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WHICH COMES FIRST MOTIVATION OR GROWTH – TESTING THE ENDOGENEITY OF GROWTH MOTIVATION (SUMMARY)

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Summary

Which Comes First Motivation or Growth – Testing the Endogeneity of Growth Motivation

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Principal Topic

Variation in managerial motivation has been suggested to have important implications on all phases of the entrepreneurial process (Tominc & Rebernik, 2007), and especially firm growth (e.g., Delmar & Wiklund, 2008; Greve, 2008). Analyzing the growth motivation – growth relationship needs to account for potential endogeneity. Accordingly, Delmar & Wiklund (2008) apply a cross-lagged regression analysis to account for potential feedback loops between growth motivation and growth. However, this study was relatively limited since instead of a longer cross-lagged model, only two years were used and the model was estimated with the limiting assumption that there are no unmodeled common causes for growth and growth motivation.

Method

We use data from small and medium Finnish software companies collected in a longitudinal survey between between 2008 and 2011. The final sample used in the paper was 248 companies covering four years of data with each company in the sample providing data for at least two time points. The data were used to test a cross-lagged structural equation model over four time periods where growth in the previous time period affected the growth motivation and growth motivation from the previous time period affected growth taking into account the possibility that both these constructs might be correlated because of common antecedents.

Results and Implications

Our results suggest that both growth motivation and growth persist over time, but contrary to prior research, there are no statistically significant direct effects between growth motivation and growth. While growth motivation and growth are clearly correlated, our model does not provide support for causality between the constructs. Restricting this unexplained correlation to zero leads to results resembling those of Delmar & Wiklund (2008) suggesting an alternative explanation for their study.

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