GROWTH EXPECTATIONS AND TYPES OF ENTREPRENEURS (SUMMARY)

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SUMMARY

GROWTH EXPECTATIONS AND TYPES OF ENTREPRENEURS

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Principal Topic

The (un)willingness to grow a firm may be a deliberate individual choice, based on the desire to grow and the perceived capabilities to achieve this growth. Having a small firm may be an intentional start-up strategy that could increase future survival probabilities. The present paper aims at disentangling “the ambitious entrepreneur” by distinguishing between four types of entrepreneurs: solo self-employed individuals, solo entrepreneurs, team entrepreneurs, and employer firms. By measuring ambitions in terms of the business owner’s growth expectations this paper investigates the relationship between the four entrepreneurial types and ambitions.

Method

The Global Entrepreneurship Monitor (GEM) data from 2012 are used. Our dependent variable captures growth expectations and is measured as the absolute difference between the expected number of employees 5 years from now and the current number of employees. The main explanatory variable is the type of entrepreneur. The GEM data allow a distinction between firm size (in terms of the number of employees), the number of business owners, and the specific industry in which the business is active. The following types of business owners are distinguished: solo self-employed, solo entrepreneurs, team entrepreneurs, and employer firms. Next to control variables (e.g., business owner characteristics and motivations) we include the OECD indicator of employment protection (2011). It is an indicator for the strictness of regulation of individual dismissal of employees on regular/indefinite contracts. Linear regressions are performed with absolute growth expectations as the dependent variable.

Results and Implications

The regressions show that team entrepreneurs have significantly higher growth expectations than solo self-employed or solo entrepreneurs. Owners of employer firms have even higher expectations. Employment protection legislation is significantly negatively associated with job growth expectations, but this only holds for the solo self-employed. The results suggest that a small start-up size is not considered as a deliberate growth strategy for most of the business owners who start without employees except for team entrepreneurs. We therefore conclude that the group of business owners is a heterogeneous group and that one should be careful in generalizing findings from studies that focus on business owners without employees because ambitions in terms of expected firm size are different for team entrepreneurs.

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