2001) have confirmed that discriminators based on the characteristics of the entrepreneur and of the firm (i.e., firm age) can be used to identify two groups of small businesses. They suggested additional investigation to identify subgroups of small firms. This suggestion, derived from their study of established firms, may be pertinent to the young and developing firms, which may form a distinct group with its own subgroups (e.g., small v. micro, industry). The academic literature typically explains the behavior of the young firms in terms of stage of development [see Ardichvili et al. (1998) for a review of a variety of models]. In contrast, Chrisman et al. (1998) presented a model for new firms anchored in the strategic literature. Chrisman's model is appealing because it covers both internal and external factors that may influence the competitive success of the young enterprise. Also, Chrisman et al. define "new" as less than 10 years in operation, arguing that there are unique circumstances in the first decade of a firm's existence (e.g., establishing core competencies). The cut-off of the first decade is validated by the survival statistics noted in the Industry Canada study (2003), which showed that it takes about 10 years for the microfirms to improve their survival rate to the survival rate of larger firms with 5 to 99 employees. The Industry Canada study also showed that microfirms have a relatively low survival rate in their first year of operations, thus justifying the focus of this study to microfirms 2 to 10 years old.

Growth of Small Businesses

Growth in a firm may be defined alternatively as the rate of increase in sales volume or the rate of increase in the number of employees experienced by the firm. Both measures of growth are considered important, but the addition of employees, especially the initial employees, may be a greater challenge for the young firm. Since small businesses are usually defined in term of employment (see discussion above), growth in this article refers to increasing the employment level of the firm.

The attention of interested observers, such as lending institutions and economic development agencies, has recently been captured by hypergrowth and the "gazelle" (Birch et al. 1999; Rumball 2001). In a recent study of the Canadian economy, Halabisky, Dreessen, and Parsley (2004) confirmed that the "gazelles" are the star contributors to employment growth. However, the authors also stressed that the Canadian economy has reaped substantial benefits from small businesses that experience strong, but not hyper, growth. It can be argued that pacing the growth of the young firm may be a wise decision for owners who need more time to assess the growth opportunities and build the business to exploit these opportunities. However, economic developers view the young firm that limits itself to a one-person operation as a poor investment target. Morrison, Breen, and Ali (2003) argued that, because of limited supply, public resources should be directed to young firms that are likely to create employment. How can we best identify which young microfirms are likely to create employment?

The diverse approaches to explaining firm growth recognize the interdependence of the businessowner and the enterprise created. Cope and Watts (2000, p. 108) argued "that there exists a complex, interactive and mutual relationship between the individual and the organization, where entrepreneurs actively share their learning with their business, both shaping its growth and direction and passively adapting to the changing demands of the enterprise." It follows that in order to study growth of the small firm, personal, business, and industry variables must be addressed simultaneously.

Growth Intentions in Small Business Start-ups

Researchers generally agree that growth in the firm is deliberate, and depends on the owner's mindset composed of his or her business vision, personal motivations, attitudes, and perceptions. The mind becomes focused through entrepreneurial intentions that guide the owner's decisions and actions. Bird (1988, 1992) described this concept as a cognitive tension between the business vision and current conditions. She proposed that the owner's intentions could be a key determinant of organizational success and growth.

Wiklund et al. (1997) concluded that growth intentions were moderately strong predictors of goal-directed behavior (Doll and Ajzen 1992; Kim and Hunter 1993). Kim and Hunter (1993) and Armitage and Conner (2001) have demonstrated through meta-analysis that intentions can successfully predict a wide variety of individual behaviors. With respect to firm performance, Orser et al. (1998) found a significant relationship between the owner's growth willingness (an indication of intention) and actual firm growth over a four-year period. Other researchers have confirmed that growth intentions prove to be better predictors of actual business growth for a distant horizon than for growth in the immediate future (Autio et al. 1997; Krueger et al. 2000; Reitan 1996).

Two similar but competing cognitive theories of intentions are present in the literature. First to appear was the cognitive theory of planned behavior (Ajzen 1980, 1988; Fishbein and Ajzen, 1981), which theorized that actions can be predicted by intentions. Later, Krueger et al. (2000) proposed the competing Shapero-Krueger Model, which links the intentions to exploit an entrepreneurial opportunity to the perceived desirability and perceived feasibility or practicality of the business outcome.[1] On reviewing the empirical evidence of numerous studies, Krueger concluded that both models were validated, but that their model was more robust. For our purposes, the Shapero-Krueger Model has the advantage of focusing on the business decision-maker.

Krueger et al. (2000) have specified the key determinants of perceived desirability and feasibility. First, owner-managers view growth as desirable when the expected outcomes of growth help them meet their personal and business objectives. Thus, expected outcomes are anchored in their motivation for expanding their firm. Second, owner-managers perceive the feasibility of business growth in relation to their self-efficacy; that is, in terms of the business skills they believe they need and have to manage growth. This approach is consistent with the expectancy theory that links work effort and performance to perceptions (Vroom 1964).

The Shapero-Krueger Model describes the cognitive process that leads to growth intentions, but ignores a number of moderating variables that are likely to influence growth intentions, such as resources and opportunities (Wiklund 2001; McKelvie and Chandler 2002), industry structure and business strategy (Chrisman et al. 1998; Minniti 2001). With limited resources in a capital-intensive industry, such as manufacturing, growth intentions are likely to be suppressed. With more resources in an industry requiring a low level of investment, such as consumer services, growth intentions are likely to be enhanced.

Classification of Young Microfirms

Based on his survey findings, Fillis (2002) proposed a classification of owner-managers of craft microenterprises to help explain their likelihood of growth by becoming international in scope. This classification scheme is specific to craft enterprises where the technical/artistic skills of the operators are critical to the success of the enterprise. However, it can be argued that the classification has wide application in that all microenterprises at the early stages of development share this dependence on the skills of the owner-manager. We therefore propose the following adapted categories of owners: Lifestyler, Entrepreneur, Manager, and Mover (see Figure 1).

This classification scheme (Figure 2) includes a firm characteristic (actual employment: no employees v. some employees) and an owner characteristic (intentions to add employees: no v. yes). At this early stage of firm development, the owner-operator and the firm are closely aligned and intertwined. The Lifestyler is the one-person enterprise, the typical consultant who operates alone and sells his or her expertise. The Lifestyler works alone and has no intention of employing others. In contrast, the Entrepreneur currently works alone out of necessity, but plans to have employees in the near future as the young enterprise becomes more established. On the other hand, the Manager has succeeded in having employees, but has no intention of adding any more, being content with the current size of the enterprise. The market Mover also has succeeded in creating employment, and wants to increase the growth momentum by adding more employees. The Mover has a growth-oriented vision of the enterprise.

		Current Employment	
		No Employees	**Some Employees**
Employment Intentions	**No growth in employment**	Lifestyler	Manager
	Growth in employment	Entrepreneur	Mover

Figure 1. Classification of Young Microenterprises

Lifestyler • No employees and no intentions of having any • Concentrates on business services • Low level of sales and investment • Home-based • Desires little growth and sees it as less doable	**Manager** • Employees but no intentions of adding any • Present in all industries • High level of sales and investment • Some leased space • Desires some growth and sees it as moderately doable
Entrepreneur • No employees but intends on having some • Present in all industries • Low level of sales and investment • Some leased space • Desires growth and sees it as doable	**Mover** • Employees and intends on adding more • Concentrates on consumer services • Highest level of sales and investment • Considerable leased or owned space • Desires growth and sees it as very doable

Figure 2. Profile of Four Types of Young Microenterprises

Only the Entrepreneur and Mover are expected to exhibit high growth intentions. However, their situations differ: The Entrepreneur must acquire and manage employees for the first time, whereas the Mover acquires additional employees and begins to operate at a higher level of complexity. Movers are likely to have more resources, and can obtain leverage from their current employees. Adding employees to an existing human resource base requires less adjustment than hiring, developing, and managing employees as a first-time event. This transition from the owner-operated firm to the owner-managed firm challenges the entrepreneur to acquire and exercise a broader range of managerial and operational skills (Mount et al. 1993). In addition, the Shapero-Krueger Model predicts that these higher levels of growth intentions should be accompanied by higher levels of perceived desirability and feasibility of growth.

Research Propositions

The literature review and classification scheme described above lead to four propositions for testing purposes.

Proposition 1 (P1): The four types of young microenterprises (Lifestyler, Entrepreneur, Manager, and Mover) can be differentiated on the basis of personal, business, and industry characteristics.

Proposition 2 (P2): The four types of young microenterprises differ in terms of growth intentions, where the Mover aims for higher employment growth than the Entrepreneur.

Proposition 3 (P3): The four types of young microenterprises differ in that the Entrepreneur and Mover have the highest levels for perceived desirability of growth.

Proposition 4 (P4): The four types of young microenterprises differ in that the Mover has the highest level of perceived feasibility of growth.

In the next section, we introduce a business survey that helps to test these propositions, and assess the validity of the classification scheme for young microenterprises.

Methodology

Sample

A telephone survey took place in the summer of 2003 and was executed by two research assistants who followed a set protocol. A list of 549 young firms was obtained from the economic development agencies of two Canadian cities, Ottawa and Sudbury. The combined sample of these two communities (populations of 750,000 and 150,000, respectively) represents a diverse economic base, including resource-based, retail, government and business services, and high technology industries.

Questionnaire

The questionnaire was divided into two sections: growth intentions and firm characteristics. The key variables were measured on a 0 to 100 scale (Krueger et al. 2000, p. 421–422) as specified in Figure 3.

Perceived desirability: "How desirable is it for you to grow your business?"
(0 Not desirable to 100 Completely desirable)

Perceived feasibility: "How practical is it for you to grow your business?"
(0 Not practical to 100 Completely practical)

Growth intentions in terms of number of employees was tapped by two questions:

- How many employees do you currently have? _____Full-time _____Part-time
- How many employees do you intend to have in three years time, by 2006:
  _____Full-time _____Part-time

Growth intentions in terms of sales was tapped with one question:

- What is the annual growth in sales that you intend to have:
  In 2004 ___% In 2005: ___% In 2006: ___%

Moderating variables of growth intentions: We have included three moderating variables:

1. *Facility:* From where do you operate your business: home v. owned office/retail space v. leased office/retail space
2. *Investment:* How much money have you invested in your business so far, including all personal and external sources?
3. *Industry Type:* What is the main product or service of the business?

Figure 3. Key Variables

Facility and investment were considered indicators of resources dedicated to the business, whereas industry was viewed as the context that determines the specific success factors.

Results

A total of 119 questionnaires were completed. The response rate was 22 percent (119/549). Fifteen of the completed questionnaires were rejected because the firm was either too young (less than 2 years in operation) or too old (11 or more years). Thus, the final count was 104 usable questionnaires of firms 2–10 years of age. All of the respondents were owners or partners and were actively involved in the enterprise.

Given the number of respondents (104) and the total sample size (549), the results have a confidence interval of +/- 8.66 percent at the 95 percent confidence level. Confidence intervals were calculated using The Survey System version 6.01.

The number of employees and the growth intentions in terms of number of employees were calculated on a Full Time Equivalent (FTE) basis. A part-time employee was equivalent to 50 percent of a full-time employee.

Average intended growth in sales was calculated as the average of the intended growth in sales for 2004, 2005, and 2006.

The firms were divided into four industry groupings based on the NAICS two-digit codes: manufacturing, retail, customer services, and business services. Eight firms composed the manufacturing industry grouping (construction and manufacturing), and were omitted only from the industry analysis because there were insufficient cases to allocate across four cells of the firm classification being tested.

Characteristics of Firms

A profile of the sample and the four types of firms is presented in Table 1. These young firms (mean of 4.3 years of age) operated primarily in business and consumer services, and achieved modest annual sales (less than $500,000). Approximately 70 percent of the respondents indicated an investment of less than $50,000 in their home-based business. For firms with employees, the average number of FTEs was 2.7 ranging from 0.5 (one part-time employee) to 14.

When comparing the four types of firms, several significant differences emerged, as measured by the Chi-Square test. The profile of each type of firm highlights these differences. Given the small respondent sample size and the confidence interval of +/- 8.66 percent at the 95 percent level, the differences between the Lifestylers and Movers are reliable, whereas the other comparisons are less so.

Lifestyler. Most of these firms (70%) offered business services, had attained a low level of annual sales (87% reported less than $100,000), and had invested little in the firm (91% indicated less than $50,000). Not surprisingly, 84 percent were home-based businesses.

Manager. While the majority of these firms (57%) offered business services, a large number (43%) operated in consumer services and retail. These firms had a higher level of sales (44% between $100,000 and $499,999), and a higher level of investment (33% indicated $50,000 to $99,999). While most were home-based businesses, 22 percent had leased space.

Entrepreneur. These firms were distributed across industries, but the majority (56%) were in business services. They had achieved a low level of sales (76% had less than $100,000), and most had invested little in the firm (80% indicated less than $50,000). However, 20 percent had leased space.

Mover. Nearly the majority (49%) were in consumer services, had achieved the highest level of sales (71% reported $100,000 or better), and 32 percent had invested over $100,000 in the venture. Thirty-seven percent had leased space, and another 13 percent owned their office or retail space.

Intentions of Growth in Number of FTE[2] Employees by 2006

The Lifestyler firm had no employees, and did not intend on having any in the next three years. In contrast, the Manager firm had a few employees (Mean =1.44 FTE, S.D. = 0.81), but did not intend on expanding its human resources.

The Entrepreneurial firm had no employees, but intended on adding a few over the next three years (Mean = 1.96 FTE, S.D. = 1.46). In the case of the Mover firm, it had employees (Mean = 2.95, S.D. = 2.85), and proposed to add more (Mean = 3.08, S.D. = 2.84).

A T-test indicated that there was no significant evidence that Mover firms were currently larger than Manager firms (n.s.). Similarly, there was no significant support that Mover firms intended more growth in FTEs than Entrepreneurial firms, though the results were in the expected direction (sig. = .074). Thus, P2 is not supported. These results are understandable given the large standard deviations present in the data subsets.

Perceived Desirability and Feasibility of Growth

Table 2 summarizes the ANOVA tests on the growth-related variables. The types of firms were compared on average intended annual sales growth (%) over the next three years. On average, the respondents indicated an intended growth of 25.5 percent. Though the F statistic was not significant ($p = 0.145$), the mean percentages were in the expected order, with Mover and Entrepreneur firms reporting the higher growth goals (33.1% and 29.8%), and the Lifestyler and Manager the lower sales goals (16.8% and 13.0%).

Table 1. Profile of Four Types of New Microenterprises

	Sample	*Lifestyler*	*Manager*	*Entre-preneur*	*Mover*	*Chi-square*	
FTEs (0 = no, 1 = yes)		0	1	0	1		p
Intended Growth in FTE						Value	(2 sided)
0 = no growth, 1 = growth		0	0	1	1		
Number of cases	104	31%	9%	24%	37%		
Average age of business, yrs	4.32	4.66	3.56	4.48	4.11		
Average number of FTEs			1.44		2.95		
Average intended growth in FTEs				1.96	3.08		
Industry grouping[a]							
retail	14%	3%	14%	16%	23%		
business services	51%	70%	57%	56%	29%		
consumer services	35%	27%	29%	28%	49%	12.99	0.043
Sales for past year							
less than $100,000	61%	87%	56%	76%	29%		
$100,000 to $499,999	37%	13%	44%	20%	66%		
$500,000 +	3%	0%	0%	4%	5%	33.7	0.000
Investment							
less than $10,000	28%	44%	44%	32%	8%		
$10,000 to $49,999	42%	47%	22%	48%	39%		
$50,000 to $99,999	16%	6%	33%	16%	21%		
$100,000 +	13%	3%	0%	4%	32%	29.4	0.001
Facility							
home	67%	84%	78%	76%	45%		
owned office/retail space	6%	0%	0%	4%	13%		
leased office/retail space	22%	6%	22%	20%	37%		
other	5%	9%	0%	0%	5%	21.2	0.012

[a] N= 96. Eight firms composed the manufacturing industry grouping (construction and manufacturing), and were omitted from the industry analysis.

As for desirability of growing the business (scale of 0 to 100), there were significant differences among the types of firms (p = 0.000): The Mover and the Entrepreneur indicated higher levels of desirability (87.3 and 72.2) than the Manager and Lifestyler (64.4 and 54.2). Thus, P3 is supported. Similarly, there were significant differences in terms of the practicality of growing the business (p = 0.000): The Mover reported the highest level of readiness to grow (82.5), followed by the Entrepreneur and the Manager (69.6 and 68.9), and finally by the Lifestyler (52.5). Thus, P4 is supported.

Limitations of the Study

This study is based on a convenience sample. As such, it suffers from a number of design weaknesses. The sample is tied to a client mailing list prepared by two economic development corporations and not to a census of the businesses in the two communities. The mailing list contained only the name of the company and the contact person; no information was available that would allow for a comparison between the mailing list and the responding sample. Furthermore, the response rate was relatively low, which

Table 2. ANOVA on Desirability and Practicality of Growing the Business

	Sample	*Lifestyler*	*Manager*	*Entre-preneur*	*Mover*	*ANOVA F*	*p*
	n=104	n=32	n=9	n=25	n=38		
Average intended annual sales growth next 3 yrs, %	25.54	16.77	12.96	29.84	33.09	1.839	0.145
Desirability of growing business							
mean	71.53	54.22	64.44	72.2	87.34	9.914	0.000
standard deviation	28.78	30.35	28.77	26.54	19.22		
Practicality of growing business							
mean	68.99	52.5	68.89	69.6	82.5	8.289	0.000
standard deviation	27.62	29.13	26.14	30.45	15.49		

scale of 0 (not desirable/practical) to 100 (completely desirable/practical)

impacts the reliability of the findings as indicated by the large confidence intervals. Given these inherent weaknesses, the reader is advised to consider cautiously the findings for reflection instead of prediction. Despite these limitations, the study is considered valuable because it focuses on small young enterprises that often elude robust business studies.

As stated above, it was impossible to compare the characteristics of the responding sample (n = 104) to those of the survey sample (n = 549). However, as expected, the responding sample was composed of young firms from a variety of industries, with a range of both sales and investment levels and a variety of business facilities. Though our findings are limited to the responding sample, they remain a valuable guide for agencies that serve a diversified economic base.

Our sample of young firms included only those that approached an economic development agency for services. Therefore, the sample excluded young firms that chose not to contact such an agency. Our findings are useful for these agencies as they attempt to improve the support services they offer to their traditional clients, but less so to their non-traditional clients. Our sample may also have excluded microfirms operating along new business models.

Future research is required to confirm our findings because this study suffers from weaknesses in reliability and validity due to the small convenience sample used and the resulting confidence interval of +/- 8.66 percent at the 95 percent level for the statistics generated. In other words, our findings can be challenged and considered unrepresentative and inaccurate. It is recommended that the research design be expanded to include before–after measures to capture the impact of intentions over time and the entrepreneurial activities that make growth possible. We expect that the entrepreneurial behaviors are varied (Carter et al. 1996) and focused on building the business and dealing with the business environment. The questionnaire would be administered twice, once to measure the initial condition of the firm and the growth intentions, and the second time to record the entrepreneurial behaviors that have taken place and measure the actual growth that has occurred. The study would span one year of business activity—sufficient time for change to happen but not so long that the researcher loses contact with the respondents. Within this time series design, subjects act as their own controls. However, to reduce the risk of extraneous factors influencing the outcomes, the researcher should keep a historical record of significant local events that may have some impact on economic climate and business activity. Finally, a large stratified random sample including all industries would be appropriate and reflect a business census of the city or region targeted.

Discussion

The survey findings support the proposition (P1) that the four types of young microenterprises (Lifestyler, Entrepreneur, Manager, and Mover) can be differentiated on the basis of personal, business, and industry characteristics. From the economic development goal of creating jobs, it would be appropriate to tailor an approach for each type of firm.

The Lifestyler needs no or little assistance because the objective of the Lifestyler is self-employment and nothing more. The Entrepreneur shows desire of growing the business but so far has been unable to create employment. The entrepreneur is committed, but may need assistance to make growth feasible. In contrast, the Manager shows promise only on the basis of business characteristics: the firm has achieved some level of success and has employees. In this case, the main impediment to employment growth is the lack of a business vision including growth. Agency staff could help, but would need to persuade these Managers that their current view of their firm is unduly limiting, and perhaps disadvantageous in a changing business environment.

The Mover is the star in that these firms have successfully grown, and the businessowners intend to expand the workforce. The likelihood of creating more jobs is high. In so far as they concentrate on consumer services, agency staff could advise them on the success factors of this industry sector, and explore exporting possibilities.

Interestingly, although Movers had higher intended average annual sales growth compared to the others, all the firms intended to increase their annual sales by a substantial amount, whether they had employees or not. Obviously, they viewed growth in sales as much easier to accomplish, even with limited resources. The decision to hire an initial employee, or add employees, commits the owner to financial obligations and forces new ways of running the business to ensure a productive workforce, and many were not willing or ready to do that.

Agency staff must rely on their training and experience to guide the businessowners in creating, implementing, and sustaining a growth strategy. However, engaging these small businessowners in a meaningful manner involves practical solutions for the ongoing operation of their business. In other words, a growth vision and strategy must be concrete, and any agency intervention should be based on experiential learning (Deakins and Freel 1998) and user-friendly learning strategies such as those outlined by Dyer and Ross (2004):

1. Encourage more awareness, self-reflection, and self-examination.
2. Involve others in a dialogue and thus act as mentors and coaches.
3. Formalize the process of business planning with learning-oriented computer programs.

Cope and Watts (2000) also recommended the use of mentors who would have a detailed knowledge of both the owners and the businesses, and could create the constructive context for both reflection and action.

For firms with employees, or with intentions of adding employees, the issues of training and delegation of duties become very important. We can assume that the businessowner assesses whether each employee has the requisite skills, and whether the skill gaps require some kind of remedial action (training to upskill or job simplification to downskill). However, only skillful employees create the foundation for delegation and teamwork—hallmarks of the growing firm. The business advisor or mentor can help to raise the level of awareness among businessowners on these issues through an ongoing dialogue.

In a survey of young firms, Ardichvili et al. (1998) reported that accounting was the first function to be delegated and the only area in which outside experts played a significant operational role. Growth in employee numbers was accompanied by increased delegation of a number of functional activities. The greater the number of full-time employees added (1 or less versus 2–8), the higher the level of delegated activities in production and service delivery, including purchasing and computer systems. They recommended structured training for employees in all of these areas at the same time. In the case of rapid growth (9+ employees), sales and marketing-related activities were likely to be delegated to either employees or new managers. While employees would benefit from structured training, new managers can be hired from the outside who come with strong competencies in marketing and sales. This advice appears relevant to the Movers who resemble the sample of young firms in Ardichvili et al. and less relevant to the Entrepreneurs who are having employees for the first time and are likely to retain close involvement in all of the firm's activities. Persuading the Movers that their employees need training on a wide front will meet with resistance on the basis of costs and preference for on-the-job training.

As for business planning, Ardichvili et al. (1998) reported that, irrespective of growth in number of employees, the original management team continued to be closely involved in this "strategic" activity. They recommended executive development focused on strategic decision making and on understanding the competitive and wider environment. This advice appears to hold for the Entrepreneurs, Movers, and Managers; however the latter are likely to have low awareness of such a need and to question the benefits. In any case, delivery of this executive development would have to be low cost and flexible.

Ardichvili et al. (1998) reported that functional delegation appeared to be similar for manufacturing and service firms when annual sales were less than $10 million. In their opinion, their training and development recommendations did not require tailoring to industry-specific contexts. That being said, the owner-managers will want a tailored-service that reflects the young firm's "unique" situation.

Delegation is a multistep process that includes job design, selecting the right person, and implementing the new working relationship. A mentor would be in a position to guide the owner through this complex process that is situated within the particular context of that owner and that business.

Conclusions

In the pursuit of employment growth, business support agencies are well advised to distinguish among the four types of young microfirms so that their assistance and interventions be as effective as possible. To focus resources on the young firms that are likely to experience strong employment growth, the agencies should prioritize as follows:

1. Movers deserve the most attention because both the personal and business characteristics are favorable for employment growth.
2. Entrepreneurs and Managers deserve some attention because either the personal or business characteristics (but not both) are favorable for employment growth
3. Lifestylers do not merit any special effort beyond the standard services because all of the key characteristics oppose employment growth.

Solicitation and assistance would have to be tailored to match the particular context of each type of firm.

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Endnotes

1. The model includes a third variable: propensity to act. The variable is excluded here because Krueger et al. (2000) found that it added little explanatory power.
2. FTE was calculated as number of full-time employees plus 50 percent of the number of part-time employees.

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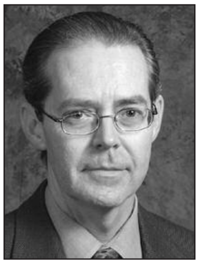
About the Authors



Rolland LeBrasseur (rlebrasseur@laurentian.ca) is a professor of organizational behavior on the Faculty of Commerce and Administration at Laurentian University, and chair of the Small Business Research Group. He is a member of the Editorial Review Board of the *Journal of Small Business & Entrepreneurship.* Dr. LeBrasseur's current interests include survival and failure of business start-ups, initial growth of firms, and intelligent communities.

Huguette Blanco (hblanco@laurentian.ca) is professor of accounting at Laurentian University, Faculty of Commerce and Administration. Dr. Blanco has published and made conference and seminar presentations in the areas of small business management, economic development, and the management of safety.

John L. Dodge (jdodge@laurentian.ca) is a professor of strategic management and e-business within Laurentian University's Faculty of Commerce and Administration and is director of e-business science at the university. His current interests include SME development and technology adoption.