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FIRM'S GROWTH PROFILES AND CEO'S ATTITUDES: THE MODERATING ROLE OF GROWTH INTENTION ON FIRM'S GROWTH?

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Abstract:

The question of SME growth has been a concern of scholars, managers, practitioners and governments for a long time. The reality of growth appears to be multi-dimensional (Davidsson and Wiklund, 2006) and its determinants and measurements, especially in small businesses, have always presented a significant challenge for researchers. Hindering growth requires a good knowledge of the causes, the effects and the processes of development. Current studies on the firm's growth suggest that it is fundamental to develop integrative and comprehensive approaches of growth. More precisely, research on business growth tend to focus on entrepreneurial orientation, environmental characteristics, firm's resources and manager's personal attitudes towards growth (Wiklund and al., 2009). It also points out a need to study the influence of entrepreneurial decision making and entrepreneurial growth intention on the business growth (Achtenhagen and al., 2010).

This research is an attempt to make some progress in the understanding of the SME's growth by using an integrative model of influences that allows envisaging the simultaneous influences of the firm's growth profiles (the firm's affiliation to one of the growth paths obtained in a statistical typology) and the CEO's behavior on the growth rate (in terms of

variation of sales in 2009-2010). The aim of this research model is then to question the factors or contingency of the SME's growth: factors of inertia or factors of impulse.

After the presentation of our literature review, we present the empirical part of the work. A typology of SMEs growth paths, based on a large sample of firms (17 000), is presented: six groups, composed by firms that have experienced differentiated growth trajectories over a period of eight years, are identified. Then a sizable survey among 427 French SME CEOs is set up to assess qualitatively the strategic orientations of CEOs: their perception of the market growth; their strategic style; their attitudes toward growth; their perception of abilities (self-capabilities) to manage their firm. CEOs growth intentions (at 1 and 3 years) are introduced as moderating variables. Structural equation modeling analyses are conducted.

Results highlight the influence of the various determinants of SME's growth. They confirm the idea that small business managers can choose many different ways to achieve growth and that the goals of growing are interdependent with other strategic objectives (Delmar and Wiklund, 2008). Regarding growth experience, the results underline that, even if growth deserves to be considered as crucial for SMEs, it should not be taken for granted. CEOs' perceptions and attitudes have more influence on SME's growth rate when CEOs have low short or mid-term intention to develop. Besides, the analyses show the interest of a focus on managers' growth intention to study the SMEs growth process (Sadler-Smith and al., 2003; Janssen, 2006; Wiklund and al., 2009). The five selected variables chosen to explain firm growth are relevant. But their relevance depends on the moderating variable "growth intention" that emphasizes the extent to which a manager articulates growth as an objective, as well as its commitment to the execution of an ongoing growth strategy (Barringer and al., 2005) or the entrepreneur's goals or aspirations for its firm growth trajectory (Dutta and Thornhill, 2008). Indeed, CEO's strategic styles have a significant and positive impact on the future growth rate. Finally, CEO's attitudes toward growth have a notable impact only in the short term for CEOs who have a low intention to grow. Regarding CEO's perception of the market growth, it has obviously a significant and important influence of SME's growth rate.

FIRM'S GROWTH PROFILES AND CEO'S ATTITUDES: THE MODERATING ROLE OF GROWTH INTENTION ON FIRM'S GROWTH?

INTRODUCTION

The question of SME growth has been a concern of scholars, managers, practitioners and governments for a long time. Entrepreneurship researchers have pointed out growth as a crucial indicator of venture success (Baum and al., 2001). The economic crisis faced by most European countries since 2008 has revived the debate about the significant contribution of the small enterprises growth to the dynamism of our economies. In France, the new definition of the “intermediary size firms” category, enacted by the Law of Modernization of the Economy (August 2008), is no stranger to this general trend. The implementation of policy measures is designed to promote businesses growth, particularly in fostering the transition of SMEs in the larger size class. By their size and flexibility, intermediary size firms have competitive advantages in conquering niche or innovative markets (Retailleau, 2010). Clearly, growth in SMEs has always been an essential driving force in the process of economic growth and job creation. This explains the number of studies which have been reviewed on the subject of small firm growth (Davidsson and Wiklund, 2006; Shepherd and Wiklund, 2009).

But the reality of growth is complex and the determinants of business growth and its measurements, especially in small businesses, have always presented a significant challenge for researchers. Hindering growth requires a good knowledge of the causes, the effects and the processes of development.

Economic literature (based on economic motivations) and stages of development theories of growth generally assume that growth is a “natural and imperative phenomenon” and that has nothing to do with the entrepreneur's priorities (Greiner, 1972; Churchill and Lewis, 1983). In this approach, each of development stages follows the previous one in an incremental and progressive way (Greiner, 1972; Churchill and Lewis, 1983). Therefore only the development profile counts.

The reality of growth appears rather multi-dimensional (Davidsson and Wiklund, 2006). Current studies on the firm's growth suggest that it is fundamental to develop integrative and comprehensive approaches of growth. More precisely, research on business growth tend to focus on entrepreneurial orientation, environmental characteristics, firm's resources and manager's personal attitudes towards growth (Wiklund and al., 2009). It also

points out a need to study the influence of entrepreneurial decision making and entrepreneurial growth intention on the business growth (Achtenhagen and al., 2010).

This research is an attempt to make some progress in the understanding of the SME's growth by using an integrative approach. Our integrative model of influences allows envisaging the simultaneous influences of the firm's growth profiles (the firm's affiliation to one of the growth paths obtained in a statistical typology) and the CEO's behavior on the growth rate (in terms of variation of sales in 2009-2010). The aim of this research model is then to question the factors or contingency of the SME's growth: factors of inertia or factors of impulse.

The current trend in growth studies considers that other types of research (conceptual, process) and methods (qualitative) are needed (cf. the 2010 special edition of ET&P). Even though our approach is quantitative, it partly answers to these concerns as it takes into account CEOs intentions and perceptions of their environment with a quite important sample. These perceptions can be regarded as qualitative information.

After the presentation of our literature review, we present the empirical part of the work. A typology of SMEs growth paths, based on a large sample of firms, is presented: six groups of firms, which have experienced differentiated growth trajectories over a period of eight years, have been identified. Then a sizable survey among 427 French SME CEOs has been set up to access qualitatively the strategic orientations of CEOs (their perception of the market growth; their strategic objectives; their attitudes toward growth; their abilities (self-capabilities) to manage their firm. And finally, their growth intentions are introduced as moderating variables.

1. SMALL BUSINESSES GROWTH: A LITERATURE REVIEW

1.1.Small businesses growth: a complex and multidimensional phenomenon

Business growth is a complex and multidimensional phenomenon (Birley and Westhead, 1989; Delmar and al., 2003). Studying the SMEs growth therefore implies to deal with a real conceptual complexity. Factors influencing the growth in small firms are numerous and interconnected. Storey (1994) shows that growth is a combination of factors related to three dimensions: (1) the entrepreneur's resources, (2) the firm and (3) the strategy. In each dimension, a great number of components interact with each other. As an example,

prior self-employment is expected to influence ownership, itself having an impact on the external equity.

As a consequence, it would be unreasonable to investigate growth issues without previously defining what growth means (Delmar, 2006). In fact, it appears that there is a gap between what business growth means for practitioners and how it is defined and measured by academic researchers (Achtenhagen and al. 2010). Moreover, the type of formula and indicators used by academic researchers for measuring growth has an impact on the nature of the relationship between independent variables and growth (Weinzimmer and al., 1998; Shepherd and Wiklund, 2009). It is a problem, for at least two reasons. First, we deplore a lack of theoretical progress due to contradictory findings and weaknesses in comparing and accumulating knowledge across studies (Davidsson and al., 2006). Secondly, there are some influences of academic results on policy measures to foster growth, and they could be inadequate with businesses real priorities. Moreover, researchers have commonly adopted growth as a measure of success in entrepreneurial firms, but this variable may not completely reflect a given manager's definition of what constitutes successful efforts (Dutta and Thornhill, 2008). More precisely, firms' managers consider growth as a much more complex phenomenon than scholars do. For example, manager's perceived growth can be translated in terms of increase in the company value compared to its competitors. It can also be formulated as quality management or social climate improvement in the firm. In others words, growth deserves to be analysed as a result of a "*process of development in which an interacting series of internal changes leads to increase in size accompanied by changes in the characteristics of the growing object*" (Penrose, 1959). The reality of growth is complex (Davidsson and Wiklund, 2006). Current studies on the firm's growth suggest that it's fundamental to develop integrative and comprehensive approaches of growth. Wiklund and al. (2009) found little overlap between the different theoretical perspectives developed in the literature on growth, and the final use of a limited number of variables. This is the reason why they include entrepreneurial orientation, environmental characteristics, firm's resources and manager's personal attitudes towards growth. Another crucial challenge for the future study of growth lies in the focus on what happens in practice. More precisely, research on business growth needs to focus on the influence of entrepreneurial decision making and entrepreneurial growth intention on the business growth (Achtenhagen and al., 2010).

1.2. Impact of managerial styles, attitudes and abilities on growth paths

Penrose (1959) showed that managers of growing companies are characterized by specific systems of values, largely oriented towards imagination, long-term vision and naturally in favour of ambitious development projects. Her work has inspired many extensions. In their Upper Echelons Theory, Hambrick and Mason (1984) showed that cognitive characteristics of the management team define both the strategic direction of the firm (product innovation and diversification, terms of internal and external growth, choices of financing), but also its growth and profitability. Following them, many authors use psychological variables related to managers' values, goals and personal satisfaction (Smith and al., 1994; Kilduff and al., 2000). As a consequence, small business managers can choose many different ways to achieve growth and the goal of growing can be interdependent with other strategic objectives (Delmar and Wiklund, 2008). For example, managers may want to expand their firm by acquiring another firm or growing organically; increasing sales while outsourcing the production; expanding sales but not employment. If there is a contradiction between the goal of expanding the firm and the others individuals goals, managers may choose actions that do not completely fulfill the expansion goal. The theory of planned behavior (Ajzen, 1991) provides a recognized explanatory model of behavior and intention. This theory postulates that human behavior, to be effective, must be decided and planned. Ajzen assumes that behavior is determined by intention, defined itself by attitudes, social norms and perceived control of the situation. More precisely, attitudes reflect the manager's judgment - positive or negative - about the desirability of his behavior and its consequences. Social norms concern the considerations about influence and opinion of close people regarding managers' behaviors. Finally, perceived control of the situation refers managers' beliefs on their own ability to conduct actions successfully, *ie* a kind of self-efficacy.

1.3. Role of growth intention on growth trajectory

Even if growth deserves to be considered as crucial for SMEs, it should not be taken for granted. In fact, most firms are born small to stay small (Kolvereid, 1992), because many small business managers are not specially willing to pursue the expansion of their firm (Storey, 1994; Wiklund and al., 2003). The reasons involved by managers are numerous, but generally based on the negative consequences of growth on quality of products and services, managers workload and work tasks, employees well-being, or more economic factors like financial outcomes and impacts on independence toward external stakeholders and

management control (Wiklund and al. 1997; Wiklund and al., 2003). For example, the risk of deterioration of the working atmosphere and the difficulties of monitoring are the main criteria of dissuasion for growth pointed out by Davidsson (1989), while Wiklund and al. (2003) underline recurrent conflicts between managers regarding their growth strategy. However, the authors refute the influence of personal financial goals on managers' behavior towards growth. In the field of entrepreneurship, research conducted on the motivations of entrepreneurs show that the motivation to create a firm meets other requirements related to the environment, such as autonomy, recognition, a sense of belonging and security (Boissin and al. 2008). For these reasons, focus on managers' growth intention is essential in the study of the growth process in SMEs (Sadler-Smith and al., 2003; Janssen, 2006; Delmar and Wiklund, 2008; Wiklund and al., 2009). The variable "growth intention" emphasizes the extent to which a manager articulates growth as an objective, as well as its commitment to the execution of an ongoing growth strategy (Barringer and al., 2005) or the entrepreneur's goals or aspirations for its firm growth trajectory (Dutta and Thornhill, 2008). Hambrick and Mason (1984) have stressed that leaders must necessarily consider the growth of their business as a deliberate choice and priority, if they want to meet the challenge of sustained long-term growth. Wiklund and Shepherd (2003) show that growth intentions are much higher when the growth rate is high. It is not a coincidence that one of the first criteria considered by the authors who have begun to study specifically the phenomenon of high-growth in the SME is the "growth intention", *ie* aspirations of the leader to see its business growing (Davidsson, 1989). Growth is hardly due to chance; indeed, involvement to growth is the starting point not only to access growth, but also to maintain it (Wiklund and al., 1997; Barringer and al. 2005; Wiklund and al., 2009). This impact of the growth intentions is enhanced in the SME context where the interpenetration between managers and their firm explains that strategic decision-making power is frequently concentrated in their hands (Janssen and Wtterwulge, 1998). Determinants related to leadership, and specifically managers' growth intentions, are more likely to have an impact on SMEs growth than for larger businesses. Moreover, growth intentions are non-linear over time, but they evolve as the firm develops (Dutta and Thornhill, 2008). Initial growth intentions are themselves modified or heavily transformed, according to the growth success (earlier performance) and the learning process (feedback from earlier growth processes and performance) that managers implement to meet the development requirements (Delmar and Wiklund, 2008).

That being said, the motivation towards growth is not sufficient to achieve a high level of growth, if it is not accompanied by the abilities of managers to manage growth and to

search and secure resources needed by the development path of the firm. For example, these abilities are linked to the leaders' education and experience, and to the environmental dynamism of the company (Wiklund and Shepherd, 2003). Some authors found that the positive relationship between growth intentions and growth rate is stronger when the level of education and the experience of the manager are high, and when the environment is dynamic (Orser and al. 1998; Wiklund and Shepherd, 2003; Barringer and al., 2005). Therefore, growth intentions are likely to be heterogeneous and deeply influenced by a wide range of individual, organizational and environmental factors. In this research, we believe it is impossible to consider growth intentions independently from other variables which characterize the manager's behavior: What does growth represent for him? Which goals does he look for while its firm is growing? Which abilities does he implement to manage growth?

2. RESEARCH MODEL AND METHODOLOGY

2.1. Data collection and measures

On a methodological point of view, a joint research approach is deliberately implemented. In a first time, a quantitative approach was undertaken to develop a typology of SMEs' growth paths. In a second time, we have conducted a survey, interviewing more than 400 CEOs on their intentions, objectives, attitudes and abilities towards growth.

Approach by clustering: a typology of SMEs' growth paths

More precisely, we conducted a non-hierarchical classification approach with dynamic clustering (SPSS 18.00). This method of classification, which allows using large volumes of data while optimizing the classification criteria, is now widely accepted as analytical method that perfectly suits for the study of complex phenomenon of business growth (Delmar and Davidsson, 1998; Delmar and al., 2003). This cluster analysis was used to classify a large number of businesses into relatively homogeneous groups, according to their profile and growth dynamics, by crossing several multidimensional criteria (Ambroise et al, 2011). The initial sample consists of 17,404 French companies located in the Rhône-Alpes region (France) and created before 2004, whose turnover was more than € 500,000 in 2008. These initial criteria were used to eliminate the very small and start-up firms because we considered them as subject to significant failure rates in their first years of existence. The data

come from the DIANE-NEO database¹ (Van Dijk Editor). The period of study runs from 2000 to 2008. A combination of five discrimination variables of growth's trajectory was chosen. These variables allow us to consider the phenomenon of growth in a multidimensional way: in terms of intensity, volatility, positioning relative to average performance of the industry, recurrence and sustainability of the phenomenon over time (Appendix 1). This first step in our methodology allows capturing a potential heterogeneity in the growth screening. Six groups of firms with differentiated growth trajectories over a period of eight years could be expected to represent a maximum variation regarding their experience with growth, while allowing for the recognition of common patterns within and between groups. Due to its small size, the 6th group is not considered in further analyzes.

The notion of high - and hyper - growth refers to a form of sustained development of the company, characterized by a high growth rate over a period of time, and potentially a great and positive influence on job creation. Since the work of Birch (1979) on "gazelles", the study of the phenomenon has led to a multiplicity of definitions and methods of identification (Mustar, 2002; Almus, 2002; Julien and al., 2003; Barringer and al., 2005; Moreno and Casillas, 2007; Shepherd and Wiklund, 2009; Parker and al., 2010). Such diversity affects variables for measuring growth, which widely vary from researcher to another (Weinzimmer and al., 1998; Delmar, 2006). Commonly used indicators are given in terms of inputs (staff, funds committed), outputs (turnover, profits) or valuation (total assets, market capitalization) (Garnsey and Heffernan, 2005). Nevertheless, the authors often prefer the growth rate of sales at the expense of the growth rate of employment or assets, because these criteria are too dependent on the choice of productive business (use of sub-contracting or external labor) or changes in accounting principles (Delmar and al., 2003; Davidsson and al., 2006; Moreno and Casillas, 2007; Barbero and al., 2011). A diversity of definitions is also observed regarding the mathematical methods of measure. The phenomenon can be calculated in absolute or in relative terms. But the approach in relative terms appears to be more frequent. Similarly, the positioning within the sector (measure of outperformance compared with the average or median development companies in the same sector) should be preferred. Finally, the high or hyper-growth cannot be an instantaneous event. But again, the period of observation of the phenomenon differs across studies, even if the authors agree to consider a period of 3 or 4 successive years of strong growth is symptomatic of a sustained and sustainable development. This diversity of definitions has led, in this quantitative step of

¹ DIANE-NEO compiles financial information that French firms have to publish.

our methodology, to the adoption of a multidimensional definition of hyper-growth: a firm is an hyper-growing firm if the growth rate of its annual turnover is more than 20%, while in the top quartile of the growth rate of turnover of its industry sector (based on the 2-digit French code NAF) and is observed on three or four successive years.

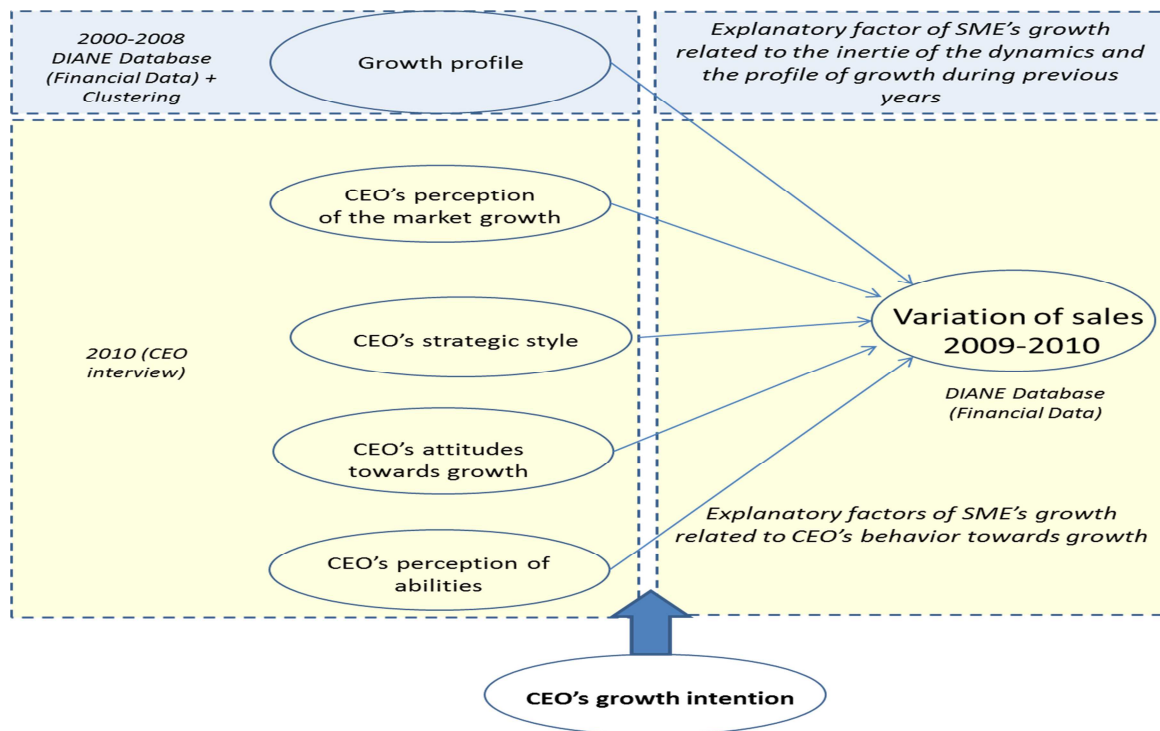
CEOs perceptions survey

The first step of our approach is essential for a better understanding of the growth phenomenon. But it is not sufficient to put into perspective the influence of CEO's intentions, strategic styles, attitudes and abilities to growth. So, a sizable survey among French SME CEOs has been set up to access more qualitatively the strategic orientations of CEOs. This survey was conducted in 2009-2010 on 427 SME, in the French Rhône-Alpes region. The questionnaire was administered during face-to-face interviews with CEOs. Among a large set of questions; they were asked to give: a/ their growth intentions; b/ their perceptions of the market growth; c/ their strategic style (referring to the CEOs general objective as to regard to their firms, aiming independence, profitability, growth, sustainability, or patrimonial concern); d/ their attitudes toward growth; e/ their perception of their abilities (self-capabilities) to manage their firm (Appendix 2). Four of five dimensions are introduced in the integrative model of influences presented below, after being associated with the SME's growth profile (ie the firm's affiliation to one of the growth paths in the typology). The fifth one, growth intentions at 1 and 3 years, are then introduced as moderating variables.

2.2. Integrative model of influences

The integrative model of influences presented below allows analyzing the simultaneous influences of both the firms growth profiles (the firm's affiliation to one of the growth paths obtained in the typology) and CEOs behaviors (the four dimensions mentioned above) on growth rates (in terms of variation of sales between 2009 and 2010). The aim of this research model (Figure 1) is then to question the factors of contingency of the SMEs growth: factors of inertia or factors of impulse. Growth intentions are considered as moderators.

Figure 1: Integrative model of influences



3. RESULTS

3.1. Growth profiles: results of a clustering approach

As said before, a non-hierarchical classification on 17,404 French companies was used to categorize SMEs into homogeneous groups, according to their growth profile and dynamics (Table 1). This non-hierarchical classification approach with dynamic clustering was based on a combination of five multidimensional variables representing the growth trajectory: intensity, volatility, positioning relative to average performance of the industry, recurrence and sustainability of the phenomenon of fast growth over time. The final classification was stabilized in five groups: “decreasing”, “sluggish”, “growing”, “fast growing”, and “hyper-growing” firms. The first group, the “decreasing” firms, represents 9.1 per cent of the sample and the second one, the “sluggish” firms 29.8 per cent. The third group, the “growing” firms, rises 36.5 per cent, while the fourth group, the “fast growing” firms represents 18.7 per cent. Finally, the fifth group, the “hyper-growth” firms, reaches only 5 per cent of the initial population. A sixth group, the “mega-growing” firms, representing 0.5 per cent of the sample, was removed because of the extremely volatile financial data of firms and the very low number of companies belonging to this group. Firms growth profiles were then saved in a qualitative variable with five modalities.

Table 1 – Growth characteristics by group

	G1 D	G2 S	G3 G	G4 FG	G5 HG
Turnover					
Mean	3514	3224	2851	2155	2237
Median	(1454)	(1214)	(120)5	(1043)	(85)3
Age					
Mean	26,18	24,63	22,14	15,89	10,30
Median	(22)	(21)	(20)	(13)	(8)
V1. Annual average rate of growth					
Mean	-0,056	0,037	0,058	0,176	0,477
Median	(-0,038)	(0,033)	(0,057)	(0,163)	(0,433)
V2. Rate variance of annual average rate of growth					
Mean	0,058	0,008	5,821	251,223	860,418
Median	(0,013)	(0,005)	(0,032)	(0,076)	(0,367)
V3. Relative performance (1)					
Mean	-0,483	0,303	0,459	1,355	3,602
Median	(-0,334)	(0,265)	(0,456)	(1,252)	(3,371)
V4. Number of years of hyper-growth					
Mean	0,08	0	1,45	3,11	4,32
Median	(0)	(0)	(1)	(3)	(4)
V5. Max. yrs of successive hyper-growth					
Mean	0,08	0	1,09	2,12	3,43
Median	(0)	(0)	(1)	(2)	(3)

(1) A ratio > 1 means the company is one of the 25% best performing companies in its industry.

3.2. CEOs perceptions as determinants of firms' growth

The aim of this research is to modelize different determinants of firm's growth, especially linked to CEO's attitudes and perceptions on several variables. On this fact, CEO's perception on the market growth, strategic style, attitude towards growth, perception of his abilities and growth intention were extracted from the early mentioned questionnaire.

In a first step, exploratory factor component analysis were conducted on the “strategic style”, “attitudes towards growth” and “perception of abilities” items, in order to identify the different dimensions of these concepts and to reduce the number of variables. Then a structural model is proposed including the previous variables as well as the “perception of the market growth”, directly asked to CEOs and measured as a quantitative variable (an expected growth percentage), based on two temporal horizons (one and three years). Finally, “growth intentions” (also measured on one and three years) are introduced as moderating variables in the model designed to explain firms’ growth. The intention was classified as low when under the median value of the sample and high when above.

3.2.1. Exploratory factor analyses

Regarding CEO’s strategic style, two dimensions are identified (Table 2): strategic style oriented towards ‘Efficiency’ (profitability, perennity and growth objectives) and strategic style oriented towards the firm ‘Value and Independence’.

Table 2: Component Analysis: CEO’s strategic style

	CEO’s strategic style	
	Efficiency	Value & Independence
Profitability	,892	
Firm perennity	,770	
Growth	,631	
Independence		,863
Value		,821
Cronbach's alpha	,610	
R ²		,436**
% of variance	42,112	22,45

The CEOs perceptions of the market growth go along three dimensions: ‘Stimulation’, ‘Control’ and ‘No Risk²’ (Table 3).

² The “no risk” dimension means that the higher the score the less the CEO perceives a growing situation as risky.

Table 3: Component Analysis: CEO's perception of the market growth

	CEOs perception of the market growth		
	Stimulation	Control	No Risk
A opportunity to improve the well-being of employees	,820		
A source of personal satisfaction and gratification	,786		
A motivating challenge	,707		
An increase capacity to control and monitor operations		,813	
A way of increased independence towards customers, suppliers and financial		,747	
A source of danger and disturbance			,949
A situation that the company can easily handle			,589
Cronbach's alpha	,655		
R ²		,253***	-,285***
% of variance	32,883	16,206	14,329

CEOs perception of abilities is summarized in three principal area of expertise: ability to 'manage', 'develop' and 'maintain' the activity (Table 4).

Table 4: Component Analysis: CEO's perception of his abilities

	CEOs perception of his abilities		
	Managing	Developing	Maintaining
To establish procedures	,882		
To define roles and responsibilities within your company	,747		
To manage projects	,680		
To develop new products / services		,876	
To enter new markets / territories		,782	
To provide funding for the activity			,874
To defend your market share			,786
Cronbach's alpha	0,702		
R ²		0,436***	0,426***
% of variance	35,478	17,124	15,656

3.2.2. Confirmatory factor analysis and test of the model (PLS approach)

Considering the relative complexity of the model, we used confirmatory factor analyses within a PLS approach. Bagozzi and Yi (1989) have already pointed out that this approach bypasses problems of traditional covariance structure analyses linked to small sample sizes and the need for multivariate normal distribution. Another advantage of analyzing variance at a latent level using a structural equations model is to measure the overall effect, but also to break it down according to each modality of the explanatory variables selected (in this case the five determinants of firms' growth).

Moreover, the objective of this research is to test the moderating effect of CEOs intention to develop their firm. To this end, the methodology used is in line with multi-group

analyses of variance at the latent level (Yi and al., 1991). This method offers the advantage of providing, for each measurement variable and each structural coefficient, a test of the difference between the value obtained for a given group and the value resulting from an analysis of the rest of the sample. So we performed multi-group analyses to directly specify the influence of a strong *versus* low CEOs' intention to develop their firm³ on the latent variables concerned (in our case the firm's growth and some of its determinants).

Table 5: Analysis of firms' growth determinants using multi-group analysis within a PLS approach⁴

		<i>Moderating influence of CEOs intention to develop on firms' growth determinants</i>			
<u>General model of firms' growth determinants</u>		<u>Intention to develop at 1 year</u>		<u>Intention to develop at 3 years</u>	
		Low	Strong	Low	Strong
		N=142	N=146	N=144	N=144
<u>R² (Bootstrap)</u>		0,147	0,068	0,101	0,083
<u>First order latent variables</u>		<i>Diff. Sign.</i>		<i>Diff. Sign.</i>	
Firms growth profile		0,068***	0,108**	0,117**	0,185**
CEO's Strategic Style		0,142**	-0,016***	-0,026***	0,050***
CEO's Attitude towards Growth		0,135**	-0,029***	-0,029***	0,025***
CEO's Perception of abilities		0,002***	-0,044***	-0,180**	-0,020***
CEO's Market Growth Previsions		-0,124**	0,104**	0,157**	0,128**
<u>Second order latent variables</u>		<i>Diff. Sign.</i>		<i>Diff. Sign.</i>	
<i>CEO's Strategic Style</i>	Alpha Rhô	<i>Diff. Sign.</i>		<i>Diff. Sign.</i>	
Efficiency	0,779 0,891	0,417	0,516	0,541	0,457
Value and Independence	0,761 0,901	0,724	0,559	0,582	0,631
<i>CEO's Attitude towards Growth</i>	Alpha Rhô	<i>Diff. Sign.</i>		<i>Diff. Sign.</i>	
Stimulation	0,885 0,932	0,368	0,589	0,507	0,517
Control	0,668 0,858	0,437	0,301	0,285	0,384
No Risk	0,687 0,868	0,440	0,193	0,404	0,219
<i>CEO's Perception of abilities</i>	Alpha Rhô	<i>Diff. Sign.</i>		<i>Diff. Sign.</i>	
Managing	0,887 0,932	0,476	0,508	0,509	0,465
Developing	0,767 0,896	0,470	0,262	0,296	0,377
Maintaining	0,837 0,926	0,253	0,357	0,333	0,322

On a statistical point of view (Table 5), all indices confirm the stability of the model⁵ just like the reliability and internal validity of the first and second order latent variables (all Alpha's values are above 0,67 et all Rho's values above 0,86).

³ The sample is divided on two groups, the High growth intention group and the Low growth intention group with a one year horizon and a three year horizon. The Intention Growth median is the frontier between groups.

⁴ ***, p<0,01; **, 0,01<p<0,05, *, 0,05<p<0,12.

⁵ The global model presents the following GoF: Absolute GoF: 0,686; Relative GoF: 0,848; External GoF: 0,991; Internal GoF: 0,856.

Even though models explain a small part of the variance of firm growth (between 7 and 15%), structural coefficients linked to determinants are significant.

The results demonstrate that determinants of growth are not the same according to the temporal horizon in which the CEO positions. Moreover, the intention to develop the firm (low *versus* strong) has a moderating effect.

In other words, if we consider the CEO's intention to grow at 1 year, his perception of his abilities as well as the firm's growth profile seem to have a relative weak influence on the firm's growth. On the other hand, the moderating effect of the level of CEO's intention to develop his firm is very important. When the CEO has a low intention to develop his firm, his strategic style and attitudes towards growth have a positive and significant impact on the firm's growth while his perception of the market growth has a negative effect. The influences of these determinants are exactly reverse when the CEO has a strong intention to develop. In this case, his previsions of the market growth and the firm's growth profile become salient while the influence of the other CEO's perceptions is really weak.

If we consider the CEO's intention to grow at 3 years, the firm's growth profile as well as the CEO's market growth previsions appear as the most striking determinants and have a positive impact on firms' growth. The results also highlight that the CEO's perceptions of his abilities can become a brake for the growth of his firm, in particular when he has a low intention to develop. These results highlight the risk of CEOs' over confidence in their abilities to manage specially when they have a low intention to grow. In this case, two factors negatively influence the firm's difficulty to grow: the weakness of the CEOs growth intention and their false perceptions of their own abilities to conduct their firms' evolution.

Considering the second order latent variables, the difference between CEOs who have strong *versus* low intention to grow at one year echoes essentially in their attitudes towards growth. In the case of a strong intention to develop, growth is perceived as a stimulating situation and CEOs think to have the capacity and abilities to face this challenge that is to say to manage, maintain and develop their firm's activity. On the other hand, CEOs who have low intention to develop perceive growth more as a source of risk but they are also confident in their abilities to control this situation. In a strange manner, they appear to be more confident in their abilities to develop their firm's activities. These conclusions join the above discussion on the risk of over confidence. This is even truer as the risky vision of the growth becomes more strengthen in the case of low intention to grow at 3 years (Table 5). Indeed, the contribution of the "risk" dimension in the CEO's attitudes toward growth is statistically more important when he has a low intention to develop.

4. DISCUSSION

Even if the issue of this article is essentially descriptive, its objective is to progress towards a better understanding of the phenomenon of growth. It also aims to describe factors that are likely to stimulate or to slow down the firm's growth in order to help the economic and political players who try to improve their politics of support for the economic development of the SMEs. In that perspective, there are several contributions for this research. Results allow highlighting the influences of the various determinants of SME growth with the prospect of a general model integrating simultaneously various variables. Results confirm the idea that small business managers can choose many different ways to achieve growth and that the goals of growing are interdependent with other strategic objectives (Delmar and Wiklund, 2008).

Concerning growth experience, the results underline that, even if growth deserves to be considered as crucial for SMEs, it should not be taken for granted. If growth experience (approximated here by the growth profile variable) obviously contributes to firms' future growth rate, results demonstrate that CEOs' perceptions and attitudes have also a significant influence on the trajectory of the firm development. So our results appear to converge with recent works which criticize the "life cycle theory" approach of growth (Levie and Lichstenstein, 2010). For all that, we can underline that the impact of SME past growth experience is higher when considering CEOs having a strong short- or mid-term intention to growth compared to other independent variables. It remains to investigate whether the past growth experience influences CEO's intention to develop.

Conversely, we can point out that CEOs' perceptions and attitudes have more influence on SMEs growth rate when CEOs have low short or mid-term intentions to develop. In that perspective, analyzing CEOs perceptions of abilities and competencies seems to be an interesting avenue for research. Penrose (1959) identified two specific types of competencies that are able to influence the growth process: entrepreneurial and managerial competencies. In this research, we show that managers distinguish three field of expertise: managing, developing and maintaining firms activity. However, we underline that the more managers believe they have competencies, the less their firm grows. This paradoxical situation is especially true for CEOs with low intention to grow. Further research should explore this negative influence. It could be explained by a problem of manager's capabilities myopia. Indeed, managers probably tend to reproduce the same behavior based on their capabilities, while growth is precisely a capabilities challenge. Growth and particularly high-

growth require a permanent renewal of capabilities (Hambrick and al., 2005) or the detention of scarce resources (Barney, 1991). It suggests that managerial competencies could be, in some cases, a factor of inertia. This could have, in return, some impact on management training programs.

Besides, the analysis presented above show the interest of a focus on managers' growth intention to study the SMEs growth processes (Sadler-Smith and al., 2003; Janssen, 2006; Delmar and Wiklund, 2008; Wiklund and al., 2009). The five selected variables chosen to explain firm growth are found to be relevant. But their relevance depends on the moderating variable "growth intention" that emphasizes the extent to which a manager articulates growth as an objective, as well as its commitment to the execution of an ongoing growth strategy (Barringer and al., 2005) or the entrepreneur's goals or aspirations for its firm growth trajectory (Dutta and Thornhill, 2008). Indeed, CEO's strategic style has a significant and positive impact on the future growth rate. Growth is not only due to companies whose managers seek primarily growth. Our results demonstrate that CEO's strategic style has a significant influence on the firm's growth rate independently of his personal goal-seeking objective. This contribution joins those of Steffens and al. (2009) which underline that the willingness of profitability is often the guarantee of a future growth.

Finally, CEO's attitude toward growth has a notable impact only in the short term for CEOs who have a low intention to grow. The influence of CEO's attitude toward growth on the growth rate disappears with a mid-term perspective. These results are somewhat contradictory to the existing literature on the subject. The time horizon of our study is probably too small for meaningful relationships between CEO's attitude toward growth and the development of the company. Another explanation can also be discussed: CEOs can clearly imagine the organizational opportunities, constraints and difficulties linked to growth in the short term but they are not able to fix them on a mid or long-term basis. In order to improve this research, we could work on a mid and long-term basis. Moreover it could be interesting to explore more qualitatively CEOs perceptions that echo to the three dimensions of growth vision (a source of stimulation, a situation that must be controlled and a source of risk).

Regarding CEO's market growth previsions, they have obviously a significant and important influence of SME's growth rate. It then appears remarkable that positive market growth previsions are negatively linked to growth when growth intention is low at short term. These results can participate to literature under CEO's over optimism and confidence (Hambrick et Crozier, 1985).

5. LIMITATIONS OF THE STUDY

This study contains some limitations that should be pointed out. They concern, at least, the way of measuring (1) the CEO's intention to develop the firm and (2) his characteristics in terms of strategic style, attitudes towards growth, perception of his abilities. More generally, this limitation reveals the problem faced by researchers willing to measure intentions or attitudes towards growth (Achtenhagen et al. 2010). The manager's willingness and his visions of growth change over time, depending on the results and growth already achieved. Researchers frequently asks CEOs if they want to grow and how much they are willing to grow, and then conclude, if the business has grown, that the aspirations for growth are explaining this phenomenon. However, this means forgetting that these aspirations have their own internal dynamics, that they evolve over time: past growth is changing aspirations, sometimes to continue growing (because the CEO manages the situation with growth limitation) and sometimes to limit it (*e.g.* create a new company to test new ideas). In others words, growth deserves to be analyzed as a result of a "*process of development in which an interacting series of internal changes leads to increase in size accompanied by changes in the characteristics of the growing object*" (Penrose, 1959). The use of cross-sectional data is a serious methodological limitation in this study. And growth profiles included in the model probably do not take into account all the dynamic impacts. Nevertheless, the sample size is a strength.

Moreover, firms' managers consider growth as a much more complex phenomenon than scholars do. For example, manager's perceived growth can be translated in terms of increase in the company value compared to his competitors. It can also be formulated as quality management or social climate improvement in the firm. Furthermore, growth must be considered as a multidimensional and complex phenomenon that can come in several interrelated dimensions: the manager's characteristics, the strategic choices, the characteristics of the firm and its environment.

The work presented here has tried to see how the growth was due to a combination of factors focused on the manager (growth intention, reading of the market, objectives, relationship to growth). We cannot pretend that explains the whole growth phenomenon. It would be interesting to analyze whether the observed relationships persist while taking into account the organization characteristics and its environment.

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Appendix 1 - The variables used for the statistical classification

Code	Description	Interpretation and calculation method
V1	Annual average growth rates of sales	<i>Interpretation:</i> mean intensity of the phenomenon of growth <i>Calculation:</i> geometric average of annual growth rates of sales calculated over the period 2000-2008
V2	Variance of the annual average growth rates of sales	<i>Interpretation:</i> volatility of the phenomenon of growth <i>Calculation:</i> variance ⁶ of the annual average growth rates of sales calculated on the based on the geometric average of annual growth rates of sales
V3	Relative performance to industry	<i>Interpretation:</i> position (over or under performance) of the growth rate of the company relative to its industry <i>Calculation:</i> annual average growth rates of sales / top quartile of annual average growth rates of sales in the sector defined by the 2-digit code NAF (on a national basis)
V4	Number of years of hyper-growth	<i>Interpretation:</i> number of years during which the company is in hyper-growth context over the period 2000-2008 <i>Calculation:</i> counting of number of years during which the rate sales growth > 20% and criterion 3 is > 1.
V5	Maximum number of successive years of hyper-growth	<i>Interpretation:</i> number of maximum successive years during which the company is in hyper-growth context over the period 2000-2008 <i>Calculation:</i> counting of maximum number of successive years during which the rate sales growth > 20% and criterion 3 is > 1.

⁶ For many companies, the variance ranges from 0 to 1, since we are working on growth rates. Thus, the variance enables a robust and realistic scaling with respect to the volatility of growth rates. The standard deviation would tend to homogenize volatilities. Indeed, for the variances range from 0 to 1, the standard deviations will be greater than the associated variances, while for variances strictly greater than 1, the standard deviations associated with them will be lower than variances.

Appendix 2 – Items in the qualitative study on the five dimensions

CEO's growth intentions:

According to your forecasts, which should be the number of employees and the turnover of your firm in :

	Number of employees	Sales
1 year		
3 years		

CEO's market growth previsions:

Indicate the forecasted percentage of growth on your market:

- at 1 year ? _____
- at 3 years ? _____.

CEO's strategic style:

What are your main objectives for your company?

	Totally disagree				Totally agree
Independence	①	②	③	④	⑤
Patrimonial concern	①	②	③	④	⑤
Growth	①	②	③	④	⑤
Profitability	①	②	③	④	⑤
Sustainability of the company	①	②	③	④	⑤
Transfer of the company	①	②	③	④	⑤

CEO's attitudes towards growth:

For you, a strong period of growth of your company corresponds in:

	Totally disagree				Totally agree
A rewarding challenge	①	②	③	④	⑤
A source of danger and disturbance	①	②	③	④	⑤
A source of personal satisfaction and bonus	①	②	③	④	⑤
A possibility of improving the employees' well-being	①	②	③	④	⑤
A source of financial enrichment	①	②	③	④	⑤
An increase of the capacity to check and to control the operations	①	②	③	④	⑤
A way to increase the independence of the company towards his(her) customers, suppliers and financiers	①	②	③	④	⑤
An improvement of the chances of sustainability of the company	①	②	③	④	⑤
A situation which the company can easily manage	①	②	③	④	⑤

CEO's perception of his abilities:

Among the following activities, in which do you feel the most comfortable?

	Totally disagree				Totally agree
To develop new products / services	①	②	③	④	⑤
To enter on new markets / territories	①	②	③	④	⑤
To insure the financing of the activity	①	②	③	④	⑤
To defend your market shares	①	②	③	④	⑤
To define and to reach objectives	①	②	③	④	⑤
To define the roles and the responsibilities within your company	①	②	③	④	⑤
To find competent employees	①	②	③	④	⑤
To take calculated risks	①	②	③	④	⑤
To make decisions in situation of risk and uncertainty	①	②	③	④	⑤
To check and reduce the costs	①	②	③	④	⑤
To set up procedures	①	②	③	④	⑤
To manage projects	①	②	③	④	⑤