

International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: www.ijarcsms.com

Understanding Entrepreneurship: Growth and its Determinants

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Abstract: Entrepreneurship is varied and diverse kinds of entrepreneurial actions or measure that donate differently to the growth of financial system. On the other hand, growth is a managerial result that is caused by the amalgamation of organization-oriented assets, potential and practices. The growth of entrepreneurship or a particular organization is unsure. Moreover, environmental circumstances for example competition and market strategies always act as barriers in achieving desired goals. Thus it is necessary to observe the determinants of entrepreneurial growth in an innovative manner, and to discover the most significant determinants of organizational growth.

The purpose of this research is to understand and analyze the growth determinants of entrepreneurship. Moreover, this research discovers how entrepreneurship can be associated openly with organizational.

The study vitally reviewed numerous literatures stated by several authors in order to gain understanding in the practicability of the subject. The research design is descriptive and exploratory in nature. This research has utilized organizational-level information which is collected from a questionnaire about growth and determinants of entrepreneurship. In addition, secondary data have been utilized for combining the purposes. The data was edited, organized and tabularized in order to make it valuable and suitable for further research through different statistical methods. At last conclusion were made to corroborate the feasibility of the subject.

I. INTRODUCTION

The subject of entrepreneurship has gained much consideration since a longer period of time. Moreover, its growth is very essential for maintaining success, employment creation and thus in decreasing the level of redundancy. Facts subsists that entrepreneurial action helps the civilization, for instance regarding employment creation or financial development (Carree and Thurik, 2010; Van Praag and Versloot, 2007; Audretsch and Keilbach, 2004).

Growth is a managerial result that is caused by the amalgamation of organization-oriented assets, potential and practices. Moreover, an organization's growth prospects are extremely associated with its existing organizational functions. On the other hand, entrepreneurship is varied and diverse kinds of entrepreneurial actions or measure that donate differently to the growth of financial system (Baumol, 1990). For instance, financial opulence is produced mainly by a small number of premium and high-growth beginners (Shane, 2009; Henrekson and Johansson, 2010).

The purpose of this research is to understand and analyze the growth determinants of entrepreneurship. Moreover, this research discovers how entrepreneurship can be associated openly with organizational.

1.1. Problem Statement

The growth of entrepreneurship or a particular organization is unsure. Moreover, environmental circumstances for example competition and market strategies always act as barriers in achieving desired goals. On the other hand, growth is affected by individual goal of an entrepreneur. For example, not every entrepreneur aspires to grow his/her trade. It was also seen that only

30 percent of corporations in the world try to grow. Though several researches try to connect growth determinants from various viewpoints or aspects and their descriptive influence is little because of the comparatively small amount of variables (Davidsson, Delmar, & Wiklund, 2006). It is thus necessary to observe the determinants of entrepreneurial growth in an innovative manner, and to discover the most significant determinants of organizational growth.

2.1 Aims and Objectives

Specifically, the objectives of this research are:

- To gain deeper understanding on the subject of entrepreneurship
- To analyze the growth determinants of entrepreneurship on global perspective
- To examine the growth motivation factor for entrepreneurs
- To analyze the influence of determinants or aspects on organizational growth

2.2 Significance of the Study

Despite the fact that entrepreneurship is regarding the operations performed by individuals, the perception of growth has frequently been significant at organizational level, industrial, countrywide and provincial levels. Thus, this entails that associating entrepreneurship with growth will be to integrate individual to cumulative levels. Moreover, this connection needs reviving the explanation of entrepreneurship, whereby entrepreneurs notify their enthusiasm and competencies in order to generate new prospects in financial system. To understand the concept better the growth determinants or aspects were tested by the Cronbach-alpha reliability coefficient in the form of conceptual approach and statistical approach. Furthermore, the determinants or aspects considered here are extra finance, financial performance, growth motivation, need for achievement, organization age, preparedness to grow and specific skills.

II. LITERATURE REVIEW

2.1. Introduction

There has been an affluence of understanding on the growth determinants of entrepreneurship over the last ten years. Even though researches bringing out this understanding have somewhat been based on hypothetical grounds, others have been drawn from practical facts. Researchers have also been eager in examining the affect of entrepreneurship compared with its growth which has further caused the blast of wide literature in this area (Van Stel, Carree & Thurik, 2005). The association between entrepreneurship and its growth measured on the basis of performance of the organization has been broadened even ahead of examining the institution to lodge geographic areas.

Therefore, to sum up the determinants from numerous perspectives, these determinants are categorized into 3 categories such as individual determinants, organizational determinants and environmental determinants.

2.2. Individual Determinants

Shane et al (2003) purported that the growth of an organization is to a specific range of decisions that is made by an entrepreneur individually. Moreover, according to earlier researches points that that an entrepreneur's personality traits, growth motivation, individual competencies and personal background are the most essential determinants that determine the growth of an organization (Delmar, 1996; Baum et al., 2001).

2.2.1. Personality traits

The Big Five model is frequently utilized and recognized as a vigorous pointer of a person's personality (Barrick & Mount, 1991; Hurtz & Donovan, 2000). The Big Five factors i.e. Agreeableness, Conscientiousness, Emotional stability, Extraversion and Openness to experience are normally agreed among several personality philosophers as quality (Judge et al, 1999).

Moreover, Nicholson (1998) stated that the Big Five factors also signify the possible personality traits of entrepreneurs. Based on the Big Five model, entrepreneurial personality traits have been further categorized and the below characteristics are extensively acknowledged by previous quantitative and qualitative studies:

- Extraversion
- Locus of control
- Need for achievement
- Risk taking propensity
- Self-efficacy

2.2.2. Growth motivation

According to Delmar (1996), personality traits of entrepreneurs are significant but they might not essentially cause the appropriate growth of an organization. Moreover, personality traits donate more to the growth motivation. Inherent motivation acts as an important function in an entrepreneur's performance which consecutively donates to the definite growth (Delmar, 1996).

2.2.3. Individual competencies

According to Boyatzis (1982), individual competencies can be regarded as the understanding, proficiencies and capabilities that are needed to carry out a particular work.

2.2.4. Personal background

Personal background comprise of wide-ranging facts on a person for example age, gender experience and education. Moreover, Welter (2001) purported that there is a considerable variation between the aspiration to grow among male and female entrepreneurs.

2.3 Organizational Determinants

According to Hakkert & Kemp (2006), organizational growth is an enhancement in particular characteristics for example, employment, earnings and sales of an organization between two points eventually. Organizational growth can be derived from the amount of efficiency and potential with which organization-oriented resources for example human resource, funds and familiarity are obtained, managed and changed into sellable products and services by organizational schedules, actions and framework (Nelson and Winter, 1982; Nickell, Nicolitsas, & Dryden, 1997). Therefore, organizational determinants have more direct effects on organizational growth. There are several determinants of growth regarding this dimension and are as follows:

2.3.1 Organizational attributes

The conventional organizational attributes signify size and age of an organization. According to Audretsch et al. (2004), the growth rate of an organization is based on its preliminary size and there is no divergence between organizations in the possibility of a particular growth rate throughout a particular time period in the similar business.

2.3.2 Organizational strategies

Organizational growth can be focussed on how productively one markets products and services to the consumers. Thus, market orientation can be regarded as an essential determinant of growth (Pelham & Wilson, 1996). Organizations with market orientation are capable of following and responding to the consumer's requirements and choices. Moreover, they are expected to increase their market aptitude and have the capability to organize internal operations to react rapidly and efficiently to

consumers and external shareholders. As a result, market orientation facilitates superior satisfaction of consumers and shareholders which consecutively cause growth (Hult et al, 2003).

2.3.3 Organizational specific resources

According to Wiklund et al (2007), financial resources and human capital are the most significant resources for entrepreneurial growth. Sexton & Bowman-Upton (1991) stated that protecting financial resources may be principally vital in encouraging organizational growth for the reason that financial resources can comparatively simple to be transformed into other kinds of resources. Thus, enough resources, organizations are capable of testing new stuffs, which not only expands their innovation prospective but also facilitates the company to follow new growth prospects (Zahra et al, 2006).

2.4 Environmental Determinants

Accoding to Dess and Beard (1984), the environment fluctuates along with numerous proportions, for example vitality, heterogeneity, aggression and generosity, and this might principally determine the growth prospective of organizations. On the other hand, dynamic environment, either market dynamics or technology dynamics, is considered by the amount of environmental expectedness. Moreover, Wiklund et al (2007) purported that that there are more chances for growth when there are transformations in civilization, political principles, technology and industry.

2.5 Growth Barriers

Although the above mentioned determinants normally assist organizational growth, there are also some aspects that obstruct prospective growth of entrepreneurship. Davidsson and Henreksson (2002) purported that organizations are more expected to tackle entrance barriers and growth barriers in contrast to their large competitors. Frequently recognized barriers for entrepreneurs are financial barriers and institutional barriers (Davidsson and Henreksson, 2002).

III. RESEARCH METHOD

The present research design is descriptive and exploratory in nature. This research has utilized organizational-level information which is collected from a questionnaire about growth and determinants of entrepreneurship. In addition, there are various variables of growth available, for example employment, revenue and earnings. Respondents were selected randomly among entrepreneurs located worldwide. Moreover, the data was collected by distributing questionnaire through email.

Around 1000 global entrepreneurs were requested to provide details regarding their employment, revenue and earnings in the year 2012 and in 2013. Thus, this helped to analyse the comparative growth.

As all the respondents have not provided complete information, some facts were missed out. Thus, the final sample size of respondents consists of 525 entrepreneurs.

A multivariate linear regression model was used to analyse the affect of the determinants mentioned in Table 3.1 (See Appendix) regarding organizational growth:

$$\text{Growth} = \alpha + \beta_1 \text{determinant} + \beta_2 \text{Barrier} + \beta_3 \text{control} + \varepsilon$$

Where Growth signifies variables of comparative growth in employment; determinants contains variables/aspects of person, managerial and environmental determinants; barriers includes variables/aspects of growth barriers; control signifies control variables.

The determinants were calculated on a seven-point Likert scale. Moreover, in order to create aspects from the questions regarding these determinants, Factor Analysis (FA) was used. Furthermore, the reliability was tested with the help of Cronbach-alpha reliability coefficient.

Two kinds of research approaches has been employed in this study, First is conceptual approach which is employed regarding the facts from the literature review that which question(s) of the questionnaire is (are) should be utilized to assess the determinant. Consequently, with the help of factor analysis, the questions were combined into different aspects that connect with the determinants. Moreover, the reliabilities of these aspects were tested by the Cronbach-alpha reliability coefficient. Second approach is statistical approach which was employed the data and the result of the analysis irrespective of its hypothetical foundation. Thus, data was analyzed in an exploratory style. Using exploratory factor analysis, the questions were grouped into aspects only on statistical basis. Thus, a Cronbach-alpha of above 0.6 was used in order to discover the reliability of the aspect.

IV. RESULTS

Bivariate relations were initially analyzed through Pearson bivariate correlations. Moreover, the correlation coefficients among variables are less than 0.5. In addition, scores of variance inflation factor (VIF) were calculated for every regression and vary from 1.14 to 2.6.

Table 4.1 (See Appendix) signifies the results of the analyzed relations using independent variables which are produced the conceptual approach. Moreover, there are 39 determinants and 12 control variables which are integrated in the model. Thus, they describes 22.5 percent of the variation in dependent variable 'comparative growth in employment' ($R^2=0.225$; Adjust $R^2=0.141$).

7 determinants are recognized to have considerable influence on organizational growth. Amongst the individual determinants, particular abilities ($B=17.76$, $p<0.05$) and growth motivation ($B=0.28$, $p<0.01$) are completely helpful to organizational growth whereas need for achievement ($B=-10.34$, $p<0.05$) represents an unconstructive association. Amongst the organizational determinants, preparedness to grow ($B=10.22$, $p<0.05$), financial performance ($B=14.42$, $p<0.001$) and extra finance ($B=15.23$, $p<0.10$) have constructive influence on organizational growth. Organization age ($B=-10.34$, $p<0.05$) donates unconstructively to organizational growth.

There were no considerable determinants discovered between the environmental determinants. The value of R^2 change (ΔR^2) varied among aspects and signifies that organizational determinants describe the most difference of comparative growth in employment ($\Delta R^2=0.098$), subsequently individual determinants ($\Delta R^2=0.057$). On the other hand, environmental determinants describe the smallest amount of difference on employment growth ($\Delta R^2=0.023$).

Results by means of the independent variables from the statistical approach are represented in Table 4.2 (See Appendix). Altogether, 34 determinants and 12 control variables are integrated in the regression analysis. Thus, they describe 21.3 percent of the variation in dependent variable 'comparative growth in employment' ($R^2=0.213$; Adjust $R^2=0.135$).

Amongst the individual determinants, need for achievement, specific skills and growth motivation are again recognized to be important determinants of organizational growth. Need for achievement ($B=-10.37$, $p<0.05$) has an unconstructive influence whereas the remaining, specific skills ($B=17.10$, $p<0.05$) and growth motivation ($B=0.30$, $p<0.01$), has a constructive influence on organizational growth. Among the organizational determinants, organization age again became a negative determinant of organizational growth ($B=-0.37$, $p<0.05$). Preparedness to grow ($B=9.76$, $p<0.10$) and financial performance ($B=15.50$, $p<0.001$) demonstrate a constructive association with organizational growth. Therefore, significant determinants among the environmental determinants were not found. The value of ΔR^2 distinguishes among aspects. Therefore, determinants from organizational aspects describe the most difference of comparative growth in employment ($\Delta R^2=0.086$), subsequently the determinants from individual dimension ($\Delta R^2=0.05$). On the other hand, environmental determinants describe the smallest amount of difference ($\Delta R^2=0.02$).

Evaluating the results of the two approaches, it is concluded that both approaches give more or less alike findings. Table 4.3 (See Appendix) sums up the results from the conceptual and the statistical approach.

V. SUMMARY AND CONCLUSION

The research has examined the growth determinants of entrepreneurship. With regards to the literature review it is concluded that the determinants are categorized into 3 aspects such as personal, organizational and environmental. Thus, this offers a prospect to assess the significance of the 3 aspects and all fundamental factors. Therefore, determinants or aspects such as extra finance, financial performance, growth motivation, need for achievement, organization age, preparedness to grow and specific skills are also considered to be fairly essential for organizational growth.

There are consequently no environmental aspects with a considerable involvement, entailing that environmental aspects has no influence on organizational growth. On the other hand, organizational aspects have the utmost influence on organizational growth.

Further research must be taken in order to pursue this thread of literature more intimately. In addition, more concentration on a comprehensive disaggregation of industries should be made in future research. Further research should also comprise sales growth. Moreover, the present research can be expanded to a longitudinal setup.

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APPENDIX

Table 3.1: Determinants of growth and hypothesized relationship with growth

Category	Determinants from Literature Review	Expected relationship ^(a)
INDIVIDUAL DIMENSION		
Personal traits	Need for achievement	+
	Risk taking propensity	+
	Internal locus of control	+
	External locus of control	-
	Self-efficacy	+
	Extraversion (including Sociability)	+
Motivation	Growth motivation	+
Individual competencies	Managerial skills	0
	Specific skills	+
Personal background	Individual age	-
	Gender	+/-
	Education	+
	Experience	+
ORGANIZATIONAL DIMENSION		
Firm attributes	Firm age	-
	Firm size	-
Organizational structure	Centralization	+
	Decentralization	+
	Formalization	0
	Standardization	0
	Specialisation (task or skills)	+
	Departmentalization	+
Strategies	Market orientation	+
	Entrepreneurial orientation	+
Firm specific resources	Financial capital availability	+
	Human resource development	+
	Finance performance	+
Dynamic capabilities	Organizational learning	+
	Business model (preparedness to grow)	+
ENVIRONMENTAL DIMENSION		
	Market dynamism	+
	Technology dynamism	+
	Heterogeneity	+
	Competitive intensity	-
	Munificence	+
GROWTH BARRIERS		
	Barriers	-

a. All the hypotheses are developed from the literature review; '+' = positive relationship, '-' = negative relationship, '0' = no significant relationship

Table 4.1: Regression results (conceptual approach)

Factors/Variables	Conceptual determinants	
	Coefficient	t-value
Constant	15.62	0.43
INDIVIDUAL DIMENSION		
Need for achievement	-10.53*	-2.41*
Risk taking propensity	-1.14	-0.29
Internal locus of control	2.59	1.12
External locus of control	-1.18	-0.47
Fatalistic	-0.33	-0.12
Sociability	1.48	0.60
Extraversion	-1.52	-0.56
Self efficacy	-5.27	-1.06
Experience	-3.80	-0.91
Specific skills	17.76*	2.09*
Managerial skills	2.47	0.31
Individual age	0.004	0.16
Gender (Male=1)	5.66	0.70
Education	10.35	1.34
Growth motivation	0.28**	2.63**
ORGANIZATIONAL DIMENSION		
Firm age	-0.38*	-2.07*
Firm size	-13.73	-1.61
Centralization	1.12	0.54
Decentralization	0.68	0.29
Standardization	-0.80	-0.39
Formalization	3.23	1.65
Specialisation (tasks)	-0.20	-0.09
Specialisation (skills)	-0.40	-0.20
Departmentalization	0.10	0.03
Market orientation	3.29	0.63
Entrepreneurial orientation	0.52	0.10
Preparedness to growth	10.22*	2.10*
Organizational learning	2.48	0.54
Financial performance	14.42***	3.57***
Extra finance	15.23[†]	1.67[†]
Financial bottleneck	-8.58	-0.78
Human resource development	0.02	0.52
ENVIRONMENTAL DIMENSION		
Competitive intensity	-0.72	-0.17
Market Dynamism	5.30	1.08
Technology turbulence	-0.49	-0.20
Technology stability	-1.33	-0.69
Munificence	2.78	0.58
Heterogeneity	1.07	0.26
GROWTH BARRIERS		
Growth barriers	1.90	0.44
CONTROL VARIABLES		
Merge experience	-7.89	-0.38
Merge plan	8.09	0.74
Division structure	-14.42	-0.52
Hierarchy structure	6.37	0.32
Function structure	-23.11[†]	-1.86[†]
Manufacture	-20.00[†]	-1.73[†]
Construct	-13.54	-0.78
Trade	-13.02	-1.36
Transport&communication	6.45	0.41
New market	24.19[†]	1.81[†]
Grow market	9.16	0.60
Shrink market	10.29	1.21
R^2	0.225	
Adjusted R^2	0.141	

†: P<0.1; *: P<0.05; **: P<0.01; ***: P<0.001

Table 4.2: Regression results (statistical approach)

Factors/Variables	Statistical determinants	
	Coefficient	t-value
Constant	21.34	0.72
INDIVIDUAL DIMENSION		
Need for achievement	-10.37**	-2.43**
Risk taking propensity	-0.77	-0.20
Internal locus of control	2.34	1.01
External locus of control	-1.13	-0.45
Fatalistic	-1.13	-0.41
Self efficacy	-6.40	-1.35
Industrial experience	-4.37	-1.05
Entrepreneurial experience	5.46	0.60
Specific skills	17.10*	2.04*
Managerial skills	3.25	0.41
Individual age	0.003	0.11
Gender (Male=1)	5.47	0.67
Education	9.82	1.29
Growth motivation	0.30**	2.85**
ORGANIZATIONAL DIMENSION		
Firm age	-0.37*	-2.01*
Firm size	-11.48	-1.36
Centralization	0.86	0.42
Decentralization	0.76	0.32
Formalization_S	3.52	0.87
Specialisation (skills)	-0.93	-0.47
Departmentalization	0.29	0.08
Market orientation_S	2.82	0.53
Preparedness to growth_S	9.76[†]	1.81[†]
Learning orientation	0.74	0.17
Financial performance	15.50***	3.86***
Team orientation	4.06	0.96
Human resource development	0.02	0.43
ENVIROMENTAL DIMENSION		
Competitive intensity	-0.80	-0.19
Dynamism & complexity	4.05	0.87
Technology stability	-0.91	-0.49
Munificence	3.51	0.74
GROWTH BARRIERS		
Non-institutional/finance barriers	2.18	0.44
Finance barriers	1.50	0.37
Institution barriers	-0.11	-0.03
CONTROL VARIABLES		
Merge experience	-7.22	-0.35
Merge plan	10.40	0.95
Division structure	-13.45	-0.49
Hierarchy structure	3.08	0.16
Function structure	-21.91[†]	-1.77[†]
Manufacture	-21.35[†]	-1.86[†]
Construct	-12.83	-0.74
Trade	-12.88	-1.37
Transport&communication	7.14	0.45
New market	23.93[†]	1.78[†]
Grow market	9.65	1.14
Shrink market	-7.01	-0.43
R^2	0.213	
Adjusted R^2	0.135	

†: P<0.1; *: P<0.05; **: P<0.01; ***: P<0.001

Table 4.3: Summary of significant determinants of growth

Determinants	Relationship
Need for achievement	-
Specific skills	+
Growth motivation	+
Firm age	-
Financial performance	+
preparedness to growth^b	+
Extra finance ^c	+

a. The determinants are significant with the presented sign in both approaches unless otherwise stated.

b. In the statistical approach the corresponding determinant preparedness to growth is significant as well.

c. Only significant in the conceptual approach.