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**Navigating the Growth Trajectory: A study on the link between  
growth intentions and small business growth in China**

**A Thesis Submitted for the  
Degree of Doctor of Philosophy**

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## **Abstract**

The intentions of entrepreneurs have been widely studied as potent predictors and preconditions for launching and developing a business. It is argued that intention is just as important for owner-managers of existing ventures as it is for entrepreneurs considering starting a new venture. There is wide acknowledgement that small business entrepreneurs are often endowed with a wide array of roles and responsibilities and are, therefore, critical for business development and firm growth. However, existing studies investigating the link between individual-level factors and firm-level performance are highly fragmented, and very little is known about the link between growth intention and firm growth, and to what extent growth intention affects small business growth.

To address these research gaps, this thesis integrates several theoretical notions to create a conceptual framework based on theoretical insights and aims to clarify the relationship between growth intention and firm growth. Additionally, the study delves into the influence of firms' strategic postures and external network resources on the relationship between growth intention and firm growth. Drawing from a sample of 384 small firms in Northeast China, the analytical results indicate that small business owner managers' growth intention has a positive effect on firm growth. Furthermore, the empirical findings reveal that entrepreneurial orientation (EO) mediates the link between growth intention and small business growth. Network resources, in terms of political network ties and business network ties further mediate the relationship between entrepreneurial orientation (EO) and small business growth. These research findings contribute to the existing entrepreneurship literature by enhancing and deepening the understanding of the link between growth intention and small business growth, providing a comprehensive picture that depicts a series of key competencies in the growth trajectory of Chinese small businesses.

**Key Words:** Small business growth, growth intention, small business orientation, entrepreneurial orientation, political network ties, business network ties, Chinese small firms

## **Declaration**

I hereby declare that the thesis is based on my original work, except for quotations and citations which have been duly acknowledged. I also declare that the material of this thesis has never been submitted to obtain a degree or any other sort of qualifications at this university or any other academic institution.

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## List of Abbreviations

<b>BNT</b>	Business Network Ties
<b>CEO</b>	Chief Executive Officer
<b>EMOT</b>	Emotional Attachment
<b>EFA</b>	Exploratory Factor Analysis
<b>EO</b>	Entrepreneurial Orientation
<b>FG</b>	Firm Growth
<b>GI</b>	Growth Intention
<b>INN</b>	Innovativeness
<b>NWT</b>	Network Ties
<b>PNT</b>	Political Network Ties
<b>PROA</b>	Proactiveness
<b>PURP</b>	Purposes and Goals
<b>R&amp;D</b>	Research and Development
<b>RBV</b>	Resource Based View
<b>RISK</b>	Risk-taking
<b>SBO</b>	Small Business Orientation
<b>SEE</b>	Model of the Entrepreneurial Event
<b>SMEs</b>	Small and Medium-sized Enterprises
<b>TMT</b>	Top Management Team
<b>TPB</b>	Theory of Planned Behaviour

# Chapter 1: Introduction

## 1.1 Introduction

The practice of entrepreneurship contributes to both employment and social welfare in every nation. The establishment and development of new ventures provide additional employment opportunities and increase tax revenues, complementing the work of governments to help solve the problems of economic downturn. The growth of businesses has particularly been and continues to be a topic of intense scholarly enquiry in entrepreneurial research as it is important to academic scholars, business managers and policy makers (Beck, Lu and Yang, 2015; McKelvie, Brattström and Wennberg, 2017). Is there a reason why some firms survive while others fail? Why are some firms more profitable than others? And why do some firms achieve growth despite countless obstacles, while others do not? These are the recurrent questions that concern policy makers and management research scholars (e.g., Scott and Venkataraman, 2000; McKelvie and Wiklund, 2010; McKelvie, Brattström and Wennberg, 2017). Hence, understanding business growth is key to those questions. Scholarly reviews of literature in entrepreneurship recognise that firm growth depends on internal and external factors, as such venture success is determined by the firm, strategy, and entrepreneurs themselves.

Entrepreneurs often assume a wide array of roles and responsibilities, especially in small firms (Mathias and Williams, 2018). As Kraus and Kauranen (2009) assert, in most small enterprises, it is not the top management teams but the entrepreneur or the owner manager her/himself who are in charge of developing the firm's vision, mission and strategies, as well as implementing them and serving as the firm's main strategist and decision-maker. Gilbert, McDougall and Audretsch (2006) claim that in young and small firms particularly, the intention of the owner and of the enterprise are closely intertwined. Therefore, entrepreneurs play significant and irreplaceable roles in growing their firms. Existing literature has provided empirical evidence in examining factors at an individual-level that directly affect firm-level performance and business growth, factors such as entrepreneurial intention (Douglas, 2013), growth aspiration (Wiklund and Shepherd, 2003), communication vision (Baum, Locke and Kirkpatrick, 1998), passion (Baum and Locke, 2004), and goals (Cooper, 1993). Despite the evidence suggesting that individual entrepreneurs contribute to firm-level outcomes, scholarly reviews of the literature all suggest that the contributions on the link between individual-level factors and firm growth are highly fragmented (Zhao, Seibert and Lumpkin, 2010; Liñán and Fayolle, 2015; Storey, 2016). The entrepreneurial intent and motivation of the business owner

will shape the direction, persistence and intensity of how the firm acts. Growth-oriented intention can foster and enhance opportunity recognition and exploitation towards firm growth (Douglas, 2013). As such, it has been suggested that different levels of growth intention will consequently have resources allocated in different manners, and consequently lead to different business performance outcomes (Bird and Jelinek, 1988; Wiklund and Dean Shepherd, 2003; Dunkelberg et al., 2013; Douglas, 2013).

Much of the research on intention is based on what are perhaps the most recognized intention models: the Theory of Reasoned Action (Ajzen and Fishbein, 1975) and the Theory of Planned Behaviour (Ajzen, 1991). Although previous studies generated numerous valuable insights into the antecedents that shape entrepreneurial intention and the impact of intention on new venture creation, they leave an incomplete picture of the intention-action gap in the business growth process. Interest in the relationship between entrepreneurial intention and subsequent actions has only recently seen a re-emergence after an empirical hiatus for years (Gielnik *et al.*, 2015; Kautonen, van Gelderen and Fink, 2015; Rauch and Hulsink, 2015; Reuel et al., 2016). There are even more scarcities when exploring the gap between an entrepreneur's goal intention and a firm's growth outcome. Considering entrepreneurship is about planned actions, growth intention and the actions that follow implementing such intention are the key to distinguishing the growth outcome of one firm from another, especially in new and small firms. And it is also meaningful to understand what distinguishes a growing business from a stagnant one.

Additionally, a firm's growth is a multidimensional concept that cannot be easily captured. Scholars in this stream emphasize the heterogeneous nature of business growth and suggest different growth modes may involve different antecedents and effects, and therefore require different theoretical explanations (Davidsson, Achtenhagen and Naldi, 2010). Despite substantial empirical studies investigating the phenomenon of firm growth, theoretical development in the field has been notably slow (Delmar, Davidsson and Gartner, 2003; Davidsson and Wiklund, 2001; Shepherd and Wiklund, 2009). It is impossible to explain firm growth with a single "one-size-fits-all" model, as Penrose (1959) noted, there are many factors that might determine firm growth. Although the theory of planned behaviour suggests that intention is a powerful predictor of subsequent behaviour, entrepreneurship scholars argue that the ability of intention as a sufficient predictor is questionable (Krueger, Reilly and Carsrud, 2000). A range of entrepreneurial studies suggest that intention, on average, can explain about 30 percent of the variance in behaviours (e.g. Schlaegel and Koenig, 2014; Van Gelderen, Kautonen and Fink, 2015). As such, it is critical to investigate to what extent growth intention may determine business goal achievements and also to explore the complexities in the relationship between growth intention and such achievements.

Scholarly review identified and summarised the determinants of small business growth, and categorised these factors into four streams: management strategies, characteristics of the entrepreneurs, environmental factors, and the characteristics of the firm (Dobbs and Hamilton, 2007). To refine the link between broadly defined entrepreneurial intention and business performance, this study focuses on growth-oriented intention towards firm growth. Based on previous literature (Douglas, 2013), this study defines growth intention as the entrepreneur's goals or aspirations for the growth trajectory she or he would like the venture to follow. By taking into account the significant factors of firm growth, we investigate how growth intention, business strategic postures and external networks ties are interrelated and affect business growth in the small business context. To address the issues, this study proposes an integrative conceptual model with, primarily, a direct link between growth intention and small business growth. Then we further explore internal and external factors that impact on the intention-growth linkage and suggest entrepreneurial orientation to be a crucial role in bridging the gap between growth intention and small business growth. However, there may exist other small business orientations as distinct strategic postures of the firm that have significant impact on the intention-growth linkage. The study further suggests EO tends to improve a firm's capacity to obtain valuable resources from surrounding network agents, which may distinguish them from others who are lacking such resource advantages. As such, the study suggests that external network ties, in terms of political network ties and business network ties will further affect the relationship between growth intention and business growth.

## **1.2 Statement of the Problem**

### **1.2.1 Research context reasoning**

Empirical research conducted on the potential advantages of an entrepreneur's growth intention for firm growth tends to use data from developed economy settings. As such, the impact of growth intention on firm growth is less understood in the context of emerging markets. For instance, the intention to engage in entrepreneurial activities has been shown to have a strong correlation with the economies of developed countries, and studies carried out in such advanced economic contexts have readily led researchers to the conclusion that entrepreneurial intention is a better and more efficient predictor of planned behaviours and sequential achievements (Ajzen, 1991; Moen, Heggseth and Lome, 2016). Nevertheless, researchers know little about the direct impact of an entrepreneur's growth intention on business growth in emerging countries such as China. According to a recent report, more than 70 percent of Chinese ventures do not survive in the first year (Su, Xie and Wang, 2015). Given the greater level of challenges and constraints for entrepreneurs and small business

owners in emerging economies compared to those in more developed economies, it is somewhat surprising that there are so few academic efforts devoted to investigating growth intention and business growth in emerging economic settings.

Entrepreneurship development became prosperous in China in the recent decades. Since 2015, entrepreneurship has emerged as the new national economic growth strategy. Central and local governments in China are committing enormous resources to lead or support start-ups and innovation initiatives (He, Lu and Qian, 2019). Under this background, Start-ups and small and micro businesses, particularly those that are innovative, are expecting tremendous support from the Chinese central and local governments. However, historically and traditionally, public support and preferential policies have leaned towards state-owned and foreign-owned companies rather than private-owned ones (Li and Zhang, 2007; Sheng, Zhou and Li, 2011). Chinese entrepreneurs thus experience greater levels of opportunities and uncertainties compared to their counterparts in more developed countries. In China, more than 98.64% of all firms are small businesses with 300 or fewer employees, contributing to over 60% of total GDP, 50% of tax income, 75% of job creation and 68% of exports. In 2018, new business creation reached record highs with a total of 67 million new companies being created, up by 10.4% compared to 2017 (Organisation for Economic Cooperation and Development (OECD), 2018). Although remarkable entrepreneurship development has taken place in China, Chinese SMEs have still been bearing the brunt of hardships in recent years. A nationwide survey in early 2019 estimated 16% of the country's SMEs were on the verge of bankruptcy at the end of 2018, 28% were reporting a loss and only less than 27% were making profit of more than 5% (National Bureau of Statistics of China, 2019).

As a matter of fact, most regions in China are still in an economic and social transition phase, and such transitional economies are hounded by the hinderances of defective market mechanisms and insufficient economic and social institutions. Particularly in Northeast China, a traditional old industrial base region where the institutional problems left behind by the planned economy are exacerbated (Ren *et al.*, 2020). This area was locked into concentrated heavy industry mainly consisting of state-owned enterprises, and the critical industry of manufacturing has failed to innovate and transform since the beginning of the 1990s (Ren *et al.*, 2020). Since then, the northeast region has lost its leading economic position and begun to lag behind the coastal areas (Tang *et al.*, 2008). How to balance the rising regional disparities has become a major concern and top priority for Chinese policymakers and economic researchers, particularly for regions in prolonged decline and which lack capital, and technological and labour assets (Birch, MacKinnon and Cumbers, 2010). Since 2003, the Chinese government has been dedicating significant resources and making a firm commitment to revitalizing the stagnant economy of northeast China. Recent research



indicates that the interventions of the Northeast China Revitalization Strategy, in the past decade in the northeast area, have achieved remarkable outcomes, such as improving the aggregate economy, promoting structural adjustment, and encouraging and supporting start-ups (Ren et al., 2020, based on the State Council of the People's Republic of China, 2016).

Entrepreneurship refers to the process of identifying, evaluating, and seizing opportunities to create, launch, and grow a business venture, often with the goal of generating profit or bringing about social change. This process typically involves creativity, innovation, risk-taking, and the management of resources to transform an idea into a viable enterprise (Shane & Venkataraman, 2000). In Northeast China, entrepreneurship is focused on fostering innovation, promoting economic diversification, and revitalizing the region's economy through a combination of government support, collaboration, and talent development. Whether the Northeast China Revitalization Strategy is a success or a failure has been a topic of ongoing debate for both Chinese scholars and policy makers (Ren et al., 2020). With the newly implemented beneficial government policies and regulations, the Chinese emerging economy can be an interesting and rich research context to conduct entrepreneurial studies.

### **1.2.2 Theoretical gap**

There has been sustained interest in studying growth in entrepreneurship research for more than half a decade, both as a means of evaluating the performance of firms, and in some cases, as a means of defining entrepreneurship itself (Brown, Mawson and Mason, 2017). Research and discussions in the entrepreneurship domain have focused repeatedly on growth as an outcome (Leitch, Hill and Neergaard, 2010; Wiklund and Shepherd, 2003). So much so that it appears to be the most common means of justifying entrepreneurial research or defining research as entrepreneurial. Substantial amounts of research have been conducted on the antecedents and processes leading to growth as an outcome or cite the significance of growth as a motivation for studying small business behaviour. This is due to the fact that positive growth intention has been so widely taken as a given when describing the small business manager (Chen, Williams, & Agarwal, 2012; Butler, Doktor and Lins, 2010; Delmar and Wiklund, 2008). By doing so, many scholars have neglected the factors that could explain why so many small firms neither grow nor fail.

It may be difficult to find research data identifying managers who intend for their firms to fail, but there is research indicating that many small firms do not aggressively pursue growth (Gherhes et al., 2016; Storey, 1994). As a matter of fact, there are so many stable or only slow-growing small firms that it conflicts with the common assumption in the entrepreneurship literature that most managers seek growth, when in fact studies have indicated that a majority

of managers do not have strong growth aspirations (Delmar and Davidsson, 2006). These studies align well with the notion that the growth of many small firms is constrained by the strategy tendencies that are derived from growth intention, and they may help explain the reason for the findings of Haltiwanger et al. (2013) that firm age, rather than size, was more predictive of growth intention. In particular, due to the dominant role of business owners in small and young firms, studies identified a low level of growth intention as a constraint to business growth as many small business owners place more value on non-economic gains than financial benefits and a desire for great success (Gherhes et al., 2016; Wiklund et al., 2003).

Moreover, Kautonen and his colleagues (2015) argue that entrepreneurial goal intention is insufficient to explain entrepreneurial actions that lead to firm growth. Van Gelderen et al. (2017) endorse this claim and indicate that only recently did researchers begin to empirically investigate the implementation of goal intentions in the venturing process in the entrepreneurship domain. Ultimately, being an entrepreneur is more about actions than their state of mind, considering the only signal of the entrepreneurial mindset is reflected in their actions (Kor, McGrath and MacMillan, 2001). In terms of turning entrepreneur's growth intention into action to realise growth achievement, the firm's strategic postures and business environment encompass business activities, thereby determining the extent to which business owners are able to pursue their growth intention. Factors such as the strength of the economy, dynamism, hostility, competition and demand, which are beyond personal control, can constrain business growth regardless of the level of aspiration and capabilities and can even discourage intention to grow (Gherhes et al., 2016; Lee, 2014; Wiklund et al., 2009). Because growth is a change process (Wiklund, 1998), it poses a problem for those whose identities and personal values align closely with the nature of their existing firms. The formation of a supportive business environment is facilitated by the provision of a suitable strategic posture and adequate external network resources that can provide essential support for the business.

As such, this research aims to explore the factors that bridge growth intention and firm growth and to understand business owners who do not wish to fail, but who also do not wish to change or are not able to change. The existing literature has not yet connected firm growth intention as an antecedent in a model that accounts for strategic postures, business supports and network resources that incrementally facilitate business growth. As it has been argued by Busenitz et al. (2003, p. 285), "entrepreneurship research should put more effort at the intersection of the constructs of individuals, opportunities, modes of organizing, and the environment". These behaviours can be considered in the goal of maintaining the firm's status and vision and thereby retaining its identity. This might also be considered as a successful outcome of business performance.

### **1.3 Research Objectives**

Aligning with the literature in entrepreneurship studies (e.g. Gundry and Welsch, 2001; Lau and Busenitz, 2001; Delmar and Wiklund, 2008; Fayolle and Liñán, 2014) as well as the key arguments of the Theory of Planned Behaviour (Ajzen, 1991), this research aims to focus on the nature of individuals, the sources of opportunity, and the methods of exploiting and obtaining those opportunities in the Chinese context. Research is needed that explores paths that link business growth to growth intention, and there is a lack of investigation into the possibility that some owner managers with low levels of growth would seek to grow if only they knew how, or believed it was possible. Such research should also further strengthen the distinction between entrepreneurship studies and business growth studies, acknowledging that the manager of a firm which is not showing any growth outcomes may engage in entrepreneurial activities, including opportunity identification, information discovery, and exploitation of resources.

Extending the focal point of current research, the broader objective of this study is to investigate the relationship between growth intention and small business growth, and examine how this relationship is manifested by taking the impact of strategic postures and network resources in the business developing process into consideration. It provides a comprehensive roadmap of conceptual streams drawn from the broader domains of entrepreneurship, business strategy and organisational theories. On this basis, the study pursues new understanding and knowledge regarding whether the interactions between growth intention, a firm's strategic postures, and network resources contribute to business growth in the Chinese context. As such, the objectives of this thesis are:

1. To clarify to what extent an entrepreneur's growth intention is associated with business growth.
2. To identify the impact of entrepreneurial orientation on the relationship between growth intention and small business growth.
3. To examine whether small business orientation leads to strengthening of the relationship between growth intention and small business growth.
4. To detect the potential roles played by network resources in terms of political network ties and business network ties in the growing process and to examine how the growth intention – business growth link is manifested by taking the impact of these two types of ties into consideration.

To achieve the above research objectives, this dissertation will attempt to provide a theoretical framework that is capable of explaining whether growth intention always leads to firm growth and why some ventures with growth intention outperform others while some do not. Growth intention among entrepreneurs have been shown to be heterogeneous, and also to shift over time due to a combination of factors (Dutta and Thornhill, 2008). The factors of interest for this research will include strategic postures that reflect owner/manager characteristics and state of mind towards growth that influence managerial interpretation tendencies, differences, and personal/social sources of interpretable information that boost business performance and growth outcome.

Particularly in small firms, the owner manager's interpretations serve as the interpretations of the firm, and it is these interpretations of external factors, along with the exhibited strategic postures in the entrepreneurial strategy-making process that ultimately determine the direction of firm development. Strategic posture shows managerial preference and attitude towards interpreted information, such as propensity towards risk-taking, proactiveness and innovativeness, as often measured through Entrepreneurial Orientation (Miller, 1983; Covin and Slevin, 1989), and propensity to align one's personal and work life values with each other, as is measured through Small Business Orientation (Runyan et al., 2008). Sources of interpreted information in small firms include the manager's own personal awareness of the environment, much of which comes from the information and resource access provided by social capital and business networks (Adler & Kwon, 2002). Such resources and information are particularly important for identifying opportunities and acquiring resources in small businesses (Li and Zhang, 2007; Chollet, Géraudel and Mothe, 2014), and provide the basis for the manager's own models of behaviour (Bandura, 1977). The issue to be addressed in this thesis is the one that integrates issues of both nature and nurture through a theoretical framework. For those firms which have the promise to grow, but growth is not occurring, this dissertation hopes to provide an explanation of the factors that may be restraining growth. At the same time, this research will emphasise the importance of the personal level factor to firm-level performance through discussion of the means by which growth intention leads to growth and an exploration of the factors in the intention-growth linkage.

#### **1.4 Contributions to Knowledge**

This research contributes to existing theory by laying out a model that not only asserts the importance of the business owner manager to firm outcomes, but also explores and explains the process by which the connection is made from personal level intent, through a decision-making process, to achieve firm growth. At the same time, the proposed model explains firm

growth that is both consistent with entrepreneurial literature that has focused on growth (Begley and Boyd, 1987; Douglas, 2013; Neneh and Vanzyl, 2014), and with the existing and somewhat contrary empirical findings that many firms exist in a state of performance that neither grows or fails and which may be derived from intentional acts (Covin, Slevin and Heeley, 2000). Such a view that integrates and explains intention, strategic postures, network resources and firm growth as they relate to each other has been missing from the literature as a whole picture. This research explains how intention to grow evolves from internal and external sources. In doing so, this research aims to provide contributions to both theory and practice by explaining the process of growth intention leading to venture growth in a way that explains different growth outcomes.

This dissertation makes the following three scholarly contributions. First, this thesis further contributes to the entrepreneurship literature by providing an understanding of how the personal level factors contribute to firm-level performance. By extending the intention models, this thesis clarifies that the different levels of growth intention will lead to different firm-level activities and thereby, business growth. Moreover, the thesis further contributes to the interpretation of assumptions that underpin growth intention as being a key driver of entrepreneurial actions and entrepreneurial success. This echoes the call for a better understanding of the intention-action gap in the late entrepreneurial studies (Kautonen et al., 2015; Liñán and Fayolle, 2014).

Second, this research contributes to an explanation of why there may be a disconnect between goal intention and goal achievement in entrepreneurship studies. In other words, this research also provides a contribution to theory in terms of its emphasis on the importance of an alignment between the several factors that translate goal intention, and in modelling how entrepreneurs' visions of growth may be difficult to manifest in the context of social and managerial misalignment. In terms of turning an entrepreneur's growth intention into action to realise growth achievement, the firm's strategic postures and external network resources jointly enclose the activities of businesses, influencing the extent to which business owners can pursue their goal intention, and can therefore create an additional layer of understanding through factors external to the business (Morrison et al., 2003). Entrepreneurial orientation and small business orientation as two different postures derived from entrepreneurs' mindsets have their origins in the literature on entrepreneurial decision making, strategic choice and management styles. These orientations help founders process information and enable them to make decisions related to the functioning of their business (Fassin et al., 2011). Therefore, the second contribution of this thesis is the inclusion of the two strategic postures as the missing links in the gap between growth intention and small business growth.

Third, as has been flagged in previous studies (Bandura and Locke, 2003), translating intention into goal achievement might be challenging and problematic as it requires dealing with obstacles and constraints in the venturing process, such as a lack of resources, knowledge, the consideration of feasibility, and willpower of entrepreneurs. The operational activities and business growth of a firm are influenced by the external network connections generated by the entrepreneurs and owner managers. This study further contributes to entrepreneurial research in that network resources in terms of political network ties and business network ties strengthen the relationship between growth intention, entrepreneurial orientation, and firm growth.

Finally, this research focuses on the nature of individuals, the sources of opportunity, and methods of exploiting and obtaining the opportunities in the Chinese context, and depicts a theoretical model that guides growth intention to growth achievement. Such a model could help the manager understand how to proceed to growth, given existing resources and market conditions. Likewise, a manager may have a model of how growth could occur, but still make the interpretation that their resources and market conditions do not fulfil the requirements of that model. At the same time, this research draws upon existing theory and empirical results that will be familiar to informed scholars, attempting to draw out new insights from non-controversial and established work, insights that articulate previously unconsidered complexities and that are useful to theory building and practice.

## **1.5 Thesis Outline**

There are seven chapters in this thesis, all of which contribute to the achievement of the study's objectives. Chapter 1 begins with a general introduction of this thesis, providing an explanation of the research rationale with a contextual background of entrepreneurship importance, and then it highlights its research objective. Additionally, the researcher discusses the potential contributions and explains the outline of this thesis as an overview.

Based on a literature review, chapter 2 first evaluates relevant literature related to small business growth. Then the chapter critically reviews the theoretical perspectives regarding entrepreneurial intention and introduces the growth intention–business growth gap concern based on the existing literature. Following a review of the definitions and antecedents of growth intention, the researcher further reviews and summarises the previous studies on a firm's strategic postures in terms of entrepreneurial orientation and small business orientation, and network resources in terms of political network ties and business network ties respectively.

Built on the literature review in chapter 2, chapter 3 synthesises all the research constructs, presenting the literature gaps of the current research, including the discussion of the constructs and the theorised relationships that are to be presented and tested in this research. Together, the research hypotheses build up a theoretical framework to be explored in the thesis.

To empirically test the hypotheses proposed in the above chapter, chapter 4 provides an explanation of methodological issues. It discusses the philosophical, methodological and research design terms. The measurement instruments of the research constructs were designed based on previous literature. Primary quantitative data were collected using a survey method. Research reliability and validity are discussed at the theoretical level.

Chapter 5 delivers the analytical and empirical examinations of this research. This chapter presents the descriptive analysis results of the research sample and the purification procedure of items and scales used in this study. Reliability of each research construct is examined using Cronbach's alpha. Validity is assessed using exploratory factor analysis and Pearson's correlation. The chapter further adopts regression analysis tools to examine the research hypotheses.

Based on the results presented in chapter 5, chapter 6 summarises the key findings drawn from the analytic results. This chapter further reports detailed discussions regarding theoretical contributions and practical implications based on the findings from data analysis.

Chapter 7 critically reflects on the research limitations in this thesis from the theoretical and methodological standpoints, and further points out future research directions to deal with such limitations.

## **Chapter 2: Literature Review**

### **2.1 Introduction**

Business growth is a topic of interest that has attracted great attention from scholars (Dobbs and Hamilton, 2007). As it is stated by Sexton (1997), "Growth is the very essence of entrepreneurship" (p.97), it seems that growth is a desirable goal for all entrepreneurs. However, when compounded with the changing sophistication of the market environment, relatively few enterprises develop into large firms, and many die along the way (Gilbert, McDougall and Audretsch, 2006). It becomes apparent that there are increasing difficulties for entrepreneurs to improve or even maintain their business performance in time. According to Forbes (2014), 8 out of 10 entrepreneurs who start businesses fail within the first 18 months. In light of the increasing level of constraints for business development, especially in the context of emerging economies, growth of small businesses has become one of the most challenging aspects of being an entrepreneur (Gundry and Welsch, 2001; Dobbs and Hamilton, 2007; Gupta, Guha and Krishnaswami, 2013). As a consequence, scholarly attentions have been largely devoted to understand what drives small business growth (e.g., Gilbert, McDougall and Audretsch, 2006; Davidsson and Wiklund, 2001; Delmar and Wiklund, 2008).

To address the stated research objective in the previous chapter, it is necessary to review what has been done, and what research gaps remain. As such, the purpose of this chapter is to review the literature on small business growth and the individual and firm-level factors that are associated with growth. Specifically, the first section reviews the concept of small business growth and theories that have been used to determine business growth. Then we further investigate determinants that predict business growth and access the existing gaps between growth intention and business growth. Subsequently, this chapter reviews the key elements in the business growth process. The following section accesses the definitions and drivers of the important individual variable: growth intention. And on the basis of previous work, we further review the concepts and roles of entrepreneurial orientation, small business orientation and managerial network ties in the growth process as initial constructs of this study.

### **2.2 Small Business Growth**

The small business enterprises are recognized as engines of economic growth and regional development world widely. Business growth has become an important topic for scholarly enquiry in the field of economics, sociology and management. In the developing countries,



such as China, small firm growth is a complex phenomenon. It can be achieved in different ways and with varying degrees of regularity, and it manifests itself along several different dimensions such as annual turnover, employment, profitability and market share (Davidsson, Achtenhagen and Naldi, 2010). This complexity has driven scholars to employ different approaches to studying business growth and to adopt different measures to assess it. Nevertheless, it is very important to note that most small businesses do not grow when addressing the issue of how small businesses achieve growth (Davidsson, Achtenhagen and Naldi, 2010). For those firms that do grow, a wide range of different growth determinants have been studied; some theories focus on average size, some focus on internal characteristics and others focus on random variables (Covin, Slevin and Heeley, 2000).

### **2.2.1 Definition of small business growth**

Although the topic of small business growth has been extensively studied with massive empirical evidence provided in the literature, the theoretical development has been notably slow, there is still much to learn about the phenomenon (Davidsson, Achtenhagen and Naldi, 2010; McKelvie and Wiklund, 2013). Extant reviews have brought forward this problem in growth research and suggest the existing knowledge about business growth phenomenon is incoherent ( e.g. Storey, 1994; Dobbs and Hamilton, 2007; McKelvie and Wiklund, 2013). This problem is most likely owing to the differences in scholars' theoretical and epistemological perspectives and interpretations, operationalisation, research contexts, modelling and analytical methods (Davidsson, Achtenhagen and Naldi, 2010). With the differences widely reckoned in the business growth literature, scholars have marked business growth as heterogeneity in nature, and is considered as a complex matter, and multidimensional phenomenon (Baum, Edwin and Ken, 2001; Barringer, Jones and Neubaum, 2005).

Previous studies have made notable efforts to conceptualise small business growth. Research in a variety of disciplines, such as economics and management domains, is concerned with growth. Most economists focus on the relation between growth and firm size (Audretsch, 2004). In the management field, Penrose (1959) brought forward a new, dynamic concept, she noted that growth of the firm is manifested in two conceptually distinct patterns: *"It sometimes denotes merely increase in amount;..... At other times, however, it is used in its primary meaning implying an increase in size or improvement in quality as a result of a process of development."* (p.1). The two different connotations are important as they remark the difference in the quantity facet of growth (the amount) and the quality facet of growth (the process). Following the seminal work of Penrose, researchers in the management field argue that it is critical for firms to focus not only on growth in terms of the size, it is also important to

consider the maintenance of growth (Lewis and Churchill, 1983; Chandler and Hanks, 1993; Davidsson, Achtenhagen and Naldi, 2010). Accommodating both the quality and the quantity aspects, growth can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. It can also be measured in terms of qualitative attributes such as market position, quality of product, and customer trust and loyalty (Covin and Slevin, 1989; Gupta, Guha and Krishnaswami, 2013; Bartz and Winkler, 2016).

### **2.2.2 Small business growth as an outcome**

Research in small business and entrepreneurship have often placed firm growth at the centre of their inquiry (Sexton and Smilor, 1997). However, several researchers have recognised that in the business growth literature there is no universally accepted discipline and its scope is too broad (e.g. Chandler and Hanks, 1993; Davidsson, Gupta, Guha and Krishnaswami, 2013). When it comes to the understanding of firm growth, existing literature have used a variety of theories and data that differ considerably, which will result in vast array of manifestations for business growth. As such, it is infeasible to categorise business growth either on a structural basis or to summarise it in patterns. McKelvie and Wiklund (2010) suggest using qualitative differences in the existing business growth studies to categorise growth. Specifically, to classify firm growth through the roles it played in the theories and developed in the analyses. Consequently, they identify three streams of growth: 1. Growth as an outcome; 2. The outcome of growth; 3. The growth process (McKelvie and Wiklund, 2010). This categorising approach is widely accepted in the entrepreneurial literature (e.g. Davidsson, Achtenhagen and Naldi, 2010; Lockett et al., 2011; Blackburn, Hart and Wainwright, 2013).

Specifically, Growth as an outcome category includes empirical or conceptual studies that view growth as a dependent variable and used a set of independent variables to explain growth outcome. The outcome of growth category includes those who treat growth as an independent variable or influential variable that explain or affect other variables. The growth process category refers to the studies which treat firm growth neither as an independent variable nor as a dependent variable, but focusing on the actual growth process. Considering the nature of this thesis, small business growth is defined as the outcome of internal and external sources worked together in a mechanism to reflects the increase in employment, asset, market share and employment.

Treating growth as an outcome is the most popularised approach that adopted by researchers examining business growth (Storey, 1994; Davidsson, Achtenhagen and Naldi, 2010). In examining growth as an outcome, firm growth appears as the dependent variable under scrutiny, the predictors and independent variables are diverse and can ranged from individual-

level predictors such as intention (Lau and Busenitz, 2001); personalities (Stewart et al., 1999); education and knowledge (Cassar, 2006; Macpherson and Holt, 2007), to firm-level predictors such as resources (Park and Luo, 2001; Yin, Hughes and Hu, 2021), strategies (Hoskisson et al., 2000; Covin, Green and Slevin, 2006; Rauch et al., 2006), and industry settings (Davidsson, 1989; Coad and Rao, 2008; Stam and Wennberg, 2009). Despite its popularity, however, due to the paucity in systematic models to explaining firm-level growth differences, research in this stream often presents different interpretations of growth derived from opposing theories, the impact of variables on firm growth often exhibits high level of inconsistency across the growth studies (Frank, Lueger and Korunka, 2007; Shepherd and Wiklund, 2009; McKelvie and Wiklund, 2013). In regard to this issue, McKelvie and Wiklund (2010) elaborate on the possible obstacles that cause this confusion: the unit of analysis, differences in mode of growth, variation in growth rate overtime, indicator of firms and differences in the willingness to grow. Therefore, we further look into the representative aspects of small business growth in order to serve the research objectives.

### **2.2.3 Modes of business growth**

Davidsson, Delmar and Wiklund (2006) concerned that the growth literature did not present enough evidence in investigating how or in which form firms expand. This most likely exemplifies the conceptual and empirical fuzziness of business growth investigations. The vast majority of business growth research indicates that small business growth often encounter two alternative growth modes: organic growth and acquisitive growth (Davidsson, Achtenhagen and Naldi, 2010; McKelvie & Wiklund, 2013). Davidsson, Achtenhagen and Naldi (2010) argues that in the previous literature, the difference between organic growth and growth through acquisitions has been widely overlooked.

Organic growth generally refers to growth through expansion (McKelvie & Wiklund, 2010). It involves the internal generation of resources and economic activities, for example, employing and training new employees (Lockett et al., 2011b). Based on the seminal work of Penrose (1959), organic growth largely depends on the opportunities, resources, managerial abilities to enhance their operational strength. As such even the firm failed to achieve organic growth, the resources unique to firm remain untapped (Anderson & Eshima, 2013). Notably, as it has been cleared presented in the existing literature, most of small firms and start-ups remain small throughout their existence (Gupta, Guha & Krishnaswami, 2013; Gherhes et al., 2016), therefore in this view, organic growth indicates the creation of economic activity through resource generation internally to the business.

Considering many of the resources are not easy to obtain, they may be reliant on tacit knowledge, and firm specific, acquisitive growth appears to provide an alternative to organic growth (Wiklund & Davidsson, 1999; Lockett et al., 2011b). Acquisitive growth involves firms acquiring resources from other firms in order to enhance their competitive advantages (McKelvie & Wiklund, 2010). A strategy of acquisition may assist a company to capitalise on growth opportunities by gaining access to resources that are complementary to other firms (Lockett et al., 2011b). From resource-based view, the acquisition of resources for the development of the firm itself is directly proportional to the size of the firm and its ability to grow through acquisition (Penrose, 1959; Barney, 1988). Penrose (1959) suggests that firm with organic growth entails a slower and mild pattern over time compared to those that grow through acquisition. Moreover, Penrose (1959) also shares a view that the size and age of the firm may predict a difference between the two growth modes. Organic growth might be more prevalent in smaller firms, and younger firms whereas acquisitive growth is more prevalent in larger and older firms. Levie (1997) further supports this view by asserting that the choice of an organic growth or acquisitive growth can be considered as a function of the firm. McKelvie, Wiklund and Davidsson (2006) provide evidence to suggest that the majority of small firms follows an organic growth trajectory. McKelvie and Wiklund (2010) mark the conclusion of growth modes and claim that “different modes of growth should be related to the product and market strategy of the firm” (p.267). Based on the discussions and findings in the previous literature, generally speaking, the vast majority of small businesses grow and follow an organic trajectory and require employment generation as an outcome for internal growth.

#### **2.2.4 Unit of analysis**

It is very common for examinations of growth as an outcome to take place at the firm-level (Chandler and Lyon, 2001). However, growth depicts a process, and it captures the differences in the outcomes of different time periods (Delmar Davidsson, and Gartner, 2003; McKelvie & Wiklund, 2010). This makes it considerably challenging to probe firm-level growth outcomes. Scholars examining firm growth often adopt questionnaires with lagged dependent variables or assess growth by asking for their growth over a certain period of time (often in years) (Shepherd & Wiklund, 2009). It is rather simple to empirically assess growth at a singular point in time, whereas to trace the growth of a specified operational unit over time is a challenging and difficult task as the organisation itself can change dramatically (Delmar Davidsson, and Gartner, 2003; Davidsson and Wiklund, 2001; McKelvie & Wiklund, 2010). According to McKelvie and Wiklund (2010), the changes such as the legal status “provide

challenges for identifying the actual firm under analysis and how growth—within the unit of analysis—may be difficult to capture” (p.265).

Besides the methodological and conceptual challenge of small business growth as an outcome, entrepreneurial incentives such as goals, intentions and aspirations is an essential dimensions affect firm growth that cannot be overlooked (Delmar & Wiklund, 2008). Scholars argued that the expectations for growth in a firm may shift substantially overtime (e.g. Dutta and Thornhill, 2008; Bartz & Winkler, 2016). However, it is noteworthy to mention that although growth seems a desirable ultimate goal for all venture, many of the small business owners have modest or even low intentions to grow their firms (Wiklund, Davidsson and Delmar, 2003). As such, business growth does not necessarily represent a manifestation of success, because the goals and aspirations of owner managers could differ initially (Edelman et al., 2010; Kolvereid and Amo, 2019). McKelvie and Wiklund (2010) indicate there is a certain type of growth-oriented firms that may have some variance in their willingness to grow, especially for those new and small firms when one key actor (e.g. the entrepreneur, CEO or owner manger) has a central impact on the firm (Dutta and Thornhill, 2008; Meloli et al., 2020). Recent empirical studies have drawn attention on this issue and found growth-oriented intention can account for business growth to some extent (Mckelvie et al., 2017; Cesinger et al., 2018; Meloli et al., 2020). Nevertheless, using entrepreneur’s incentive determinism to explain small firm growth is clearly inadequate, empirical evidence supporting this link remains scarce. Small business growth should correspond to more actors in order to well justify the mechanism of firm growth. As such, this study further reviews the determinants of small business growth.

### **2.2.5 Determinants of small business growth**

A large body of research has been conducted on the determinants of small business growth. The small business growth determinants can generally be categorised in the following perspective: managerial characteristics factors, organisational demographic factors, firm resources, contextual factors. Table 2.1 presents classification of factors that affect small business growth.

To elaborate on the listed factors that determine firm growth, we first start with managerial characteristics. Extensive studies have contributed to the firm growth in this category. By conducting a longitudinal study with a sample of 326 Swedish small business CEOs, Wiklund and Shepherd (2003) found growth intentions of small business managers are positive related to actual growth, they further emphasised that the relationship between growth intention and firm growth appears more complex than stated and call for further investigation. Delmar and Wiklund (2008) address the role of growth motivation of small business managers for business

growth, by using cross-lagged regression analysis with samples of 863 Swedish firms, they found that past growth motivation affects future motivation, and past business growth performance influence future business growth. The findings flagged the importance of the stability of entrepreneur's motivation/intention, as they stated "Growth motivation, in turn, is partly affected by previous outcomes but remains relatively stable over time. This is an important result, as motivations have to be stable to be good predictors of behaviour. Hence, growth motives are effective predictors of firm growth when they are stable over time." (p. 450). Cliff (1998) examines threshold in the context of gender differences, the results indicate small-business managers who are female tend to approach expansion with more caution and with a higher weight placed on personal considerations, while men tend to set a lower threshold for business size.

Furthermore, the impact of small business orientation and entrepreneurial orientation on small business growth was addressed in comparison. Runyan et al. (2008) suggest that a managerial transition from EO to SBO for small business managers in the long-term business development as appears to be more beneficial to the firm than an unchanging dominance of either orientation. A similar implication can be found in the work of Covin and Slevin (1989), where they found that EO is related to firm performance with younger firm age (<10 years), SBO was a better determinant of firm performance in older firm age (>10 years). These findings create ambiguities as the influence of EO is neither an endangerment to firm performance nor consistently beneficial to the firm. As such, the effects of these two strategic postures warrant future scholarly attention, especially in the small business context.

In the firm resource category, the impact of external network resources on small business growth have been widely investigated. According to Li, Huang and Tsai (2009), small businesses generally face a relative shortage of internal resources and capabilities, such internal resource gap may be filled up by external resources (Peng and Luo, 2000; Street and Cameron, 2007; Nason and Wiklund, 2018).

In the organizational demographic category, factors such as firm age, firm size and industry types have been broadly considered by scholars (e.g. Trailer, Hill and Murphy, 1996; Davidsson et al., 2002; Delmar, Davidsson and Gartner, 2003). Other small business growth determinations concerning the contextual based factors such as industrial sector (Deutscher et al., 2016; Lomberg et al., 2017), cultural factors (Gu, Hung and Tse, 2008; Autio, Pathak and Wennberg, 2013), institutional and regulatory factors (Ren et al., 2020) were also examined in the existing literature.

Although entrepreneurship scholars have suggested that growth is to some extent serves as a function of growth intention and skills, the fundamental environmental factors and restrictions

cannot be overlooked. As such, according to the prevailing scholarly reviews, small business growth is subject to a complex phenomenon that influenced by a number of factors both internal and external to the firms.

**Table 2.1: Factors influencing business growth**

<b>Categories</b>	<b>Authors</b>	<b>Factors</b>	<b>Effects on small business growth</b>
<b>Managerial Characteristics</b>	Cesinger et al. (2018)	Growth intention	Positive relate to business growth
	Delmar and Wiklund (2008)	Growth motivation; Attitudes toward growth	Growth motivation has been found to be somewhat influenced by past performance
	Cliff (1998)	Gender differences	Female has lower business-size thresholds than male
	Runyan et al. (2008)	SBO	SBO was positively correlated to performance in long term
	Baron and Tang (2011)	EO	EO was positively correlated to performance
	Fischer, Reuber, and Dyke (1993)	Experience	Experience difference that appears to lead to firm outcome differences
	Cassar(2006)	Education	Education was related to small firm growth
<b>Firm Resources</b>	Gabrielsson, and Ingemar (2004)	Interpretation of the existence of dynamic	Environments with innovation opportunities was determinative of firm international activities
	Carpenter and Peterson (2002)	Financial constraints	Consistently significant effects.
	Jarillo (1989)	The ability to mobilize external resources	The use of external resources was positively related to growth
	Li and Zhang (2007)	Political network ties	Possession of political network was positively related to growth
	Jiang et al. (2018)	Business network ties	Possession of business network was positively related to growth
<b>Organizational Demography</b>	Delmar, Davidsson and Gartner's (2003)	Firm age; Firm size; Industry	Related to differences between patterns of firm growth
	(Coad & Tamvada, 2012)	Firm age	Age negatively impacted firm growth
<b>Contextual Factors</b>	Wang (2008)	Knowledge resources	Learning orientation contributes to firm growth

Stem and Wennberg (2009)	Industrial sector	Initial R&D stimulates new product development later on in the life course of high-tech firms, but this does not seem to affect firm growth.
Bartz and Winkler (2016)	Financing difficulties	Stronger growth in stable times, are disproportionately negatively affected by the crisis.
Donati, Cinquegrana, and Sarno (2012)	Institutional and regulatory factors	Poor development of financial markets led smaller firms in less-developed regions to depend more heavily on internal sources
Autio, Pathak and Wennberg, 2013	Cross-cultural factors	External sources of financing could constrain small firm growth in a developing Eastern European economic context

### 2.3 Gap between Growth Intention and Small Firm Growth

Based on the psychological literature, early studies suggest intentions are the single best predictor of planned behaviour (Bagozzi, Baumgartner and Yi, 1989). In spite of the fact that intention models have shown to be powerful predictors of intentions, it is debateable whether or not they have the ability to sufficiently predict behaviours. Krueger, Reilly and Carsrud, (2000) argued that across a wide range of studies indicates that intention, on average, can explain 30% or more of the variance in behaviour. Armitage and Conner (2001) found behavioural intentions predict 27% of the variance in behaviour. In the study of Gollwitzer and Sheeran (2006), intentions contribute to 20%-35% of goal achievement. Yet the processes and mechanisms of how entrepreneurial intention lead to behaviours and goal achievements are still under-researched (Kautonen, van Gelderen and Tornikoski, 2013; Fayolle and Liñán, 2014). In this regard, there is still much to learn about the effect of different variables that translate growth intention into action and goal achievement (Sheeran, 2002).

Concerns over the gap between entrepreneur's goal intention and action have been brought up explicitly in the existing studies (e.g., Fayolle & Liñán, 2014; Kautonen et al., 2013; Krueger, Reilly and Carsrud, 2000; Van Gelderen et al., 2015). The scarcity in entrepreneurial research about the relationship between growth intention and sequential action towards firm growth is somewhat surprising (Kolvereid and Isaksen, 2017). As it has been argued by ; Krueger, Reilly and Carsrud (2000), in spite of the fact that intention models focus on entrepreneurial intentions, the problem of how the venture ultimately becomes a reality is not taken into account. As such, it is meaningful and crucial to investigate how growth intention leads to goal



achievement, and in this case, firm growth (Krueger, Reilly and Carsrud, 2000; Fayolle and Liñán, 2014).

Previous studies conducted in different contexts have criticised the ability of the well-adopted intention models (TPB and EEM) to predict behaviours for a number of different reasons. First, intention to carry out a single act is distinct from intention to carry out actions toward achieving a certain objective (Brännback *et al.*, 2011). In the current study, the goal refers to growth. Second, translating growth intention into goal achievement might be challenging and problematic, as the enactment of such intention may be hindered by lack of resources, supplies, feasibility, and willpower (Wiklund and Shepherd, 2003; Iskandarini, 2014). Third, Sheeran (2002) conducted a meta-analysis to quantify the gap between intention and behaviour, four groups of variables were identified in his study, including behaviour type, intention type, properties of intention, and cognitive and personality variables.

To tackle these problems, the current study focusses on specific growth-oriented intention, and endeavours to explore the complexities in the gap between growth intention and firm growth. Growth intention was found to be positively related to firm growth in Wiklund and Shepherd's (2003) study of 326 Swedish small business CEOs. Growth motivation has been found to be somewhat influenced by past performance, but is otherwise relatively stable, and influences both employment growth and sales growth. In a study of 863 small Swedish firms, Delmar and Wiklund (2008) found that past motivation influenced future motivation, and that past growth influenced future growth. Also of importance in this study was the finding of notable variance in managerial growth motivations between managers, and the finding that such motivations influence the achievement of growth. Research conducted by Manolova *et al.* (2012) supports the argument that growth intention is a function of the manager's motives. At the same time, the manager's motives are often not economic growth or economic returns. Hence, motivation and growth intention may not result in the direction of growth. This indicates that the link between growth intention and firm growth is not a straightforward relationship; it is most likely to function through underlying mechanisms or be mediated by a number of different factors in the growing process.

There is evidence to suggest that there are managerial factors that serve as precursors to firm growth intention, and thus growth outcomes. Cliff (1998) described the existence of a business-size threshold: "the size that enables him/her to maintain control of the organization, devote a reasonable amount of time and energy to the firm, and/or balance work and personal life" (p. 523). This suggests that at a certain point, further firm expansion is no longer desirable for owner managers. Firm growth limits are not only set by real external factors and interpreted internal perceptions, but they are also set by internal perceptions of what role the business

should play in the owner manager's life. Does the business serve the owner manager, or does the manager serve the business? Decisions about the extent to which one sacrifices family or personal life are relevant to the manager's intention to grow their firm. At the same time, the manager's level of comfort with the issues that arise due to larger firm size are also determinative of whether the manager plans to grow their firm or not. As Human & Matthews (2004) found, founders tend to prioritize the manageability of their firms over the pursuit of higher levels of growth. Wiklund et al. (2003c) argues attitudes toward growth are often determined by non-economic concerns. In his study, 1470 owner-manager respond that employee well-being was the most likely explanation for growth motivation, not personal financial gain.

Small Business Orientation (SBO) and entrepreneurial orientation (EO) are two different strategic postures towards firm growth. SBO account for the purpose a manager attaches to the business they run and the emotional connection the manager has with the business they run. Specifically, they found that a fit between personal and work life was an important determinant of SBO, as was the manager's love of their business, the extent to which the goals of the business were connected to the manager's family needs, and the extent to which the business was considered by the manager to be an extension of their personality. EO involves a willingness to innovate in order to revive market offerings; taking risks in order to try out new products, services and enter new markets; and being more proactive than competitors towards opportunities (e.g., Covin & Slevin, 1989; Miller, 1983a; Wiklund, 1999; Zahra & Covin, 1995). Carland et al. (1984) suggests not all small businesses are entrepreneurial; they distinguish those business owners by the different strategic postures, namely EO and SBO, suggesting that the two have different short and long-term goals, which may explain and predict the behaviour of businesses and firm outcome performance (Davidsson, Steffens and Fitzsimmons, 2008).

Growth does not appear to be caused by factors that can be fully measured through the use of simple descriptive characteristics of firms or their owners. Financial constraints on growth appear to have consistently significant effects. For instance, Carpenter and Petersen (2002) found that internal finance was a significant constraint on growth, and that smaller firms tended to retain their income, while using external equity finance to a relatively small extent. While smaller firms tend to turn to internal resources as a means of achieving growth prior to seeking external resources, the ability to mobilize external resources is still an important element of small firm growth. It has been found in early studies that the use of external resources was positively related to growth, and that larger firms were less constrained in their growth by limited access to external resources (e.g., Jarillo, 1989; Shan et al., 2016).

As we discussed above, a few previous studies indicate a positive relationship between growth intention and small business performance and future growth of a business venture (Baum, Edwin and Ken, 2001; Delmar and Wiklund, 2008). But not much attention was paid to examine how these intentions guide the business to achieve a better performance. One aspect that has been brought forward and proposed to be tested in this study is to explore individual-level factors, that is, to investigate how entrepreneurs' growth intention affects the subsequent growth of the firm. And the other aspect is to further explore the firm-level factors, that is to investigate the impact of strategic postures (EO and SBO) and network resources (political network ties and business network ties) on firm growth. In the following part of the review, we will firstly take a closer look at growth intention and explore the antecedents that influence it in order to help us understand more about the formation of growth intention and the potential impact of intention on sequential actions in the decision-making process that lead to firm growth. Then we further explore the aforementioned firm-level constructs in detail so that it will provide a comprehensive picture to understand the research model.

## **2.4 Entrepreneurs' Growth Intention**

Krueger, Reilly and Carsrud, (2000) suggest that most people do not initiate a business on impulse, instead, they do it intentionally. As Dutta and Thurnhill (2008, p.307) contend, "*Intention, since it precedes venture formation, plays a critical role in the initial conditions of the new venture*". Entrepreneurs' intention is just as important for the owner managers of the existing ventures as it is for individuals considering starting a new venture. The repercussions of business failure impels us to better understand entrepreneurial intentions, since some businesses are launched by founders without the necessary entrepreneurial mindset and abilities that would allow them to survive and outrun more experienced entrepreneurs in the marketplace (Douglas, Shepherd and Prentice, 2020). If the mindset and ability that contribute to successful entrepreneurship were better understood and developed, there would be a greater supply of successful entrepreneurs, or at the very least, there would be a lower rate of failure among new businesses that were destined to fail.

### **2.4.1 Definition of growth intention**

Storey (1994) examined the intention among business managers for business growth and suggest that the intention to grow was mainly due to financial reasonings. Yet, growth is fairly uncommon among SMEs, Shook et al. (2003) argues that the definitions of intention tend to be "inconsistent" across studies, key definitional challenges remain (Fayolle and Liñán, 2014;

Krueger, 2009). Bird & Jelinek (1998) justify intention as a “state of mind directing a person’s attention (and therefore experience and action) towards a specific object (goal) or a path in order to achieve something (means)”. Based on Greve's (2001) assertion, intentions should be understood as components of actions since the actions are intentional and are carried out in the course of accomplishing certain purposes. A great deal of emphasis is also placed on the concept of intention in the realm of entrepreneurship (Douglas and Fitzsimmons, 2013; Fayolle & Liñán, 2014). Scholars have advocated that intention is a critical indication of successive behaviour of entrepreneurs (Shane, Locke and Collins, 2003). According to Bannier and Zahn (2012), not all businesses are growth-oriented, especially for small and mediums sized firms where most of the owner managers are focusing on day-to-day survival. Some scholars have argued that entrepreneurs whose motivations to start a venture derived from self-employment are less likely to take a growth-oriented approach to their business (Glancey, Greig and Pettigrew, 1998; Delmar, Davidsson and Gartner, 2003).

However, when entrepreneurs and small business owners are highly motivated towards growth as an outcome, it will intensify the opportunity recognition and exploration activities in business development process (Douglas, 2013). Recent entrepreneurship studies have recognised the specific growth-oriented intentions of entrepreneurs and owner managers, and suggest that different levels of growth intentions will result in various ways of resource acquisition and allocation, and eventually lead to different levels of growth outcomes (Gieure et al., 2020; Cesinger et al., 2018; Douglas, 2013; Levie and Autio, 2013). Li, Poppo and Zhou (2008) conducted an empirical study in the Chinese context and imply that to incorporate an entrepreneur's intrinsic growth intention is crucial for determining business growth. According to Sadler-Smith et al. (2003), the growth intention of entrepreneurs is considered to be an essential trait of entrepreneurial behaviour. Wiklund and Shepherd (2003) also made a notion to suggest that entrepreneurs' intention to grow plays an important role in successive growth of the firm. The current study focus on the specific growth-oriented intention of entrepreneurs, and in line with the definition provided by Douglas (2013), we define growth intention as being the entrepreneur's goals or aspirations for the growth trajectory he or she would like the venture to follow.

#### **2.4.2 Past intention theories**

Past research of intention theories is mainly rooted in two strands (Liñán and Fayolle, 2015). One is from social psychology, which examines overall behaviour and explains the mental process that leads from attitudes and beliefs to actions (Ajzen, 1991; Ajzen and Fishbein, 1975;

Davidsson, 1989; Bandura, 2000). The other strand is specific to the entrepreneurship domain (e.g., Bird, 1988; Shapero and Sokol, 1982).

As social psychology became prominent in entrepreneurship research, a framework for explaining entrepreneurial intentions was developed by Bird (1988), she argued that the activities to start a business tend to be deliberate and intended. Specifically, Bird (1988) employed both rational and intuitive approach to interpret the cues presented in entrepreneurs' personal backgrounds and business social, political, and economic context in the formulation of entrepreneurial intention to start a business. This framework emphasizes the role of intention and brought forward the notion of rational and analytical thinking. It lays the foundation for the planned behaviour theory, whose fundamental premise is rational action theory to explain intentions. The social context construct in the framework also enables social capital theory to contribute to the explanation of entrepreneurial intention. In spite of the significant contribution in the entrepreneurship domain, this framework did not elaborate on the formation of intention nor justify how the intention process works to motivate behaviour. However, efforts were made by other scholars to map the intention formation process.

Ajzen's (1991) theory of planned behaviour (TPB) and Shapero & Sokol's (1982) model of the entrepreneurial event (SEE) are the most commonly and broadly adopted theories in the entrepreneurial intention domain (Krueger, 2003; Wiklund and Shepherd, 2003). Specifically, Ajzen (1991) developed TPB based on Fishbein and Ajzen's (1975) theory of reasoned action (TRA). The TRA advanced that behavioural intentions are the behavioural beliefs that influence an individual's attitudes toward behaviours, and the normative beliefs that influence the individual's subjective norms regarding performing that behaviour (Madden, Ellen, & Ajzen, 1992). While central to the TPB, Ajzen (1991) argues that intentions in general depend on perceptions of personal attractiveness, social norms, and feasibility. In entrepreneurship domain, TPB proposed three factors including personal attitudes, subjective norms, and perceived behavioural control, that can explain variations in entrepreneurial intentions and therefore predict entrepreneurial behaviour (Ajzen, 2011; Krueger, Reilly and Carsrud, 2000). Shapero's (1982) model of the entrepreneurial event (SEE) mainly proposed to concentrate on the entrepreneurship domain. Krueger, Reilly and Carsrud (2000) have compared SEE with TPB and argued SEE is largely homologous to the TPB model. Central to the SEE model, Shapero argues that entrepreneurial intentions depend on perceptions of personal desirability, perceived feasibility, and propensity to act. Both models built their basis upon the same underlying cognitive framework (both models incorporate constructs associated with perceived self-efficacy) but use different terms for the matching construct (Krueger, Reilly and Carsrud, 2000).

The theory of planned behaviour has been broadly employed and validated across many research fields, such as health related behaviour (Godin and Kok, 1996) and class performance (Ajzen and Madden, 1986). Krueger, Reilly and Carsrud, (2000) first introduce TPB to the field of entrepreneurship. Since these early theoretical endeavours, there has been a substantial accumulation of research investigating entrepreneurs' intentions dedicated to applying, criticizing and advancing these models. They found both the TPB model and SEE model to be almost equally valid in terms of predictive power when comparing the two directly. With a sample of 97 undergraduate business students, Krueger and his colleagues (2000) found a slightly better prediction power in the SEE model. Kolvereid (1996) made a great contribution to TPB by establishing the applicability and usefulness of the model in entrepreneurship. Haus et al.(2013) conducted a meta-analysis focusing on the gender effects on intention using the TPB model. They analysed 30 studies conducted across different countries and found no significance in the direct relationship between gender and intention; but it has a small but significant effect on attitude, subjective norms and perceived behaviour control (Haus *et al.*, 2013). Some scholars suggest perceived feasibility and perceived desirability as the antecedents of entrepreneurial intentions are not specific enough. For example, Carr and Sequeira (2007) replaced the terms of perceived feasibility and perceived desirability in the original TPB model to make the concept more familiar and theory more relevant, to the entrepreneurship domain. In addition to these two most widely adopted theories, expectancy theory (Vroom, 1964); expectancy value theory of attitudes (Ajzen and Fishbein, 1975), psychological motivation theory (Davidsson, 1989) also have been adopted to understand intentions and motivations in the entrepreneurship literature (e.g. Barba-Sánchez and Atienza-Sahuquillo, 2017; Shepherd and Krueger, 2002).

Furthermore, given entrepreneurship often occurs in unpredictable and turbulent environments, the decision to pursue an entrepreneurial career is impacted by many different factors. Individual and contextual impacts are the two streams of factors that have drawn extensive scholarly attentions to explain the decision to start a business. Previous empirical research provided evidence and showed many of these factors alone have limited abilities to explain intention (Krueger, Reilly and Carsrud, 2000; Schlaegel and Koenig, 2014). There may not be enough explanation for a complex phenomenon such as intentions with a single underlying theory. Therefore, scholars have made attempts to explain the entrepreneurial intention by integrating different theoretical perspectives to improve the explanatory power of the research model. For instance, Schlaegel and Koenig (2014) conducted a meta-analysis with a sample of 98 studies comparing the two models (TPB and SEE). They further included an integration model that incorporated both entrepreneurial self-efficacy and perceived

behaviour control. The analysis found the TPB model (28%) to have better explanatory power than the SEE model (21%), but the integrated model explains 31% of the variance in intentions and has the strongest explanatory power. Liñán and Santos (2007) combined social capital theory and TPB. They argued that family businesses achieve context bridging and binding social capital, which consequently affects perceived feasibility and desirability towards entrepreneurial behaviour. Based on Bird's (1988) model, Boyd and Vozikis (1994) converged social cognitive theories, utility maximizing theory and social capital theory with the TPB model to explain entrepreneurial intention. In line with previous literature, the current study integrates different theoretical perspectives to improve the explanatory power of the research model. The theoretical foundation of this study is built on theory of planned behaviour (TPB), the resource-based view (RBV) and social capital theory. The rationale of the theories being adopted is discussed in detail in the later chapter.

### **2.4.3 Drivers of growth intention**

Drawing on Krueger's study (2007), research on entrepreneurial intention has the potential to make significant progress if scholars seek to enhance and further improve the understanding of factors that determines entrepreneurial intentions. Based on the above definition, growth intention entails different trajectories. Ultimately, there may be a wide range of factors contributing to the formation of growth intention, as well as the differences in their initial stages of venture creation. Studies on entrepreneurs' growth intentions have been a subject of academic interest, with an increasing body of knowledge emphasizing its importance as a predictor of subsequent firm growth (e.g., Davidsson et al., 2006; Douglas, 2013; Fayolle & Liñán, 2014; Schlaegel & Koenig, 2014; Stam & Wennberg, 2009). Identifying the drivers of entrepreneurs' growth intention may shed light on the factors that encourage entrepreneurial behaviour with considerable economic and social impact at multiple levels (Autio & Acs, 2010; Fini et al., 2012; Storey, 1994). In spite of the fact that an exhaustive review would be beyond the scope of the current study, we noted the fact that the impacts of a wide range of factors on entrepreneurial intention to launch a business, and specific growth objective, have spanned multiple levels of analysis. Moreover, a clear reference to the drivers of growth intention would provide a comprehensive picture to understand the link between organisational level activities and the individual-level traits, this would also shed light on what shapes entrepreneur's growth intentions in the context of small businesses in northeast China.

The drivers are summarised in Table 2.2 below. In the review of previous literature by Baum et al. (2014), the answer to determine the factors influencing entrepreneurial intentions has been narrowed to the personal traits approach. The characteristics of the owner are

particularly influential in the initial stages of venture evolution (Dutta, 2008). Antecedents such as self-efficacy, risk-taking propensity or cognitive bias, such as optimism, were identified (e.g., Boyd & Vozikis, 1994; Ucbasaran et al., 2010; Winkler & Case, 2014; Dutta & Thornhill, 2005). However, in the context of many inconsistent findings, there is widespread criticism of this approach (Gartner, 1988; Mitchell et al., 2007). Since entrepreneurial acts occur in different contexts and it involves interactions with other individuals and the environment, the interpretations based simply on the personality of the individual lack accuracy. Consequently, contextual factors such as an entrepreneur's prior knowledge, and other organisational factors, have been incorporated into recent models of entrepreneurial intentions (e.g. Bae et al., 2014; Krueger, Reilly and Carsrud, 2000; Lüthje and Franke, 2003; Wiklund and Shepherd, 2003). Researchers studying growth intentions further identified a number of individual-level characteristics affecting growth intentions, including household income and education (Cassar, 2006), strategic intentions (Gundry and Welsch, 2001), and innovative behaviour (Stenholm, 2011) etc.



**Table 2.2: Determinants factors of growth intention in the entrepreneurship literature**

Author	Journal	Year	Factors (positive or negative effect if mentioned)	Method	Key Findings
Nabi and Linan	International Journal of Entrepreneurial Behaviour & Research	2013	risk propensity (+), social context	The study used quantitative analysis with sample of 619 individuals from Spain and the UK. A range of control variables have been considered, including demographics, human/social capital and country effects. Structural equation modelling is used to analyse the relationships among the research model constructs.	Entrepreneurial risk perception is strongly linked with entrepreneurial motivation. Entrepreneurial motivation, in turn, is strongly linked with entrepreneurial intention. Risk perception influences intentions. Economic context is also linked with risk perception and entrepreneurial intentions.
Zhao, Seibert and Hills	Journal of Applied Psychology	2005	risk propensity (+), entrepreneurial self-efficacy (+), previous experience (+), gender (-)	A quantitative analysis adopting structural equation modelling using two waves of data collection, with a sample of 265 master of business students across five U.S. universities to test their hypotheses.	Previous entrepreneurial experience, and risk propensity on entrepreneurial intentions were fully mediated by entrepreneurial self-efficacy. Gender was not mediated by self-efficacy but had a direct effect such that women reported lower entrepreneurial career intentions.
Puente, Cervilla, González, Nunzia	Small Business Economics	2017	gender, age, education (+), motivation (+), years of study	A quantitative analysis based on GEM data for Venezuelan entrepreneurs from 2007, 2009 and 2011.	Identified variables that explain growth aspiration, such as belonging to the BoP, gender, education, motivation, and years of study and some additional variables where individual factors interact with the contextual factor BoP.

Boyd and Vozikis	Entrepreneurship Theory and Practice	1994	self-efficacy	A conceptual paper building on Bird's (1988) model of entrepreneurial intentionality.	This paper further develops Bird's model of entrepreneurial intentionality by suggesting that individual self-efficacy, which has been defined as a person's belief in his or her capability to perform a task, influences the development of both entrepreneurial intentions and actions or behaviours.
Orser and Hogarth Scott	Canadian Journal of Administrative Sciences	2002	gender	Quantitative research using longitudinal analysis and in-depth interviews of a sample of 139 respondents in five major Canadian cities	Owner manager's decisions are shaped by attitudes towards owner's perceived outcomes of growth and the opinions regarding the growth of important others in the owners' lives. Male and female owners exhibit strong similarities in how they arrive at growth decisions. however, female business owners appear to accord relatively more weight to their needs for a supportive managerial and spousal setting; and to be discouraged to a relatively greater degree by the growth-related stress associated with personal demands made on their time and family.
Cliff	Journal of Business Venturing	1998	gender	Quantitative and qualitative analyses of data collected through personal interviews with 229 small business owners in the Greater Vancouver area of British Columbia, Canada	The qualitative findings suggest that female entrepreneurs are more likely to establish maximum business size thresholds, beyond which they would prefer not to expand, and that these thresholds are smaller than those set by their male counterparts. For female entrepreneurs in particular, personal considerations appear to override economic

					considerations in the business expansion decision.
Abebe and Alvarado	Advances in Entrepreneurship, Firm Emergence and Growth	2018	market information evaluation, entrepreneurial orientation (+)	A conceptual work proposed a theoretical model of entrepreneurial cognitive interpretation and categorization of market information as it relates to firm growth intentions.	Drawing from the strategic cognition literature, the study proposes that entrepreneurs' interpretation of market information as opportunity or threat, gain or loss, and controllable or uncontrollable influences their firm growth intentions. And EOs strengthen their relationships.
Foo, Der Ilies, Remus	Journal of Business Venturing	2015	momentary progress perceptions	Quantitative analysis based on a cross sectional research using a sample of 111 early-stage entrepreneurs from three business incubators in Manila.	Perceived progress variability over time negatively predicted entrepreneurial effort intensity, and venture goal commitment weakens this negative relationship
Schmutzler, Andonova and Diaz-Serrano	Entrepreneurship: Theory and Practice	2019	institutional individualism self-efficacy, knowing a nascent entrepreneur	Quantitative analysis using GEM surveys in 39 countries for a pooled sample of 2002–2010 combining it with data from the GLOBE and World Bank.	For individuals with entrepreneurial self-efficacy, the positive effect of knowing nascent entrepreneurs as a driver of entrepreneurial intentions is weaker than for individuals who do not believe they are able to successfully launch a business venture.
Edelman et al.	Journal of Small Business Management	2010	ethnicity	Quantitative analysis based on a longitudinal study of 401 (106 black, 295 white) nascent entrepreneurs drawn from the National Panel Study of Entrepreneurial Dynamics (PSED), collected through a series of four	(1) Expectancy theory is an appropriate framework to use when examining entrepreneurial start-up motivations; (2) though growth is an important external validation of success, nascent entrepreneurs do not necessarily associate desired outcomes of

				waves of telephone interviews between 1998 and 2003.	business establishment with business growth intentions; and (3) the reasons why nascent entrepreneurs want to launch a new business are the same across race, but there are differences in the motivations to grow a new venture between black and white nascent entrepreneurs.
Cassar	Journal of Business Venturing	2006	household income (+), education (+), and managerial experience (+).	A quantitative analysis based on a survey with nascent entrepreneurs (firm size within 5 years) data collected from the Panel Study of Entrepreneurial Dynamics (PSED).	Individuals with high current household income and managerial experience intend on being involved in ventures with larger future sales revenue.
Kickul and Gundry	Journal of Small Business Management	2002	proactive (+)	A quantitative analysis using a sample of 107 small business owners located in the U.S. Midwest.	Prospector strategy orientation mediated the relationship between proactive personality and three types of innovations: innovative targeting processes, innovative organizational systems, and innovative boundary supports.
Crant	Journal of Small Business Management	1996	proactive (+), gender, education (+), family history (+)	A qualitative analysis based on a sample of 181 students (half undergraduates, half MBA students) from a medium-sized Midwestern university.	Entrepreneurial intentions were found to be significantly associated with gender, education, having an entrepreneurial parent, and possessing a proactive personality. The strongest association was found between entrepreneurial intentions and the proactive personality scale.
Lau and Busenitz	Entrepreneurship Theory and Practice	2001	social context, personal factors, and cognition	A quantitative analysis based on a sample of 2878 private enterprises conducted from a public, accessible, large-scale national survey of private business owners in China.	This study demonstrates that the interpretation of a market situation by private business owners is positively related to growth intentions and the means to accomplish that growth. Not only are

					owners' commitment, need for achievement, and social context important, but a cognitive understanding of the environment is directly related to growth intentions.
Kolvareid	Entrepreneurship Theory and Practice	1996	employment choice	A quantitative analysis using a sample of 128 Norwegian undergraduate business students.	The findings strongly support the theory of planned behaviours as applied to employment status choice intentions. Moreover, demographic characteristics were found to influence employment status choice intentions only indirectly through their effect on attitude, subjective norm, and perceived behavioural control.
Shapherd and Krueger	Entrepreneurship Theory and Practice	2002	social cognition	A conceptual paper uses lessons from social cognition to explicitly link crucial antecedents of corporate entrepreneurship and crucial antecedents of entrepreneurial thinking.	Adapts an intentions-based model of an entrepreneurial team's social cognition to investigate corporate entrepreneurship. propositions about entrepreneurial teams and an outline of the opportunities for future research was brought up.
Bae et Al.	Entrepreneurship Theory and Practice	2014	education (+)	Quantitative research using meta-analysis based on 73 studies with a total sample size of 37,285 individuals.	Identifies a significant but a small correlation between entrepreneurship education and entrepreneurial intentions. This correlation is greater than that of business education and entrepreneurial intentions. However, after controlling for pre-education entrepreneurial intentions, the relationship between entrepreneurship education and post-education entrepreneurial intentions was not significant.

Reuber and Fischer	Journal of Small Business Management	1999	experience (+)	A conceptual paper aim to explore the value of founders' experience based on the "stock" of experiences accumulated at a point in time.	Closer attention was paid to the conceptual underpinnings of experience, the paper was able to move closer to unravelling the complex relationships among individual and venture-related experiences and the possible consequences of these experiences.
Wiklund and Shepherd	Journal of Management Studies	2003	education, experience and environmental dynamism	A quantitative analysis based on a sample of 326 CEOs from small businesses in Sweden.	Education, experience and environmental dynamism magnify the effect that one's growth aspirations have on the realization of growth.
Lee and Wong	Journal of Business Venturing	2004	prior career anchor	A quantitative analysis based on a sample of 959 responses to survey questionnaires from R&D organizations in Singapore.	The security anchor negatively impacted on entrepreneurial intentions, while the managerial anchor had a positive impact. Mixed results were found for the technical and creativity anchors, while no impact was found for the autonomy anchor. Those with a technical anchor intended to found businesses within their technical field, while those involved in applied research intended to found businesses outside their technical field.
Lyon et al.	Journal of Management	2000	entrepreneurial orientation	Conceptual research examines a set of recent studies employing three approaches to measurement: managerial perceptions, firm behaviours, and resource allocations, all of which propose important contingencies.	This paper addresses three approaches to measuring and operationalizing EO in an effort to advance understanding of the concept and further the goal of accurate prediction.

Delmar and Shane	Strategic Management Journal	2003	entrepreneurial orientation (business plan)	A quantitative analysis examining 223 new ventures initiated in the first 9 months of 1998 by a random sample of Swedish firm founders.	Business planning reduces the likelihood of venture disbanding and accelerates product development and venture organizing activity.
Bergmann, Lichtenstein and Brush	Entrepreneurship Theory & Practice,	2001	resource availability	A qualitative analysis adopting a longitudinal comparative case-based methodology to explore the salience of and changes in organizational resource bundles in three new ventures.	Identifies the most common types of salient resources, the primary types of changes in resource and resource bundles, and a pattern linking the type of change with short-term performance results in each firm.
Honig	Entrepreneurship Theory & Practice	2001	learning strategies	A longitudinal study comparing the different learning strategies of 283 Swedish nascent entrepreneurs and intrapreneurs.	Entrepreneurs employ different learning strategies than intrapreneurs. Intrapreneurs were found to utilize learning strategies focusing on organizational consensus, while entrepreneurs were found to utilize strategies that were more flexible and adaptive but less suitable for comparatively static environments.
Covin, Slevin, and Heeley	Journal of Business Venturing	2000	competitive conditions	A quantitative analysis with data that was requested via a mailed questionnaire from 418 firms in Southwestern Pennsylvania.	Market entry order moderates the effectiveness of a firm's competitive strategies such that certain tactics will be most effective when employed by market pioneers, while other tactics will be most effective when employed by market followers.

Conventional factors within this area often include the age of business owners, gender, prior experience and education. Empirical research results have revealed significant differences in terms of attitudes and intention levels of those students who take part in entrepreneurial education programs and those who do not (Zhao et al., 2005). Bae et al. (2014) suggest entrepreneurship education has a statistically significant relationship with entrepreneurial intentions. Souitaris et al. (2007) report similar results, they stress the point that inspiration by educators and successful entrepreneurs will result in a higher level of entrepreneurial intention among students. Cliff (1998) examined entrepreneurs' intention to grow based on gender differences and suggests the desire to head a large, quickly growing enterprise may not necessarily fit all. He suggests further research needs to pay more attention to fully investigating the existence of gender differences in entrepreneurs' attitudes towards growth, and whether such differences can, in turn, affect venture performance. In later studies, Strobl et al. (2012) suggest males are found to exhibit a more positive attitude towards entrepreneurship and a higher willingness to start a business, as well as a more positive perceived feasibility. However, the effect of entrepreneurship education was found to be stronger for women (Wilson et al., 2007). Moreover, ethnicity or being a minority as one of entrepreneur's characteristics that impacts on their intention to grow has also drawn attention in recent research, as Edelman et al. (2010) recently contributed to literature in this stream. Following the logic of expectancy theory, they found there are differences in the motivation to grow among entrepreneurs of different races. Wiklund and Shepherd (2003) argue that education and experience have a much stronger relationship to growth if growth aspirations are also high. Ability gained through experience and education does not deterministically force business founders to expand their firms.

Moreover, in line with prior work we note that entrepreneurial action based on intentions are dependent on the perceived desirability, feasibility, and opportunities associated with the intended behaviour (Wiklund and Shepherd 2003). The traditional models in this field assume explanatory variables to directly and independently explain entrepreneurial intention. However, the authors in this theme have investigated alternative configurations; for instance, Zhao et al. (2005) analyse the mediation of the role of self-efficacy, and Nasurdin et al. (2009) with regards to desirability. De Clercq et al. (2013) study how the influence of perceived ability and attractiveness on intention is moderated by learning orientation and passion for work. Fitzsimmons and Douglas (2011) paid specific attention to the interaction between desirability and feasibility.

In addition to the factors in entrepreneurial characteristics and the prior knowledge section, a variety of organizational and environmental factors have impacts on growth intentions as well. Extant literature is unclear as to what happens to growth intentions following the launch of a



venture. Since small firm growth is non-linear over time (Orser et al., 2000), Dutta and Thornhill (2008) suggest the entrepreneur's initial intention (to launch a venture and achieve a certain level of growth in business during the formative years) will evolve as the venture matures. This argument is consistent with Bird's (1988) observation that "The founder's intentions determine the form and direction of an organization at its inception. Subsequent organizational success, development (including written plans), growth, and change are based on these intentions, which are either modified, elaborated, embodied, or transformed" (p. 444).

Based on the factors discussed in previous studies that are listed above, conventional factors within this area often target the age of business owners, educational levels, previous experience and gender issues at individual-level to foster intentions. Overall, by providing an overview of studies identifying antecedents, this section seeks to enhance the understanding of growth intention whilst contributing to the accumulation of knowledge on the factors that influence growth intention towards business performance based on prior reasoning.

## **2.5 Strategic Postures in the Growing Process**

Shaver et al. (2001) suggested business venturing is an intentional behaviour that comprises repeated attempts to exercise control over the process in order to accomplish the intended goal. Therefore, to understand the processes that lead to business growth requires a more detailed explanation and better understanding of individual's intent to engage in entrepreneurial activities (Bird and Jelinek, 1988; Krueger, 2007). In the field of entrepreneurship studies, various models have been developed to help explain the process of firm growth and how this growth might be affected. Various models have been developed in the field of entrepreneurship studies to help explain the process of firm growth and how this growth might be affected, however there are only a few relationships that are widely accepted. The relationship between entrepreneurial orientation (EO) and firm performance is one of them. Abundant attempts have been made to explain the relationship between entrepreneurial orientation and firm performance (e.g., Basco et al., 2020; Covin & Slevin, 1989; Covin & Wales, 2012a; Miller, 1983a; Rauch et al., 2009; Wiklund, 1999). Although extensive studies have shown evidence to confirm that behaviours with an entrepreneurial focus are associated with higher levels of outcome performance (Lumpkin and Dess, 1996; Covin, Green and Slevin, 2006; Rauch *et al.*, 2009), recent studies have shown that many small businesses exhibit less entrepreneurial behaviour or that entrepreneurial behaviour has a negative impact on the performance of those businesses (e.g. Madison et al., 2014; Ogbari et al., 2018; R. Runyan et al., 2008a). Runyan and his colleagues revealed different patterns of entrepreneurs by distinguishing between those with entrepreneurial orientation (EO) and those small business

owners with a small business orientation (SBO) and suggest these two types of strategic postures have different short and long-term goals towards the outcome of the firm. The SBO concept refers to a strategic posture that facilitates behaviour aiming to fulfil the personal needs and goals of business owners. Runyan et al. (2008) referred to it as a commitment and emotional attachment to the business in order to fulfil personal desires.

Entrepreneurs' intention is considered a precursor to entrepreneurial action. Factors that encourage intentionality should also have impact on entrepreneurial behaviours (Mcgee *et al.*, 2009). A founder with a salient entrepreneurial mindset has different intentions for starting and developing a business than someone with a salient small business mindset, in other words, who adopts EO and who adopts SBO.

EO and SBO were considered as two different types of strategic postures that have their origins in the literature on entrepreneurial decision making, strategic choice and management styles. These two strategic postures reflect founders' mindsets and the ways they process information and make decisions related to the operations of their businesses (Fassin, Van Rossem and Buelens, 2011). And the strategy-making processes guided by different orientations are influenced by founders' perspectives on competitiveness, innovation and risk-taking, as well as their level of emotional attachment to the venture (e.g., Miller, 1983; R. Runyan et al., 2008; R. C. Runyan & Covin, 2019). In this study, we suggest SBO, albeit different from EO, can also be a driver of business growth, especially for small firms.

### **2.5.1 Entrepreneurial orientation**

Scholars in the field of entrepreneurship have endeavoured to provide an explanation of why firms perform well and achieve exceptional growth outcome by investigating their EO over an extended period of time. Lumpkin and Dess (1996) drew on the differences between entrepreneurial orientation and entrepreneurship, they argued that EO represents key entrepreneurial processes that address the question of how ventures are initiated, while the term entrepreneurship concerns what is undertaken from the entrepreneurial decision. In order to study entrepreneurial activities, the concept of an EO is useful for explaining the mind-set of firms engaged in pursuing new ventures. Table 2.3 below presents a summary of the EO definitions as well as the key findings of the EO studies in prior research.

**Table 2.3: Summary of EO definition**

Author	Year	Journal	Definition of EO	Method	Key Finding
Miller and Friesen	1983	Strategic Management Journal	“The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies” (p. 5)	A quantitative analysis based on data from a diverse sample of 52 Canadian business firms which show how different are the correlates of product innovation for conservative and entrepreneurial firms	Two very different models ('conservative' model & 'entrepreneurial' model) of innovation were proposed and tested. The determinants of product innovation in firms are to a very great extent a function of the strategy that is being pursued. The impact of structural, information processing, decision making, and even, to a lesser degree, some environmental and structural devices appear to be a function of whether firms have adopted a conservative or an entrepreneurial strategy.
Miller	1983	Management Science	An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch	A quantitative analysis employing a lengthy questionnaire to gather information on variables of environment, organization structure, decision making style, strategy, and entrepreneurship with data sample consisting of 52 business firms	No matter what kind of firm we are dealing with, the presence of technocrats will boost entrepreneurship. Their scientific interests, expertise and desire for learning and career development may cause them to perceive and to wish to implement ideas for innovation and organizational renewal.
Morris and Paul	1983	Journal of Business Venturing	An entrepreneurial firm is one with decision-making norms that emphasises proactive, innovative strategies that contain an element of risk	A quantitative analysis based on a mail questionnaire that was used to elicit responses from the chief operating officers in a random sample of 116 companies in Central Florida. The questionnaire consisted primarily of a 13-item summated scale	Companies that score higher in terms of entrepreneurial orientation also tend to be more marketing oriented. Marketing departments in entrepreneurial firms tend to be a key source of direction in terms of innovation and tied to significant impacts upon the strategic direction of the firm.

				to measure a firm's entrepreneurial orientation, and 22 separate items concerned with the firm's structure and policies in the marketing area, the sources of customer feedback it relies upon, and attitudes/perceptions regarding the impact of the marketing department.	
Merz and Sauber	1995	Strategic Management Journal	Entrepreneurial orientation is defined as the firm's degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its willingness to innovate and create new offerings	A quantitative analysis based on interview of 518 CEOs from drawn from the Dunn & Bradstreet Market Identifiers File of 25,000 firms using the systematic random sampling procedure.	Small firms can be classified based on perceived differences in strategy, structure, and the environments they face: they display managerial and structural consistency when faced with similar contextual situations. The taxonomy developed in this study suggests that four distinct configurations describe the managerial profiles among small firms.
Lumpkin and Dess	1996	Academy of Management Review	"EO refers to the processes, practices, and decision-making activities that lead to new entry" as characterized by one, or more, of the following dimensions: "a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward	A qualitative study drawing on prior theory and research to make a distinction between the concepts of entrepreneurship and entrepreneurial orientation.	This research suggests that the unidimensional measure of EO would not fully capture the distinct contribution of each dimension and suggests a multi-dimensional conceptualization of the construct. They also argue for the inclusion of five dimensions in the EO construct - adding autonomy and competitive aggressiveness to the original trio of dimensions.  EO may be more strongly associated with performance when it is combined with both the appropriate strategy and the proper environmental conditions.

			competitors and proactive relative to marketplace opportunities		
Voss, Voss, and Moorman	2005	European Journal of Marketing	"...we define EO as a firm-level disposition to engage in behaviours that lead to change in the organization or marketplace" p. 1134	A quantitative study based on a longitudinal analysis in the non-profit professional theatre industry using survey data from 136 managing directors to examine how relationships between entrepreneurial orientation and stakeholder support evolve over time.	The findings support a multi-dimensional conceptualization of entrepreneurial orientation, point to tensions inherent in satisfying multiple stakeholders demands, and illustrate that different stakeholders support entrepreneurial behaviours in unique and sometimes unexpected ways. The findings offer insight into the complex balancing act that entrepreneurial managers must execute to generate support from distinct stakeholder markets.
Covin, Greene, and Slevin	2006	Entrepreneurship Theory and Practice	Entrepreneurial orientation (EO) refers to the strategy making processes of firms and has become a central concept in the domain of entrepreneurship that has received a substantial amount of theoretical and empirical attention	A quantitative study with data collected in cooperation with and under the partial sponsorship of the Southwestern Pennsylvania Industrial Resource Centre manufacturing.  Receiving questionnaires from 170 respondents who work in the manufacturing firms with 50 or more employees.	There is a positive effect of EO on sales growth rate. Moreover, the relationship between EO and sales growth rate was more positive among firms that employ autocratic decision making and that exhibit an emergent strategy formation process.
Cools and Van den Broeck	2007/2008	Journal of Small Business Strategy	Entrepreneurial orientation (EO) refers to the top management's strategy in relation to innovativeness,	A quantitative analysis based on data from a survey of 177 Flemish entrepreneurs and 60 Flemish healthcare managers with the firm	Entrepreneurs had a higher tolerance for ambiguity than non-entrepreneurs, higher levels of self-efficacy, a more proactive personality, an internal locus of control, and a stronger need for achievement.

			proactiveness, and risk taking	size limit of 500 employees and the exclusion of schools (or institutes) and firms within social profit.	With regard to cognitive style differences, a higher score was found for the knowing and the planning style for non-entrepreneurs than for entrepreneurs.
Pearce, Fritz, and Davis	2010	Entrepreneurship: Theory and Practice	An EO is conceptualized as a set of distinct but related behaviours that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy	A mix-method (qualitative and quantitative) study using a sample of 250 religious congregations in five different geographical markets	An entrepreneurial orientation can be a source of competitive advantage or strategic renewal for local organizational units of larger religious denominations; the effects that an environment's capacity to sustain growth has on the EO–performance relationship among otherwise similar religious congregations.
Wales, Gupta and Mousa	2013	International Small Business Journal	EO refers to a strategic firm-level posture that captures the specific processes, practices and activities that enable firms to create value by engaging in entrepreneurial endeavours	A qualitative review that provides evaluation of the empirical EO literature.	The study suggests EO research has made considerable progress in recent years and is accelerating and broadening, but notable biases and inconsistencies in variable choices and model specification remain unsolved
Anderson, Kreiser, Kuratko et al	2015	Business Strategic Management	The decision-making practices, managerial philosophies, and strategic behaviours that are entrepreneurial in nature, with entrepreneurial referring to three components - innovativeness,	A conceptual paper applying a measurement theory perspective to identify how measurement model misspecification related to the question of whether to construe EO as an attitudinal construct, a behavioural construct, or both.	The study proposed a formative construction of EO viewing the exhibition of entrepreneurial behaviours and managerial attitude towards risk as jointly essential dimensions that collectively form the higher-order EO construct.

			proactiveness, and risk taking		
Boling, Pieper and Covin	2016	Entrepreneurship Theory and Practice	EO defined as a strategic posture in which a firm exhibits innovative, proactive, and risk-taking behaviours	A quantitative study based on secondary data collected from 210 firms representing five industries listed in U.S. stock exchanges.	There is an inverse U-shaped relationship between CEO tenure and EO, consistent with the executive life cycle literature. That U shaped linear relationship is more pronounced in non-family firms than family firms.
Palmer, Niemand, Stockmann et al.	2019	Journal of Business Research	EO can be seen as a cultural construct comprising an organization's degree of risk-taking, innovativeness, and proactiveness. However, the author argues these 3 dimensions are closely resemble the psychological factors describing behaviour on an individual-level.	A fuzzy set qualitative comparative analysis is adopted in this study using a random sample from the Austrian company database. Respondents are CEOs of small firms (< 30 employees).	The findings support an integrated view on firm performance as dominance and self-efficacy of CEOs serve as essential individual factors in addition to strategic decisions aligned to entrepreneurial orientation (EO).
Basco et al.	2020	Journal of Business Research	The notion of EO can be stated to capture a firm's entrepreneurial behaviour through innovation, proactivity and risk-taking.	Cross-sectional quantitative research using samples from small and medium-sized firms in China, Mexico, and Spain; a structural equation model PLS- SEM technique is adopted in analysing the data	There is a positive effect of EO on firm performance regardless of firm context. The context of a firm acts as a moderator by determining the effect of EO on firm performance. This effect is explained by the conditioning power of context over innovation, proactiveness, and risk-taking

Miller and Friesen (1982) denoted EO captures “*the nature of the innovative strategy of the firm, something that is often determined by executives on the basis of their goals and temperaments.*” Researchers have argued that EO is evidenced through visible entrepreneurial tendencies towards three dimensions: innovativeness, proactiveness and risk-taking (e.g., Boling et al., 2016; G. T. Lumpkin & Dess, 1996). These three characteristics were positioned in Miller’s (1983) work, he stated that “*an entrepreneurial firm is one that engages in product–market innovation, undertakes somewhat risky ventures and is first to come up with “proactive” innovations, beating competitors to the punch*” (p.771). He operationalised these three constructs and sees them as central to EO. The construct of EO was featured in Miller and Friesen (1982), who elaborated upon this idea. Covin and Slevin (1991) further refined the EO construct through risk-taking, innovativeness and proactiveness in the behaviour of an entrepreneurial firm. The concept of risk-taking in EO involves venturing into the unfamiliar, heavy borrowing, and committing substantial resources to businesses in ambiguous environments (Linton & Kask, 2017; Miller, 1983). Innovativeness can be demonstrated by investing heavily in R&D; being a leading inventor in the technology sector; and adding to or changing existing products or service lines (Covin et al., 1999; Lumpkin et al., 1996). Proactiveness was added to the conceptualization of an EO to emphasis the ability and willingness of leaders to implement a plan for opportunistic expansion and provide for a first mover advantage to help capitalize on market opportunity that also acts in anticipation of future demand (Covin, Green and Slevin, 2006; Pearce, Fritz and Davis, 2010).

Building upon prior research, EO was further refined by Lumpkin and Dess (1996). In addition to the original three dimensions, competitive aggressiveness and autonomy were suggested as additional dimensions of EO. They further denoted that EO can be regarded as a multidimensional phenomenon whereby the dimensions represent independent predictors. Competitive aggressiveness in EO is characterized as an organization’s efforts to overcome its market rivals by maintaining a confrontational posture, and autonomy was defined as the capacity of its members to pursue and champion promising entrepreneurial ideas and agendas independently (Lumpkin & Dess, 1996). As it is listed in the table above, in the EO research domain, some authors argued in favour of a five-dimensional model while others prefer the three-dimensional model. And the unidimensional and multidimensional nature of the construct itself has been subject to much debate in entrepreneurship research as well (Dess and Lumpkin, 2001; Covin, Green and Slevin, 2006; Covin and Wales, 2012; Kraus *et al.*, 2012). These views require different conceptual treatments, tapping into different theoretical and analytical traditions.



### **2.5.1.1 EO as a unidimensional construct**

Addressing EO at the firm-level, EO was described in Covin and Slevin's (1989) early discussion of the construct as "*a basic, unidimensional strategic orientation*" (p.79). According to this assertion, firms exhibiting high degrees of behaviours across risk-taking, innovativeness and proactiveness dimensions, are considered 'entrepreneurial'. Logically this corresponds to a small firm context where introduction of innovative new products typically bears risk of 'newness' for the unknown demand of the product and the fact that the small firm that introduces it first into the market illustrates proactive behaviour towards its competitors. In this case, EO is regarded as a unidimensional construct where all three dimensions coexist and are highly correlated with each other; their cumulative influential outcome represents an inclusive strategy making component. This view is consistent with the vast majority of entrepreneurship scholars that utilise EO as a unidimensional construct in their research (Rauch *et al.*, 2009; Wales, Gupta and Mousa, 2013). In the review conducted by Wales, Gupta and Mousa (2013), 123 of the 158 EO empirical articles adopted a unidimensional conceptualization in 2010. In line with Miller's (1983) findings, the innovativeness, risk-taking and proactiveness dimensions of EO were combined most frequently to generate a unidimensional conceptualization of EO; about 80% of the total unidimensional articles used such a construction. The next most popular strategy, which was congruent with Miller and Friesen (1982), characterised EO as innovativeness and risk-taking. However, this approach was only adopted by approximately 7% of the unidimensional studies. Only four studies used an aggregate measure that included all five components of EO, as stated by Lumpkin and Dess (1996), and few additional studies used some different combination of these five theoretical dimensions.

According to findings from earlier research, innovativeness, risk-taking and proactiveness all appear to have moderate to high connections with one another in actual practice (Covin, Green and Slevin, 2006; Rauch *et al.*, 2009). The significant level of intercorrelation that exists between the three dimensions is consistent with the conceptualization of firm-level EO proposed by Miller (1983). The fact that existing empirical studies widely adopted a unidimensional approach of EO and analysed the dimensions in aggregate implies that there is general consensus in the literature on the conceptualisation proposed by Miller (1983). It is suggested, however, by Zahra, Jennings and Kuratko (1999), who are concerned that researchers might have agreed to use unidimensional EO as a common measure prematurely without establishing its dimensionality or other psychometric properties. Dess *et al.* (1999) support their argument and claimed that "...an appreciation of the multidimensionality and

independence of the subdimensions of an entrepreneurial orientation can enhance normative and descriptive theory building" (p.19).

### **2.5.1.2 EO as a multidimensional construct**

Addressing dimensionality concerns of the EO construct, there is a stream of research that suggests that the EO can be treated as a multi-dimensional construct, the dimensions of EO can indeed vary independently of one another, depending on the situation under scrutiny and the research objectives of each study (G.T, Lumpkin and Dess, 1996; Kreiser, Marino and Weaver, 2002). The primary rationale for adopting a multidimensional conceptualization is concerned with the distinctive impact of each dimension on dependent variables such as firm performance (Lumpkin & Dess, 2001). Lyon et al. (2000) were of the opinion that this consideration requires further investigation because *"It may be difficult to draw conclusions about how the firm undertakes value-adding activities. It might be difficult to determine the sources of variability in a firm's entrepreneurial orientation and how those differences contribute to or detract from performance. A firm, for example, may be quite innovative and 'leading edge' in its manufacturing operations, but rather conventional in all of its other value activities... Thus, measurement effectiveness may be enhanced by evaluating the dimensions of EO in a contingency framework."* Following the logic behind this argument, it could be correlated to a situation-specific decision-making process, in which, depending on the anticipated outcome, small firms may choose to respond in an innovative, proactive, risk-seeking, or even risk-averting manner. Previous research provides evidence to support the unique contributions of EO sub-dimensions: risk-taking (Busenitz and Barney, 1997), innovativeness (Covin, Slevin and Heeley, 2000), proactiveness (Kickul and Gundry, 2002) or competitive aggressiveness and autonomy (Dess and Lumpkin, 2001; Hughes and Morgan, 2007). These sub-dimensions could contribute to the entrepreneurial process individually, while addressing research at the univariate level may hinder the nature of the relationship between sub-dimensions and dependent variables (Kreiser, Marino and Weaver, 2002). The multidimensional EO construct suggested by Lumpkin and Dess (1996) includes five dimensions that vary independently and not only expands the scope of the entrepreneurial nature of a firm, but also provides firms with freedom to choose the dimensions or combination of dimensions that best suits their needs at a given point of time. Gupta (2019) also suggests that there is a strong possibility that one of the dimensions or combinations of these dimensions will have a strong relationship with firm growth in a particular direction, while some others may have an insignificant or even negative relationship. As theory on the construct as a whole stresses the fact that an EO captures specific decision-making processes (Chandler

and Lyon, 2001) such a multidimensional conceptualisation highlights the decision-making propensities of EO.

The discussion above presented the two dominant, yet different views of operationalisation and measurement of an EO. The unidimensional approach of EO has served its premises fairly well throughout the previous few decades, including in the research that was conducted most recently. This reveals the domain of unidimensional EO as having a conceptualization that draws on concrete theoretical traditions and provides a suitable level of explanatory power for evaluating inferential links with dependent variables. The measures that have been established by Miller (1983) and further extended by later researchers are evident as this instrument has been scrutinised extensively in a wide range of different contexts and research settings (Green, Covin and Slevin, 2008; Gupta, 2019). It depicts the concept of entrepreneurial behaviour in a wide, generic manner of strategy formulation, emphasising the firm's approach to the venturing process as a composite of innovative, risk-taking and proactive behaviour.

Adopting either point of view would result in conclusions that are ambiguous due to the fact that the theory of entrepreneurship remains inconsistent regarding how an EO is exhibited in small businesses; although use of the multidimensional view has increased in recent years (Palmer *et al.*, 2017; Basco, Hernández-Perlines and Rodríguez-García, 2020). Scholarly review found notable biases and inconsistencies among moderator, mediator, antecedent and dependent variable selection in the EO literature (Wales, Gupta and Mousa, 2013). Essentially the dimensionality debate can be represented as a dichotomy, in which the unidimensional view treats an EO as the strategy making manifestation of entrepreneurial behaviour, whereas the multidimensional view stresses the decision-making utility of an EO. For the purposes of this study, based on TPB, the entrepreneurial orientation construct is concerned as the strategy making manifestation of entrepreneurial behaviour that improves firm growth. And therefore, the current study will adopt EO as a unidimensional construct.

### **2.5.1.3 How is EO manifested**

EO has grown into one of the most studied and applied firm-level phenomena in the entrepreneurship literature since Miller's (1983) seminal work (Anderson *et al.*, 2015). Subsequent study has determined that the degree of entrepreneurial activity, or EO, in a small business is related to its growth and performance (e.g., Basco *et al.*, 2020; Green *et al.*, 2008; Wiklund, 1999). Davidsson *et al.* (2010) suggest EO dimensions in terms of innovativeness, proactiveness and risk-taking have been found to be higher in small firms and have a positive effect on growth in many cases. According to the research conducted by Lumpkin and Dess

(1996), EO is a strategic orientation that guides the firm's decision-making styles, methods, and practises; it reflects the operation process rather than the function of the firm. Wiklund and Shepherd (2003) claim that firms with an EO are more likely to pay attention to and pursue opportunities.

As we mentioned earlier, EO consists of different dimensions that involve a willingness to innovate for the purpose of revitalizing market offerings, to take risks in order to enter new markets, and to be more proactive in seeking new opportunities than business rivals (Miller, 1983). Another key component of an EO is the tendency to act independently and autonomously (Lumpkin and Dess, 1996). For start-up companies, it is necessary to act on a founder's intentionality to carry forward the specific actions required by the new ventures and achieve firm growth ((B. Bird, 1988; Wiklund & Shepherd, 2003). In addition, Lent et al. (1994) suggest that career-related decisions reflect a cognitive process that involves an individual's beliefs, attitudes and intentions, and the way people process their knowledge, beliefs, and experiences. Barringer and Bluedom (1999) identified that the intensity of an entrepreneurial orientation impacts strategic management practices. Thus, the impact of EO is critical in the growth intention/business growth gap. A recent study conducted by Kuckertz and Wagner (2010) indicates a reversed influence of EO on entrepreneurial intention, but the evidence shows this impact is context specific and the business experience of owner managers may destroy the positive relationship between EO and entrepreneurial intention.

The study conducted by Gundry and Welsh (2001) hinted that EO involves the growth intention of an entrepreneur to develop a business and provides strong evidence to show a positive relationship between EO and firm performance (growth). Zahra and Covin (1995) identified that this relationship between EO and firm performance becomes effective over time, treating the environment as an exogenous factor. Tan (1996) argued that the relationship is also contingent on a range of environmental variables, supporting Zahra and Covin's views. Wiklund (1999) identified a positive relationship between EO and small firm performance that increases over time through a longitudinal research design, supporting notions that an entrepreneurial strategic posture plays a significant role in the formation of a small firm's structure, that is enhancing a small firm's capacity to reach profitable outcomes. In (Becherer & Maurer's (1997) study, EO was directly related to firm growth in terms of profitability, and they also stress the moderating effects of the environment. A recent study conducted by Donbesuur et al. (2020) further contributes to this relationship by indicating a positive effect of EO on firm performance regardless of firm context. In addition to traditional financial outcome performance of the businesses, research also modelled EO into other frameworks that are associated with other dependent variables, such as knowledge generation (Anderson *et al.*,

2015), strategic leaning (Anderson, Covin and Slevin, 2009), and technology commercialisation (Li *et al.*, 2008).

### **2.5.2 Small business orientation**

Small firms that adopt an EO are more likely to achieve competitive advantages and enhanced performance compared to the ones that do not adopt an EO (Covin and Slevin, 1989; Green, Covin and Slevin, 2008). However, as a matter of fact, many of the small businesses stay in a plateau state size-wise, or in a slow-growing mode that promotes and reflects long-term commitments, mutual benefits and collective welfare (Runyan and Covin, 2019). This sluggish and passionless growth is usually due to owner manager or entrepreneurs' conscious decisions and their strategic orientation to constrain the expansion of the firm in order to minimise risk, uncertainty and other general problems (Wiklund and Shepherd, 2005). Runyan and his colleagues (2008) argue not all small business owners are necessarily entrepreneurs. They further develop a typology of business owners by distinguishing between those with EO and those with a "small business orientation" (SBO). Small business Orientation is defined as a firm's strategic posture that facilitates behaviour that is aimed to fulfil owner managers' personal goals and emotional attachment to the business (Runyan, Droge and Swinney, 2008).

The origins of the SBO concept can be found in the work of Carland and his colleagues, in which they specifically articulate the notion that small business managers are different from entrepreneurs (Carland *et al.*, 1984). By examining previous literature, they show that entrepreneurs and small business owners do not always share the same attitude towards their business development. From an attitudinal perspective, they distinguish the entrepreneur from a small business owner, as the entrepreneur's primary purpose is profitability and growth, while the primary purpose of a small business owner is to achieve personal goals and generate income for the family (Carland *et al.*, 1984). Stewart & Roth (2001) emphasise that failing to distinguish between an entrepreneur and a small business owner might lead to misleading results in empirical studies.

Similarly, in the study conducted by Woo, Cooper and Dunkelberg (1991) that focuses on development of entrepreneurial typologies, the Craftsman-Entrepreneur and the Opportunistic-Entrepreneur were identified as two types of entrepreneurial characteristics. There are several differences between these two types of entrepreneurs, including their business goals, backgrounds and management styles. According to Woo, Cooper and Dunkelberg (1991), Craftsmen entrepreneurs usually refer to those with lower levels of education and managerial experience, and tend to be motivated by "making a comfortable living". Typically, they are risk averse and change averse, and their ventures experience lower

growth. In contrast, opportunistic entrepreneurs are characterised by higher levels of education and managerial experience, they exhibited much more tendency towards managerial challenges and were subject to profit and growth oriented outcomes (Woo, Cooper and Dunkelberg, 1991). Despite typological differences, similarities can be seen between 'entrepreneurs' and 'opportunists', as well as 'small business owners' and 'craftsmen' (Madison, Runyan and Swinney, 2014). The key differences between these two types of entrepreneurs are summarised in Table 2.4 below.

**Table 2.4: Difference between SBO and EO**

<b>Dimension</b>	<b>SBO</b>	<b>EO</b>
<b>Attitudes</b>	Furthering personal goals	Profitability and business growth oriented
<b>Purpose</b>	Generating family income through business	Generating venture growth
<b>Innovativeness</b>	Non-innovative	Innovative
<b>Risk-Propensity</b>	Less due to owner's goal of preserving family and personal needs	Higher risk-propensity levels
<b>Categorizations</b>	Also known as craftsmen	Also known as opportunists
<b>Demographics</b>	Are expected to be less educated & lack experience	Have higher levels of education and more experience
<b>Environmental Responsiveness</b>	Low responsiveness	High responsiveness
<b>Value Seeking</b>	Self-transcendence and conservation	Self-enhancement and openness to change

(Source: Madison, Runyan and Swinney, 2014)

Early studies initially described an entrepreneur as someone who set up a small business with the goals of making a profit and expanding the firm. Stewart & Roth (2001) used the phrase "*growth oriented*" to describe the owners of entrepreneurial small businesses and they further argued that the majority of small business owners are more likely to be in favour of a SBO than an EO. In subsequent studies, Headd and Kirchhoff (2009) use an empirical approach to explore firm growth with a large sample based on US small businesses and found that most firms do not grow fast in post start-up stage. Despite the fact that a relatively limited number of firms have a growing employment rate, this growth is not constant. It has been observed by Cooper (1993) that some business owners strive for a personally "acceptable" level of business growth, rather than maximising business performance, in order to enjoy a comfortable lifestyle or personal achievement. Several scholars note that many small business owners do not intend for their ventures to grow beyond a certain size (Edwards, Franks and

Storey, 1994; Wiklund and Shepherd, 2005; Gherhes et al., 2016). In a recent study, Mazzarol and Reboud (2020) suggest entrepreneurs may choose to stay small because they are satisfied with the lifestyle decision of a small-scale operation that delivers lower stress levels and an easier life.

Apart from entrepreneurs' intended goal focus, entrepreneurs with SBO are distinct from those with EO in that there is less of a preference for innovation than is exhibited by entrepreneurs (Carland et al., 1984; Runyan and Covin, 2019). Conceived from the notion that not all business strategic postures are entrepreneurial in nature (Carland et al., 1984; Swinney and Runyan, 2007), SBO are more personal to the business owners. Firms that adopt an SBO encourage and support activities that serve the owner's personal goals and desires, such as maintaining a well-balanced personal-business demand, preserving controls over the business, and creating a sustainable revenue (Runyan et al., 2008). A small business oriented strategic posture, much like entrepreneurial orientation, directs decision-making, business behaviour, and eventually, business performance and growth.

However, in the existing body of literature, there are controversies over the observations of SBO and EO as two separate constructs. Runyan and his colleagues point out that SBO has inaccurately been depicted as the opposite of EO in early research. To be more specific, it is incorrect to assume that a firm with a low level of EO would have a high level of SBO and vice versa (Runyan and Covin, 2019). This suggests that if EO and firm growth are positively correlated, then high levels of growth are linked to high levels of EO, whereas low levels of growth would be linked to low levels of EO or high levels of SBO. The most recent study of SBO suggests that the SBO phenomenon is often prevalent among but not exclusive to the owner managers of small businesses (Birkinshaw and Gupta, 2013; Runyan and Covin, 2019). As a result of a firm's business operations being managed according to SBO posture, it embodies a specific mindset which captures the values of the owner managers. Runyan and Covin (2019) conceptualise SBO as a phenomenon that is independent of firm size and age that occurs at individual-level and embodies distinct ideals that dictates how business operations should be conducted. According to Van Rekom, Van Riel and Wierenga (2006), the values that are explained in the SBO construct may eventually become the core values of the company, representing a consistent strategic influence for the company throughout the course of time. Recent research demonstrates that SBO and EO are theoretically and empirically separate and distinct strategic postures (Runyan and Covin, 2019). Owner managers can and do exhibit evidence of both SBO and EO mindsets, although the extent to which they exhibit each will vary according to the managerial or entrepreneurial 'type' in question (Douglas and Fitzsimmons, 2013). Following the most recently research, this study aims to explore the relationships of both strategic postures with business performance

respectively, instead of erroneously assuming they are inversely related; and further empirically examine the role of EO and SBO as performance-enhancing strategic postures within Chinese small business context.

## **2.6 Network Resources**

In order to promote business performance, it is essential for firms to possess necessary resources to capture market opportunities effectively (Barney, 1991). Entrepreneurial behaviours are followed by the dynamism and changes, which generate an evolving series of challenges and network relationships that are critical for a firm to manage with an aim towards firm growth (Runyan and Covin, 2019). Wang, Thornhill and De Castro (2017) emphasise that small and post start-up businesses are at a disadvantage due to their lack of experience, and may not possess valuable resources to effectively grasp market opportunities. Consequently, business network ties and institutional supports provide an alternative resource base for small and nascent enterprises due to the fact that they are less complex and easier to obtain in nature (Donbesuur, Boso and Hultman, 2020). Moreover, according to the resource-based view of the firm (RBV), a firm can achieve competitive advantages and, eventually, superior firm performance, by accumulating and deploying its valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). It is argued that social capital can be converted into prominent tangible and intangible assets, such as elevated trust and cooperation from counterparties, financial capital and trading at favourable prices (Kuratko, D.F. & Welsch, 2004). The prior literature notes that managerial network ties offer critical ways to access resources (Peng and Luo, 2000; Su, Xie and Wang, 2015), and facilitate entrepreneurs to identify opportunities, facilitate the flow of knowledge among their business counterparties, and build legitimacy for their firms, thereby improving the effectiveness of their strategies and achieving a higher level of business growth (Stam, Arzlanian and Elfring, 2014; Jiang *et al.*, 2018).

Especially in the Chinese context, Xiao (2011) indicates that due to the greater quality of human capital in China, Chinese SMEs benefit from social networks, because they are able to compensate for the lack of available capital resources and the reluctance to use external long-term financial resources. As one of the largest emerging markets worldwide, China shares many characteristics with other countries. Nonetheless, the rules for market competition remain less predictable and less explicit in the Chinese emerging economies than most western economies (Gao, Xu and Yang, 2008). As such, network ties are prevalent in emerging economies, as “the ‘institutional voids’ force managers to rely on personal ties and connections” (Li, Poppo and Zhou, 2008; p.384). Given existing research claims that the



Chinese emerging economy offers an important yet idiosyncratic setting to examine the conditional value of network ties (e.g. Lee and Tsang, 2001; Sheng, Zhou and Li, 2011; Luo, Huang and Wang, 2012). As such this study further explores the role of network ties in the growth process of small businesses in China.

Building managerial connections is largely centred on network ties, which can be defined as both an individual's endeavour to mobilise personal connections to capitalize entrepreneurial opportunities and a firm's efforts to cooperate with others to achieve and maintain a competitive advantage (Peng and Luo, 2000). Existing literature reveals different types of network ties may function differently, especially for those new established firms (Peng and Luo, 2000; Su *et al.*, 2008). Generally speaking, two types of network ties have been identified in the literature: the first type is the connections with government officials at various levels of governmental, bureaucratic, and regulatory agencies, which is often referred to as political network ties. The second type is the connections with executives at other business organisations, such as buyers, suppliers, competitors, and other business intermediaries, which is referred to as business network ties (Xin and Pearce, 1996; Peng and Luo, 2000). In general, firms, especially small and medium-sized enterprises, cultivate connections with different entities to maximise their economic benefits. Managerial network ties can be viewed as a strategic posture or a type of informal institutional arrangement that substitutes for formal institutions, especially in transition economies, since social capital embedded within and derived from a company's networks and connections can be leveraged for its own benefits (Park and Luo, 2001; Su, Xie and Wang, 2015). The following sections elaborate on the two types of network ties.

In general, firms, especially SMEs, build various business connections with different entities to help them maximise their economic returns. Managerial network ties can be regarded as a strategic posture or an informal governance form because social capital embedded within and derived from networks and linkages possessed by a firm can be employed for its benefits (Park and Luo, 2001).

### **2.6.1 Political network ties**

Following Li and Zhang (2007) this study defines political network ties as the extent to which managers cultivate relationships with government officials and regulatory authorities. As observed by previous research, transition economies represent a context of institutional development characterized by the absence of a clearly defined legal framework that can be used to define property rights (Hoskisson *et al.*, 2000; Li and Zhang, 2007). Such institutional underdevelopment creates uncertainties, a risky business environment, and erodes trust

among people in transitional economies (Li and Atuahene-Gima, 2001); and as a result of relatively weak legal frameworks, opportunism prevails and property rights cannot be enforced, even where legislation has been enacted (Li and Zhang, 2007). Therefore, such institutional characteristics might have an impact on the role of managerial resources in firm performance, especially for those firms in transition economies such as China (e.g. Li and Atuahene-Gima, 2001; Peng, 2003; Shi, Markóczy and Stan, 2014; Shu, Ren and Zheng, 2018).

In the management literature, political network ties have emerged as a key issue to be addressed in China and other transitional economies (Shi, Markóczy and Stan, 2014). Extensive research remarks the significant roles of political ties in Chinese state-owned enterprises (Li and Tang, 2009; Luo, Huang and Wang, 2012; Meyer and Peng, 2016). Debate remains whether political ties will lose their value with the political and economic liberation over time. Li and Zhang (2007) suggest the role of government authorities is being transformed from a resource controller to a resource facilitator.

In most emerging economies, the government still controls a significant amount of strategic factor resources (e.g. allocating land, distributing raw materials, issuing financial help and bank loans, providing tax breaks, approving business projects etc.) that shape the firm's competitive environment (Sheng, Zhou and Li, 2011). Considering the power of strong political ties would grant access to these valuable resources and can help relieve firms' resource inadequacy, business owner managers tend to make more efforts to maintain a better connection with government officials. Moreover, regulatory policies and industry development plans are developed by governments in emerging economies to guide economic activities. Political network ties can provide firms with access to this crucial information (Hillman, Zardkoohi and Bierman, 1999). It is further suggested by scholars that Chinese firms with strong political network ties can improve or obtain political legitimacy, firms with political legitimacy are then able to receive exclusive government endorsements and favourable treatment and subsequently have superior outcome performances (Peng, Tan and Tong, 2004; Sheng, Zhou and Li, 2011).

Research indicates the government and authorities provide insufficient support and market legitimacy to non-state-owned enterprises, compared with state-owned ones. Considering the majority of SMEs in China are privately owned, the debate over the strength of political ties attracts some scholarly attention. Given the underdeveloped institutional arrangements in China, Tian (2001) argues the underdeveloped institutional arrangements may result in a weak regulatory framework, which can fail to effectively monitor and control corruption (Tian, 2001). In such an environment, political network ties could be exploited by individuals seeking to gain an unfair advantage in their entrepreneurial endeavours, negatively impacting small business

growth and competition (Li, Peng, Macaulay, & Luo, 2013). In the absence of a well-defined regulatory system, entrepreneurs may engage in bribery and kickbacks to secure government contracts, permits, or licenses necessary for their businesses to operate and grow (Li, Xin, & Liu, 2004). These corrupt practices can distort the market, making it difficult for small businesses to compete fairly and develop sustainably (Wei, 2007). Xin and Pearce (1996) dispute the efficiency and influence of political network ties in obtaining necessary resources to support firms' new initiatives. Sheng, Zhou and Li (2011) found a negative effect of political ties on firm performance at low levels of enforcement inefficiency. However, scholars argue that the nature of political ties is changing in the Chinese context, whether managers are able to benefit from political network ties still requires further investigation and justification (Wang, Shi and Barnes, 2015). Considering entrepreneurship development in China has entered into a golden era since 2015 and a new State Council document distributed in July 2017 requires various ministries to lead or provide strong support in terms of financing, information, and technology for start-up enterprises and innovation initiatives (He, Lu and Qian, 2019), an investigation of the potential influence of political network ties could contribute to Chinese academic scholars, business managers and policy makers.

### **2.6.2 Business network ties**

In addition to political network ties, previous research also underlines the important role of business network ties. Business network ties refer to "linkages among parties involved in a business transaction" including buyers, suppliers, competitors, and other business intermediaries (Sheng, Zhou and Li, 2011; Boso, Story and Cadogan, 2013). Firms benefit from political network ties by gaining access to regulatory resources, while businesses benefit by gaining access to valuable market resources. In the context where institutional frameworks are underdeveloped, firms might suffer from liabilities such as newness, environment uncertainties and limited resources, business network ties serve as essential strategic opportunities for firms to obtain information on market gap, customer needs and survival (Donbesuur, Boso and Hultman, 2020).

The literature places emphasis on the importance of business network ties for business success because it provides several benefits. First, according to Sheng, Zhou and Li (2011), business owner managers cultivate and maintain personal interactions and relationships with different business counterparties in order to obtain critical market information, which may not be available on the open market, such as product details, pertinent events or changes in the market, and information about trustworthy and untrustworthy partners. Second, business network resources are considered to be valuable assets that facilitate acquisition of resources

and knowledge that is critical for firm survival (Schoonjans, Van Cauwenberge and Vander Bauwhede, 2013). Li and Zhou (2010) suggest business network “ties with the business community provide opportunities for shared learning, transfer of inside information, and resource exchange to adapt to the unfamiliar market” (p. 858). Third, Rao, Chandy and Prabhu (2008) note that by establishing connections with business networks, firms can obtain network legitimacy in a business community. This legitimacy can be considered as a strategic resource that supports firms in terms of attracting potential business partners, facilitating commercial transactions, and offering economic benefits (Tina Dacin, Oliver and Roy, 2007).

To be more specific, businesses may benefit from establishing business relationships with suppliers to obtain quality materials, efficient service, and timely deliveries. In response, maintaining similarly good relationships with buyers may enhance customer loyalty, sales volume, and reliable payment (Peng and Luo, 2000). In addition, for innovative firms, Gao, Xu and Yang, (2008) suggest strong business ties with the suppliers may help firms identify potential technical problems and contribute to specialized information, technologies and capabilities that are crucial to the development of new products. As the business network ties of buyer and supplier relationship are predominantly built on personal trust, commitment, and mutual dependency, it prevents opportunistic behaviours, lowers the perceived risks and transaction costs, and fosters long-term collaboration (Claro, 2004). Moreover, building business ties with competitors may be able to form inter-firm alliances and engage in implicit collusion, while minimising uncertainties (Peng and Luo, 2000; Luo, Huang and Wang, 2012). For example, Companies can differentiate themselves by learning more about their competitors' technology levels and strategies; and by collaborating with competitors, firms can accelerate their R&D capabilities, reducing the risk and time involved in product development. Building network ties with other business intermediaries is also important in terms of obtaining support for firm growth and business development. According to Wang, Li and Chang (2016), firms can advance their entrepreneurial activities and business operations by actively interacting with different business actors and intermediaries such as business associations, science parks, business incubators, and financing and training institutions, which in turn will enhance their business capabilities and performance outcomes.

## **2.7 Chapter Summary**

This chapter has presented a review of existing literature regarding entrepreneurial and small business growth outcomes, including firm growth and entrepreneurs' growth intention. The chapter not only provides a variety of previously studied antecedents of growth intention, but also provides reviews on factors that influence small business growth. To better understand

the complexities between growth intention and firm growth, this study introduces internal and external resources to the firm that links with intention and firm growth and facilitates the business growth process: firms' strategic postures (including entrepreneurial orientation and small business orientation) and network resources (including political network ties and business network ties). The existing literature indicates that while the body of work related to small firm growth is substantial, it still requires further development. Of the many antecedents of firm growth in the literature, few directly address topics related to the development of growth intention, as opposed to growth.

Intentions for developing a business differ in importance for founders with a different mindset. EO and SBO mindsets have their origins in the literature on entrepreneurial decision making, strategic choice and management styles. Both are strategy-making postures and consist of processes which relate to the outlook founders have towards competitiveness, innovation, risk-taking, and the level of emotional attachment they feel towards their venture. Intentions for developing a business are also constrained by network resources. In bringing together these issues that have been studied independently, but rarely in concert, this research aims to illuminate the complexities in the growth process that explain in large part whether growth intention will lead to firm growth. In the next chapter, this dissertation will further develop these concepts into a research model that attempts to resolve some of the logical implications of the previous literature.

## **Chapter 3: Conceptual Framework and Hypotheses Development**

### **3.1 Introduction**

As discussed in chapter two, studies have shown that the pursuit of growth is an intended personal decision of entrepreneurs (Wiklund and Shepherd, 2003). Previous research on small firm growth has focused extensively on the antecedents of growth as an outcome, or a positive growth intention outcome; as such it has overlooked the factors that could explain why so many small firms neither grow nor fail. Wiklund and Shepherd (2003) note that although whether to start a business is a choice of entrepreneurs, firm growth should not simply be considered a natural phenomenon because the decision of growth depends upon perceived opportunities, skills, resources, and the entrepreneur's willingness to do so.

The current chapter first introduces the theoretical underpinning and then discusses the development of a conceptual model that relates entrepreneurs' growth intention to business growth. In studying the growth intention relationship with business growth, this study explores the complexities of this relationship by investigating characteristics and prior knowledge of entrepreneurs: the potential mediating effect of entrepreneurial orientation (EO) on interpretations that lead to firm growth; the potential moderating effect of small business orientation in the intention-growth link; and the role of network ties as serial mediators in the growing process.

### **3.2 Theoretical Foundation**

Having examined the focus of the current study, it is important to examine the theories that underpin it. This study draws on three main theories to achieve the objectives. These include theory of planned behaviour (Ajzen, 1991), the resource-based view (Wernerfelt, 1984; Barney, 1991), and social capital theory (Nahapiet and Ghoshal, 1998). These theories are explained in the following sections.

#### **3.2.1 Theory of planned behaviour (TPB)**

The overarching theory of this model is theory of planned behaviour (TPB). According to Schlaegel and Koenig (2014), a large number of studies have used the TPB to predict entrepreneurial intentions. However, given that some people start businesses reluctantly, the TPB may be better suited to explain entrepreneurial ambitions than new business creation

(Kolvereid and Isaksen, 2017). As Hermans et al. (2015) asserted, growing a business requires far more commitment than merely starting one.

Research employed TPB developed by Icek Ajzen (1991) has verified that the model is a well-established and validated psychological theory claiming to explain and predict specific behaviours in specific settings (e.g., Kolvereid, 1996; Krueger, Reilly and Carsrud, 2000; Schlaegel and Koenig, 2014). As a continuation of the theory of reasoned (Ajzen and Fishbein, 1975), TPB adds aspects of individual ability to the theory. They extended the concept by incorporating behaviours over which people have inadequate volitional control.

According to TPB, three factors in general can be used to account for variations in entrepreneurial intentions as well as to predict entrepreneurial behavioural intentions. These factors are attitude towards the behaviour, subjective norms, and perceived behavioural control. Attitude towards the behaviour is described as an individual's awareness of the outcome of behaviour and the degree to which an individual has a positive or negative evaluation of performing the behaviour (Ajzen, 1991). Social norms comprise perceived social beliefs concerning significant others, such as friends, family, and other important individuals. Intention to engage in the behaviour is directly influenced by the values and norms held by these individuals and the social pressure they face to do so (Wiklund, Davidsson and Delmar, 2003). Perceived behavioural control refers to an individual's belief that he or she can execute the intended behaviour and the perception that the behaviour is under his or her control. In the context of entrepreneurship, it is described as the perceived ease or difficulty in taking the appropriate steps toward becoming an entrepreneur (Schlaegel and Koenig, 2014). As such, TPB indicates when the individual has complete control over his or her behaviour, intention fully mediates the effect of perceived behaviour control to intended behaviour. Kautonen et al. (2015) further provided evidence in the circumstance where individuals have inadequate behaviour control, they found perceived behavioural control is strongly correlated with actual entrepreneurial behaviour. Provided that people are capable of making reliable judgments regarding the reliability of their judgments, perceived behavioural control can serve as a proxy for actual behavioural control.

It is also important to note that not only perceptions of control, but also factors associated with the actual control over the behaviour can have an impact on the intended behaviour jointly. As far as control factors are concerned, they can be both internal and external to the actor. According to previous research, the ability of entrepreneurs to manage business development is a crucial internal factor when it comes to firm growth (Box, Watts and Hisrich, 1994; Gilbert, McDougall and Audretsch, 2006). Factors external to the entrepreneur, but internal to the firm, include requisite resources and the opportunities that the firm has at its'

disposal (Kolvereid and Amo, 2019). However, Sexton and Bowman-Upton (1991) criticize growth models that ignore the intentions of small business managers who make strategic decisions and argue that those intentions limit how much growth the business can achieve. In addition, growth opportunities, skills, and resources available to the entrepreneur could also be constraints to growth. A revised version of this argument was suggested by Covin and Slevin (1997) in which growth is a function of the growth intention, moderated by market constraints, entrepreneurial capability, and organizational resources.

### **3.2.2 The resource-based view (RBV)**

Individuals may possess different levels of information, knowledge, resources and capabilities. These individual differences may be the cause of the fact that some people are capable of identifying opportunities, but others are not. Resource-based views (RBV) contribute to the field of strategic management by emphasizing the role of heterogeneity in information and resources in the discovery of opportunities. It has become the norm in firm growth literature to use resource-based view (RBV) to study firm growth (Zupic and Drnovsek, 2014). As such, the second major theoretical perspective that guides the integration of the research constructs of business growth is the resource-based view (RBV).

Edith Penrose (1959) was among the first scholars to recognize the importance of resources to a firm's competitive position, which led to the development of the RBV. According to Penrose (1959, p.31), the concept of a firm was given a new, dynamic interpretation as "*an administrative organisation and as a collection of resources*". In addition, she further suggests these resources may only contribute to a firm's competitive position if their potentially valued services are made available to the firm.

Following Penrose (1959), Wernerfelt (1984) developed the resource-based view (RBV) and addressed the importance of resources for the firm's competitive advantage and performance. It suggests that firms with resources that meet valuable, rare, inimitable and non-substitutable criteria will enjoy sustained competitive advantages and, consequently, superior firm performance. As these resources are valuable and rare, this allows firms to create economic value (Barney, 1991); while inimitable and non-substitutable features allow firms to sustain resource heterogeneity, which represents an opportunity to gain a competitive advantage, leading to economic rents or above-average returns, that is, firm growth (Das and Teng, 2000). Defining resource, competitive advantage, and sustained competitive advantage are the three key elements that contribute to the understanding of the RBV of a firm. (Lockett, Thompson and Morgenstern, 2009). In management literature, it is generally accepted that a firm must "continuously acquire, develop and upgrade" its "rare, valuable and difficult to imitate or



substitute” resources for growth to remain successful in a changing environment (Montgomery and Wernerfelt, 1988; Barney, 1991; Nason and Wiklund, 2018).

Many management academics argue that firms should not only be devoted to expansion, but also make it a priority to avoid overlooking strong growth (Child, 1972; Wang, 2008). In addition, the RBV of the firm and the strategic choice literature emphasise the linkage between managerial competence and strategy (Baum, Edwin and Ken, 2001). As the strategy literature argues, a firm achieving sustained competitive advantage and exceptional performance depends on the firm’s heterogeneity and the acquisition and utilization of unique, non-imitable, and non-tradable resources (Barney, 1991; Bowen and Wiersema, 1999). These resources that are unique to the firm not only provide the fundamental compass for its strategy, but they also serve as the major source of the firm’s competitive advantage, which ultimately results in generating a higher rate of economic return (Grant, 1991). RBV suggest the success and failure of firms are tied to their unique resources and capabilities. In this regard, for testing the effects of internal factors on firm-level performance disparity, RBV has proven to be an effective theoretical foundation.

### **3.2.3 Social capital theory**

According to the RBV, organizations are viewed as “bundles of resources” (Wernerfelt, 1984; Barney, 1991). It has been argued that social capital was also considered a valuable resource because it facilitates the conception of strategies, and can be used to seize opportunities (Grant, 1996; Liao and Welsch, 2003). According to Nahapiet and Ghoshal’s (1998) social capital theory, social capital is described as an asset embedded within, and derived from the network of relationships possessed by individuals, communities or social units. As a conceptual framework for describing and characterising a firm’s relationships, social capital has gained prominence as a complex concept (Inkpen and Tsang, 2005). Adler and Kwon (2002) define social networking as “*the resource available to actors as a function of their location in the structure of their social relations*” (p.18).

In later years, the concept of social capital has found its way into entrepreneurship research (e.g., Liao, Welsch and Moutray, 2008; Boso, Story and Cadogan, 2013). There is wide agreement in entrepreneurship literature that social capital, or the resources embedded in entrepreneurs’ networks, is critical for business performance. Kuratko & Welsch (2004) postulated social capital can be converted into tangible and intangible assets, such as elevated trust and cooperation from counterparties, financial capital, and trading at favourable prices. Moreover, social capital can be seen as an instrumental resource, through which entrepreneurs would be able to identify opportunities, obtain financial support, facilitate

transactions and build legitimacy for their firms, which in turn improves the effectiveness of their strategies and achieves better performance outcomes (Liao, Welsch and Moutray, 2008; Boso, Story and Cadogan, 2013; Stam, Arzlanian and Elfring, 2014). Consideration of social network ties as a potential influential factor of the link between strategic orientations and performance is of great importance in less developed economy contexts because the markets in such contexts are highly dominated by social relations and institutional frameworks that profoundly influence business activities (Lee, Lee and Pennings, 2001; Boso, Story and Cadogan, 2013). Therefore, in this study, we further link social capital theory with the resource-based view of the firm to investigate the complexities in the growth intention-firm growth linkage.

In order to understand the role of social capital in managerial behaviour, this study considers the means by which goodwill as growth intention derived from social capital offers access to cognitive resources. Schoonjans et al. (2013) found social capital has a significant impact on firm growth as the influence of social networks affects the information availability to owner managers and the way in which owner managers are viewed and treated by other interested counterparties (Shane and Cable, 2002). Adler and Kwon (2002) highlight the information benefits from social capital as it offers greater scale of access to the resource of information and improves the quality, relevance, and timeliness of the information. By providing owner managers with information that enables them to be aware of the existence of opportunities as well as to assist them in achieving firm growth, intention models help the manager make good judgments about business development and identify new ways of opportunity exploration. It also has been noted in the previous entrepreneurship literature that social capital influences growth aspiration and thus affects entrepreneurial performance (Van Stel and Storey, 2004). As such, social capital theory plays another important role in the development of entrepreneur's intention (Liao and Welsch, 2003).

### **3.3 Growth Intention and Firm Growth**

The TPB assumes intention to be an indicator of motivational factors which impacts an intended behaviour; it captures the intensity of an individual's willingness to try, and it reflects how much effort an individual plans to exert to engage in the behaviour to reach their goal achievement. As Ajzen stated (1991, p.181) "*As a general rule, the stronger the intention to engage in a behaviour, the more likely should be its performance.*" Previous studies have found a direct, positive and relatively strong relationship between owner managers' desire (other terms including: intention, aspiration and motivation) and firm growth (Gundry and Welsch, 2001; Wiklund and Dean Shepherd, 2003; Douglas, 2013).

Consistent with previous literature (Stewart and Roth, 2001; Rauch *et al.*, 2009), we define an entrepreneur as the founder, owner and manager of a small business. Based on the previous discussion, we define growth intentions as being an entrepreneur's aspirations for the growth trajectory he or she would like the venture to follow; and the growth of the firm can be defined in several measures, such as revenue generation, value creation, and expansion in terms of the size of the business. Literature has typically presumed firms to have managers with strong growth intentions (Alvarez and Barney, 2004; Chen, Williams and Agarwal, 2012). Such managers are presumed to have a propensity towards changing the way in which firm resources are allocated and utilised. There are significant reasons to question the assumption that managers seek growth. It is difficult to find research data identifying managers who intend for their firms to fail, but there is research indicating that many small firms do not aggressively pursue growth (Edwards, Franks and Storey, 1994). The phenomena that most small firms remain stable or only grow slowly, conflicts with the common assumption in the entrepreneurship literature that most managers seek growth, when in fact studies have indicated that a majority of managers do not have strong growth aspirations (Delmar and Wiklund, 2008; Zhao, Seibert and Lumpkin, 2010).

In the context of firm growth, volitional control is of particular importance as it relates to a person's behaviours. The decision to launch a business, whether to grow the business and how to grow the business - particularly in small organisations - is inherently determined by the intention and motivation of owner managers or entrepreneurs (Kolvereid, 1996; Wiklund and Dean Shepherd, 2003; Baum and Locke, 2004; Kolvereid and Åmo, 2019). Thus, it is reasonable to believe that the personal motivation and growth intention of the owner manager is linked to growth outcomes. Business growth accompanies radical changes to the characteristics of the firm, and these changes may be at odds with the initial goals of the founder. For instant, Wiklund (1998) found small business managers are concerned with changing work conditions, which affects their motivation for expansion. The results of this study show one could speculate that motivational differences may be a contributing factor in explaining why there are such big differences among small firm outcomes. At the same time, it has been argued by a number of scholars that growth models do not adequately consider an entrepreneur's attitude towards firm growth. Achtenhagen *et al.* (2010) conducted a meta-analysis and recognised that there has been little attention paid to entrepreneurs as enactors of business opportunities in growth studies, microeconomics is reliant on growth as an assumed function, while individual intention for growth has not been sufficiently acknowledged by the theory.

In a recent study, Douglas (2013) stressed that in the nomenclature of growth intention in the literature, growth aspiration, growth motivation, willingness to grow, and propensity to grow

are all equivalent to growth intention. Following his notion, we were able to identify more evidence in the existing literature to support the hypothesised relationship of the current study. For instance, according to Wiklund and Shepherd (2003), the pursuit of growth is a deliberate and personal decision that entrepreneurs make based on their own goals and aspirations, and they further provide empirical evidence to show that there is positive relationship between an entrepreneur's growth intention and actual firm growth. Drawing on TPB, Mappigau and Maupa (2013) note that the intention of the entrepreneur is crucial when it comes to understanding the process of entrepreneurship towards business growth. In their six-year longitudinal study, Baum and Locke (2004) discovered that venture growth was strongly and directly tied to the goals that entrepreneurs have for growth. Vivarelli (2004) found entrepreneurs with a positive entrepreneurial mindset are more likely to succeed in terms of business performance than those who start the business for defensive reasons (e.g., escaping unemployment). In addition, Delmar and Wiklund (2008) and Bradley et al. (2011) provide further evidence that growth motivation and growth-oriented intent contribute positively to business growth in terms of growth in sales and employment growth. Based on these premises and given previous research concerning the relationship between growth intentions and firm growth, this study establishes a baseline model by investigating the direct and positive relationship between growth intention and firm growth to supplement the scattered evidence of this link. Thus, the following hypothesis is suggested:

***H1: Entrepreneur's growth intention is positively associated to firm growth.***

Additionally, there is an issue that needs to be addressed in this proposition: traditionally, business growth has been measured at firm-level, whereas intention is a construct that is typically measured at the individual-level. Therefore, it is necessary to pay attention to the transition between levels of analysis. Levie and Autio (2013) established that in young and small firms particularly, the intention of the owner and of the enterprise are closely intertwined. Consequently, growth intentions of the lead entrepreneurs for their businesses are a reflection, at least in part, of their own motivations for running the business.

### **3.4 Strategic Postures and Firm Growth**

As we discussed earlier, research examining the link between growth intention and growth appears to support this view as it is argued to be a positive relationship between growth intention and business growth (e.g., Kolvereid and Bullvag, 1996; Baum, Edwin and Ken, 2001). However, most studies have emphasised that translating intention into goal achievement might be challenging and problematic as it may require dealing with obstacles of

enactment such as lack of supply, resources, feasibility, and willpower (Bandura and Locke, 2003; Rasmussen *et al.*, 2006). Hence, it becomes necessary to dig into the growing process and explore the relationship between growth intention and firm growth. Strategic decision-making literature is drawn from the behavioural theory of the firm, which states that top managers play a crucial role in setting the path for their firm (Khedhaouria, Gurău and Torrès, 2015). The current study posits that the influence of an entrepreneur's growth intention on business growth is influenced by the level of their strategic postures, namely EO and SBO.

### **3.4.1 EO as the missing link between growth intention and firm growth**

EO is defined by the processes, practices, and decision-making activities of a business that lead to a new market entry. The EO construct is characterized by one or more dimensions listed in the definitive remark by (Lumpkin and Dess, 1996): "*a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities*" (p.137). This study adopts the three-dimension EO construct: innovativeness, proactiveness, and risk-taking (Miller, 1983). The meta-analysis conducted by Rauch *et al.* (2009) indicates the higher the levels of entrepreneurial activities of these three dimensions, the higher the EO of the firm, which in turn translates into greater firm performance.

According to Covin and Slevin (1989), the attitudes, entrepreneurial tendency or managerial styles of owner managers are what contribute to the development of the EO of the firms. EO involves the intentions and actions of owner managers in a dynamic generative process aimed at venture survival and development (G.T, Lumpkin and Dess, 1996). It serves as the basis for management's capacity to develop strategies, make business decisions, establish goals, keep the organization's integrity intact, and generate unique competitive advantages for the firms (Rauch *et al.*, 2009). Since EO can define an organisation as the result of an individual's behaviour, especially for a small or entrepreneurial organisation, the EO dimensions could be measured for an individual. Scholars have considered the issues raised by EO at an individual level and a firm level. In the recent study of Covin and Mille (2014), they noted that the unit of EO analysis is often ambiguous. When examining entrepreneurial behaviours, mindsets, and decision-making processes of individuals within the context of their roles in a firm or as independent entrepreneurs, EO has been fairly frequently linked to individual level factors in the literature (Wales, 2016; Bolton and Lane, 2012). Especially in small business settings where the founders' preferences permeate every aspect of the organization and guide their business behaviours. Moreover, small businesses are often characterized by a unique culture and set of values that reflect the entrepreneur's vision and beliefs. As a result, the firm's

orientation towards entrepreneurship can become ingrained in its culture and values, leading to a collective mindset that encourages entrepreneurial behaviour. In this case, EO is a firm-level factor that represents the shared attitudes and practices within the organization. It is generally agreed that, in small business settings, firm-level EO is derived from individual-level EO, as it is measured by items including attitudes, self-efficacy and behaviours in the scale of Miller (1987) and Covin and Slevin (1991). An investigation of how entrepreneurs perceive their business behaviours - particularly innovativeness, risk-taking propensity and proactiveness - can provide an explanation of how successful these individuals might be as entrepreneurs. Following this view, it leads to an investigation of EO's relevant to this study as an important proxy for growth intention in relation to firm performance.

In the existing body of research, there are controversies over the observations of the relationship between entrepreneurial orientation and entrepreneurial intention (Lee *et al.*, 2011; Bolton and Lane, 2012; Shepherd, Williams and Patzelt, 2015). Researchers have found that innovativeness and risk-taking propensity are the most common attribute factors influencing entrepreneurial growth intentions (Begley and Boyd, 1987; Lee and Tsang, 2001). It is more common for entrepreneurs with strong growth intentions to be involved in and willing to engage in entrepreneurship activities, including taking risks to invest, making use of business opportunities with innovative approaches, or proactively improving their business performance. Such view can be interpreted through cognitive and motivational mechanisms: Growth intention reflects an entrepreneur's desire and ambition to expand their business, which may be driven by factors such as personal goals, market opportunities, and the need for achievement. This intention activates cognitive and motivational processes that enable entrepreneurs to identify and pursue growth opportunities by adopting an entrepreneurial orientation (Miller, 1983). In other words, growth intention serves as a catalyst for entrepreneurs to display higher levels of proactivity, innovativeness, and risk-taking behaviour. Empirical evidence can be found in the work of Baron and Tang (2011), they discovered positive feelings of business owner towards an entrepreneurial venture are positively related to firm-level innovation. As suggested by early observations made by Bateman and Crant (1999), the level of proactiveness may have an impact on a person's choice of employment and, in particular, entrepreneurial endeavours. According to the research conducted by Simsek *et al.* (2010), CEO personalities that reflect higher core self-evaluations have a stronger positive influence on firms' EO. This is especially true for businesses that operate in environments that are more dynamic rather than stable. Locke and Latham's Goal Setting Theory (1990) also posits that setting specific, challenging goals leads to higher performance. Entrepreneurs with growth intentions set ambitious growth targets, which can trigger a strong commitment to achieve these goals. In order to reach these targets, entrepreneurs are likely

to adopt an entrepreneurial orientation, as it encompasses the strategic behaviours necessary for growth and competitive advantage (Covin & Slevin, 1989). The Resource-Based View (RBV) of the firm suggests that organisations can achieve a sustainable competitive advantage by leveraging their unique resources and capabilities (Barney, 1991). Entrepreneurs with strong growth intentions are likely to recognise the importance of developing and exploiting their resources, which will lead to the adoption of an entrepreneurial orientation. By embracing innovation, proactiveness, and risk-taking, entrepreneurs can effectively utilize their resources and capabilities to create value and achieve growth (Wiklund and Shepherd, 2005). In addition, some scholars suggest EO might be related to growth intention in a reciprocal manner, in the sense that entrepreneurs with strategic business plans will have a higher level of growth intention (Gundry and Welsch, 2001; Delmar and Shane, 2004). However, the research that claims the inverted association of growth intention and EO usually appears to be conducted in the university context, and the results indicate a positive impact of EO on students' entrepreneurial intentions (Bolton and Lane, 2012; Koe, 2016). As such, it is clear from the above discussion that growth intention is closely associated with EO in terms of innovativeness, risk taking and proactiveness. Hence, this study suggests a positive relationship between growth intention and EO.

Extensive EO research contributes to the effectiveness of the link between EO and firm performance and provides fruitful evidence, either empirically or theoretically, to support such a relationship (Rauch *et al.*, 2009). Theoretical scholars explain how entrepreneurial orientation is linked to firm growth by investigating different dimensions of EO. According to Rauch (2009), innovation has the strongest positive relationship with firm growth among all of the EO dimensions. The innovative behaviours of firms, such as offering new products or services that shift resources away, thereby enable innovative firm to grow. In other words, innovativeness provides firms with opportunities to stand out among competitors, allows them to address changing customer demands, and thus achieve superior performance (Wiklund and Shepherd, 2005; Huang, Huang and Soetanto, 2022). However, some suggest innovativeness may negatively impact SMEs or larger companies in circumstances when they are short of resources, capabilities, and experience in performing innovation activities (Nicholas, Ledwith and Perks, 2011). In addition to innovativeness, Rauch *et al.* (2009) indicates proactiveness is the other integrating dimension of EO that offers a higher-level positive relationship with firm growth. Firms' willingness and propensity to engage in opportunity-seeking, such as anticipating market demands and introducing products prior to its competitors, might contribute to firm growth (Lumpkin and Dess, 1996). Risk-taking activities allow firms to capitalise on potential new market opportunities and remain competitive in the marketplace, which leads to financial growth (Dai *et al.*, 2014). Nevertheless,

risk-taking entails a possible result of failure. Huang, Huang and Soetanto (2022) note that the potential failure and losses resulting from high levels of risk-taking may cause considerable business disruptions, or even threaten the survival of the firm. Recent evidence suggests that innovativeness, risk-taking and proactiveness have shared effects on firm performance (Lomberg *et al.*, 2017). Scholars have indicated that the scale for measuring unidimensional EO has a high factorial validity such that it is appropriate to combine all three dimensions in a single scale. Empirically speaking, evidence from previous literature has shown entrepreneurial orientation has a significant and positive impact on firm growth, particularly within small business contexts. Rauch *et al.* (2009) use meta-analysis to investigate the link between EO and performance and reveal 8 studies that examine the relationships in micro business (less than 50 employees) and 29 studies in small businesses (50-499 employees) with a correlation of 0.345 and 0.198 respectively. Covin, Green and Slevin (2006) found the relationship between EO and firm growth in terms of sales rate is more positive among firms that employ autocratic decision-making styles. Brown, Davidsson and Wiklund (2001) argued that one essential characteristic that defines the entrepreneurial strategic postures of a firm is precisely its growth orientation. As such, it has been suggested in the literature that EO plays a role in bridging the link between an entrepreneur's growth intention and firm growth.

Based on the above discussion, risk taking, innovation and proactiveness appear to be key factors that companies need in order to maintain growth and profitability in a changing and turbulent environment. By adopting EO as a firm's strategic posture, they would be able to develop innovative products and services, proactively promote their products that lead to strong firm performance, and benefit from risk taking by seeking new opportunities (Lumpkin and Dess, 1996). Thus, firms implementing a strong EO would outperform others and contribute to firm growth indicators, such as sales growth and return on investments (Covin, Green and Slevin, 2006; Rauch *et al.*, 2009; Anderson *et al.*, 2015). In line with previous studies identifying the influence of EO and growth-oriented intent towards firm outcome performance, the two variables are positively related, and in agreement with the widely accepted notion that EO has a positive influence on firm growth (e.g., Covin and Slevin, 1991; Delmar and Shane, 2004; Wiklund and Shepherd, 2005) This study proposes that EO plays a role as a mediator in the relationship between an entrepreneur's growth intention and firm growth. Thus, we propose the following hypothesis:

***H2: Entrepreneurial orientation mediates the association of an entrepreneur's growth intention on firm growth; a strong growth intention of an entrepreneur leads to a higher level of its firm's EO, which in turns leads to a stronger firm growth.***



### 3.4.2 SBO and firm growth

The literature provides fruitful evidence to support the notion that “*the more firm owners adopt an EO, the more they can achieve competitive advantage and enhanced performance*” (Runyan, Droge and Swinney, 2008; p. 567). Small businesses frequently face challenges in their efforts to create new values and innovations, which is one of the most common obstacles they encounter (Runyan and Covin, 2019). Carland, et al. (1984) argue that there are a substantial number of small business owners who do not strategically posture their firms towards innovative, proactive or risk-taking activity. These small businesses stay in a plateau state size-wise or in a slow-growing mode that promotes and reflects long-term commitments, mutual benefits and collective welfare. Surprisingly, relatively few studies integrate the small business oriented postures to examine EO and firm performance implications (Madison, Runyan and Swinney, 2014). The majority of strategic orientation research has focused on EO as the essence of strategic orientation towards firm growth. A firm may be recognised as entrepreneurial-oriented because it exhibits entrepreneurial behaviours, or as lacking EO if they do not behave entrepreneurially. The existing research follows this perspective and largely ignores business owners who do not strategically grow their firms in order to engage in traditionally defined entrepreneurial activities (i.e., innovative, proactive or risk-taking behaviours). As Madison, Runyan and Swinney (2014) claimed in their study: “*firms are labelled as simply lacking an EO or are depicted as conservative, as opposed to being investigated to determine whether a common, but different, strategic orientation is at play*” (p.240). Following this notion, small business orientation (SBO), which ‘*encompasses the emotional relationship or attachment of the owner to the business*’ (Runyan, Droge and Swinney, 2008a) has been brought forward in this study. The latest literature on small business management suggests it is prevalent among many managers (Runyan and Covin, 2019).

Goals for running a business differ in importance for founders with a salient entrepreneurial mindset compared to those with a salient small business mindset. As such, SBO has been compared to EO as two separate strategic postures of the business in the entrepreneurship literature, although the extent to which they exhibit each posture will vary in different research contexts (Douglas, 2013). From a behavioural standpoint, they suggest that innovative behaviour distinguishes an entrepreneur from a small business owner. From an attitudinal perspective, business owners with a high level of SBO are often motivated to further their personal goals, while entrepreneurs with low levels of SBO are motivated by profitability and growth (Carland et al., 1984). Sexton and Bowman-Upton (1991) argue that growth models do not take into account the individual motivations to make strategic decisions in a small firm and suggest that the mindset of small business owners often set limits to the growth pace of their

firms. SBO accounts for variation in the purpose a manager attaches to the business they run and the emotional connection the manager has with it (Runyan, Droge and Swinney, 2008a). Specifically, the manager's passion for their business, the extent to which the goals of the business were connected to their family needs, and the extent to which the business was considered by the manager to be an extension of their personality. Based on the discussion above, as a strategic posture of a business, SBO is closely tied to the mindset of owner managers. Consistent with Ajzen's (1991) theory of planned behaviour, beliefs precede intentions and predict individual behaviour. Mindsets can be considered as belief systems that operate both at an individual-level as well as at higher levels of aggregation (Bolzani and Foo, 2018). SBO adopted by individual managers are linked to their behaviours, including behaviours reflecting managerial practice, in order to fulfil the needs of their beliefs, personal goals and emotional attachments (Madison, Runyan and Swinney, 2014), which in turn might alleviate the growing process of the business.

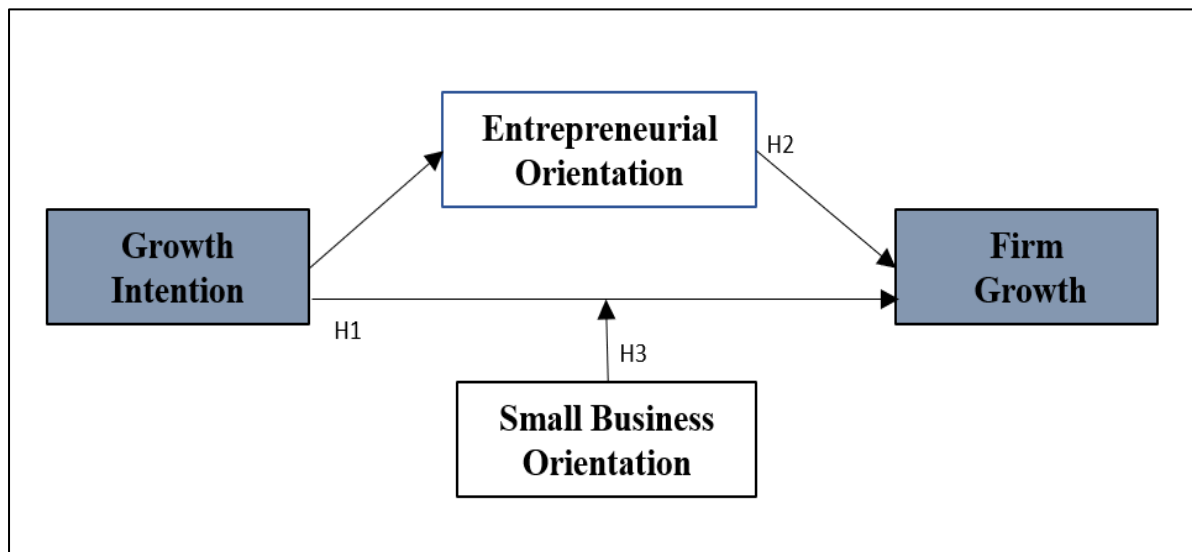
The relationship between SBO and the nexus between growth intention and firm growth is complex and context-dependent. Specifically, in some cases, the relationship may be negative, as a strong SBO may cause owner-managers to pursue non-financial objectives, such as work-life balance, job satisfaction, or community involvement, potentially at the expense of financial growth (Wiklund et al., 2003). In this sense, SBO can weaken the relationship between growth intention and firm growth, as it may divert focus away from expansion and revenue generation. A firm with strong SBO may lead to a preference for stability, personal satisfaction, or community impact over financial growth (Jennings & Beaver, 1997). Emotional attachment to the business can affect the owner-manager's willingness to take risks and invest in growth. Therefore, strong emotional attachment may lead to risk aversion and reluctance to invest in growth (Cardon, Wincent, Singh, & Drnovsek, 2009). However, the majority of the SBO studies suggest small business orientation has a positive influence towards firm growth. A strong SBO could lead to positive outcomes, as the emotional attachment to the business may prompt owner-managers to invest more time and resources into their firms, thus promoting growth (Runyan et al., 2008). According to Wiklund, Patzelt and Shepherd (2009), in the context of small business settings, when the development of a firm is oriented toward meeting the personal goals of owner-managers, it may prioritize growth strategies that align with their aspirations. This alignment can enhance the motivation and commitment of owner-managers, leading to more effective execution of growth plans and a positive impact on firm growth. Extensive research studying the success of entrepreneurship examines the significance of entrepreneurial conduct; however, in coping with environmental challenges, entrepreneurial processes will be determined more by characteristics of the entrepreneurial perception and strategic postures (Krueger, Reilly and Carsrud, 2000). Small businesses with

a strong SBO tend to be more flexible and adaptable to changing market conditions. This adaptability allows them to quickly respond to opportunities and challenges, which can enhance their growth potential (Lumpkin & Dess, 1996). Moreover, SBO may also impact the firm's ability to build valuable networks and partnerships. Owner-managers with a strong SBO may be more inclined to establish relationships that support their personal goals and emotional attachment to the business, which can enhance the firm's growth potential (Hite & Hesterly, 2001).

Therefore, based on the discussion above, SBO affects the strength of the relationship between growth intention and firm growth by working as a moderator. Thus, the following hypotheses are formulated below:

***H3: The relationship between entrepreneur's growth intention and small business growth is moderated by small business orientation such that the positive relationship is strengthen when small business orientation is high.***

The accumulated hypotheses are shown in the model below, Figure 3.1.



**Figure 3.1: Research model with mediating and moderating effects**

### **3.5 The Intervening Role of Network Resources**

Penrose (1959) highlights the importance of human decision-making and motivation in growing the business. Based on her work, a firm is considered to be a collection of resources and she believes that the availability and quality of management resources are the primary factors limiting the company's development. Penrose (1959, 2009) also makes a consistent

statement in her later work: “a firm has the choice of continuing in its existing course or of expanding and committing resources to the investigation of whether there are further opportunities of which it is not yet aware” (p.30). Penrose stresses that the limiting issue in such a choice is not the availability of resources but rather management propensity towards a certain course of action. Within such a perspective, the current study considers managerial intentions, predispositions and strategic postures adopted by a firm to acquire networks and resources instead of exploring already well-documented resource constraints.

Literature indicates that entrepreneurial intentions and sequential behaviour do not always get acted upon instantly; scholarly debate suggests both entrepreneurial intention and strategic orientation are likely to be altered by other contextual factors with the passage of time (Fayolle, Gailly and Lassas-Clerc, 2006). Teng (2007) indicates that EO is a resource-consuming strategic orientation, firms with limited resources may hinder the implementation of EO towards firm growth. As such, access to resources is vital for businesses to facilitate EO.

The study of social capital has been an important concern in business studies over the years (Stam, Arzlanian and Elfring, 2014). Nahapiet and Ghoshal (1998) define social capital as “*the sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit*” (p.243). Early research has revealed that entrepreneurs are rooted in a social network that plays a critical role in the entrepreneurial process (Zimmer and Aldrich, 1987). Social network theory suggests managers build networks and ties to obtain access to scarce resources and information, and to minimise uncertainty (Li, Poppo and Zhou, 2008). Hoang and Antoncic (2003) characterise such networks as “*the pattern of relationship engendered from the direct ties between actors*” (p.166). In the entrepreneurship network literature, two types of networks are generally identified as critical to theoretical and empirical research: 1. political network ties, which are the connections with government officials at various levels of governmental, bureaucratic, and regulatory agencies; 2. business network ties, which depict the connections with executives at other business organisations (Xin and Pearce, 1996; Peng and Luo, 2000). Particularly, the use of network ties to conduct business in China has a long tradition and rich legacy (e.g., Hoskisson et al., 2000; Park and Luo, 2001; Li, Poppo and Zhou, 2008), and the success of a business in China is heavily dependent on network ties and personal connections (‘guanxi’ in Chinese). Research conducted in the Chinese context suggests business operations and establishments are shaped by both the market and government. As such, business owners are motivated to build relationships with the business communities and government authorities (Xin and Pearce, 1996; Luo, Huang and Wang, 2012).

Network ties are much more critical in explaining variations in performance outcomes of strategic orientation activities in transitional economies than in more advanced economies (Boso, Story and Cadogan, 2013). Empirical research conducted in China consistently indicates that network ties improve firms' economic outcomes, such as business performance and growth (Peng and Luo, 2000; Park and Luo, 2001; Luo, Huang and Wang, 2012; Hoang and Yi, 2015). This stream of research also recognises the impact that network ties have on the execution of entrepreneurial strategic postures (Walter, Auer and Ritter, 2006; Boso, Story and Cadogan, 2013). From the resource-based view, EO can be seen as a strategic posture that encourages firms to actively pursue internal and external resources, and opportunities. Consequently, business owner managers will be motivated and keen to build relationships with other business organisations, financial institutions and government authorities in order to achieve superior performance and business growth (Sheng, Zhou and Li, 2011). From the intention towards action perspective, firms that adopt a high level of entrepreneurial orientation often conceive and identify more opportunities, and these possibilities will make entrepreneurs aware of the need to obtain more resources to identify and pursue opportunities. As such, these firms are more likely to enhance their outcome performance (Donbesuur, Boso and Hultman, 2020). Moreover, based on the well-recognised positive relationship between EO and firm performance, the concerned network connections are more likely to provide priority access to their resources for those firms with high levels of EO. This is because the surrounding networks perceive these firms with greater future potential. In addition, recent research implies EO will contribute to network ties through its three dimensions - innovativeness, risk-taking and proactiveness (Jiang *et al.*, 2018). Firms with high levels of innovative activity will promote exploratory leaning behaviours, which in turn will lead to a more proactive pursuit of network resources. The risk-taking and proactiveness aspects of EO enable firms to have a higher possibility of acquiring resources from their networks when they realise the firms are in need of such resources. Based on the above discussion, this study suggests that firms with entrepreneurial orientation as their strategic posture have a strong desire and better potential to establish network ties to obtain essential resources in order to capitalise on opportunities. Drawing upon the network perspective, we develop the research model further in extent and endeavour to examine whether network ties are a missing link between EO and firm growth.

Although this study speculates that firms with higher levels of EO will generally obtain more network resources, it is necessary to recognise the heterogeneity of network resources. As such, the relationship between EO and network ties may be distinctive in different network contexts. In the previous chapter, we identify two types of network ties, namely political network ties and business network ties. Peng and Luo (2000) emphasise that although

Chinese managers are eager to establish network ties, not all ties have equal benefits for their firms, and not every manager is interested in having every possible kind of network tie. This argument has been broadly supported by research conducted in emerging economies (e.g. Gao, Xu and Yang, 2008; Li, Poppo and Zhou, 2008; Boso, Story and Cadogan, 2013; Shu, Ren and Zheng, 2018). Therefore, this study further elaborates on the two specific types of network ties and investigates their influence on the EO/firm growth relationship respectively.

### **3.5.1 Political network ties**

Political network ties refer to relationships with government officials and regulatory authorities, such as politicians and bureaucratic officials in regulatory, supporting, investment and industrial institutions (Peng and Luo, 2000; Li and Zhang, 2007). In less developed market economies, the state controls key resources, which encourages the development of political ties with government authorities, bureaucrats and other official institutions (Li and Zhang, 2007). Key resources such as allocating land, distributing raw materials, issuing financial help and bank loans, providing tax breaks, approving business projects and the like are critical strategic factor resources that shape a firm's competitive environment (Sheng, Zhou and Li, 2011; Shi, Markóczy and Stan, 2014). Because the venturing process and business growth in an emerging economy require entrepreneurs to devote a substantial amount of time and effort to emotionally-laden goals, strong political network ties allow entrepreneurs to perceive fewer constraints in the business environment (Peng, Tan and Tong, 2004; Sheng, Zhou and Li, 2011). Political network ties may be able to compensate for the absence of well-established institutions in transitional economies by granting businesses access to policy information and valuable resources (Peng and Luo, 2000).

TPB suggests intention is the primary force that leads to particular behaviours (Ajzen, 1991). Managers will use their networks for information exploration when they have a strong belief in the role of the network in entrepreneurial activities and business development (Shu, Ren and Zheng, 2018). Existing literature suggests that political network ties facilitate the exploration and identification of valuable opportunities (Lee, Lee and Pennings, 2001; Anwar and Ali Shah, 2020), especially in the traditional economies where the current study was conducted (Hoskisson *et al.*, 2000; Sheng, Zhou and Li, 2011). The regulatory power of governments dominates resource allocation and project approval in transitional economies. Studies have empirically examined the relationship between political network ties and firm performance in such contexts (Peng and Luo, 2000; Peng, 2003; Zhu, Su and Shou, 2017). However, the empirical findings led to inconsistent results over the years. Peng and Luo (2000) found that there is a positive relationship between political network ties and organisational performance.

Wu (2011) found a converted U-shape between political ties and business innovative performance, it indicates that political ties increase the environmental fit for firms but ossify the organisational internal routines. Some studies have shown the impact of political network ties on business performance tend to be negative (Li, Zhou and Shao, 2009; Liu, Li and Xue, 2010; Su, Xie and Wang, 2015). The inconsistent results, and particularly the negative findings, have led to caution and require further investigation on the influence of political network ties in transitional economies.

By applying the resource-based view in the network context, resources obtained from the benefit of strong relationships with government authorities and official institutions meets some of the RBV criteria suggested by Barney (1991): “*valuable, rare, inimitable, and non-substitutable resources*” (p.99). As such the ability of firms to target, establish and deploy political network resources will facilitate them with a competitive advantage in a turbulent market environment. Critical political network resources have been considered an important entrepreneurial task for a long time (Li and Zhang, 2007). This study argues that firms adopting high levels of EO are more likely to succeed in resource exploration and obtain support from government and institutional authorities from political ties.

From a contextual perspective, the political authorities and bureaucrats in countries like China often sit at the intersection of firms, organizations and institutions (Du, Lu and Tao, 2015). However, recent literature clarifies that the formal institutions that support free markets in China are evolving (Su, Xie and Wang, 2015; He, Lu and Qian, 2019). Resources controlled or redistributed by the government are diminishing and more transparent rules are being introduced (He, Lu and Qian, 2019). Thus, the need to interact with the government for many Chinese firms and new ventures is reduced, some of them even choose to distance themselves from the bureaucrats (Peng and Luo, 2000). The financial infrastructure in China still remains arguably weaker than developed economies. However, China has been making efforts to build a multitier capital market system, which provides a time-saving mechanism for firms to obtain information and financial networking and support (Su, Xie and Wang, 2015). More importantly, political network ties have gained momentum in China. Since 2017, Chinese central and local governments have been devoted to supporting small businesses and start-ups, especially innovative ones (State Council of People’s Republic of China 2017). The government’s new regime and policies for Chinese SMEs and start-ups promotes the maturity of entrepreneurship development.

Strong network ties to the government enable entrepreneurial oriented firms to gain access to a broader network pool, and acquire help and support from authorities, institutions and business communication centres. As of the new policy released by the Chinese government

in 2017, business innovativeness is encouraged and favoured by government authorities (He, Lu and Qian, 2019). Therefore, high EO within firms will lead to prioritised access to the resources from their political network ties (Jiang *et al.*, 2018).

Based on the above discussion, we can conclude that building political network ties is important and valuable; entrepreneurs and business managers with intentions to grow their firms will purposefully invest for their expectation of future development, and build relationships with government authorities (Wang, Li and Long, 2019). Secondly, political network resources are comparatively rare and non-substitutable, since the effective acquisition of sources from political ties is based on path-dependent processes, innovativeness of the firm, and the intricacies of social interactions (Jiang *et al.*, 2018). Thus, we propose political networks ties will facilitate firms to gain resources that improve their competitive advantage over their rivals. Therefore, growth-oriented firms will adopt higher levels of EO, which enables these firm to have higher possibilities to obtain resources from political network ties, which will, in turn, lead to firm growth. Accordingly, we suggest:

***H4: Political network ties mediate the relationship between EO and firm growth in such a way that EO is positively associated with political network ties, which in turn are positively associated with firm growth.***

### **3.5.2 Business network ties**

Business network ties refers to inter-organizational relationships that a firm builds with key business organisations, such as buyers, suppliers, competitors and other business intermediaries (Sheng, Zhou and Li, 2011). Building business network relations with other counterparties provides firms with access to a wide range of information, market resources, knowledge, and complementary capabilities of counterparties (Peng and Luo, 2000). The benefits of business network ties are well-documented and empirically investigated in the literature, and it has been suggested that business resources are essential for firm survival and business growth (Zimmer and Aldrich, 1987; Park, Shin and Kim, 2010; Luo, Huang and Wang, 2012; Schoonjans, Van Cauwenberge and Vander Bauwhede, 2013). Especially in the context where institutional frameworks are underdeveloped, SME and start-up firms often suffer from newness, resources constraints, inadequate knowledge, and environment uncertainties in a rapidly changing market place (Donbesuur, Boso and Hultman, 2020). In spite of the fact that the diversity of business network relationships deliver different benefits in terms of knowledge and resources through business transactions and exchanges, they all have something in common in contributing to firm performance (Wu, 2011). In the Chinese context, some recent empirical studies suggest business network ties exert a stronger impact



on business performance than political ties (Luo, Huang and Wang, 2012; Zhu, Su and Shou, 2017; Jiang *et al.*, 2018). Unlike business ties, political ties do not have an efficient mechanism to ensure sustainable collaboration over the long term. The primary interest of government officials concerns their political career development, while the fundamental objective of business organisations is to maximise economic returns (Sheng, Zhou and Li, 2011). As such, government officials tend to be less motivated to develop strong, long-term relationships with business organizations. Liao and Welsch (2003) suggest firms with strong business network ties can help them overcome the institutional barriers by establishing connections with buyers, suppliers, distributors and customers. Strong business network ties may also lower interfirm transaction costs, prevent opportunism, minimise contractual disagreements, and enable firms to have access to critical resources, business knowledge and market information (Sheng, Zhou and Li, 2011; Boso, Story and Cadogan, 2013). Thus, although both business and political network ties provide valuable resources, business network ties may be easier to possess and more beneficial for small businesses in China.

As has been discussed earlier, entrepreneurial oriented firms have a high demand for resources compared to those with low EO. Ambitious entrepreneurs with growth intention often conceive and search for more opportunities (Wales, Gupta and Mousa, 2013) and proactively build connections with potential network actors (either political networks or business networks) (Shu, Ren and Zheng, 2018). Firms adopting EO as their strategic posture have comparatively higher levels of innovativeness, are willing to take risks, and are more proactive (Covin and Lumpkin, 2011), which in turn exhibits a positive signal that attracts business counterparties' attention and increases the likelihood that network partners will feel more confident in further collaborations (Smith and Lohrke, 2008).

More specifically, the three dimensions of EO can contribute to the establishment of business network ties. Innovativeness indicates firms which have heavy investment in R&D, produce leading innovative products, and upgrade or change existing products or services (G.T, Lumpkin and Dess, 1996). These entrepreneurial activities promote knowledge, communication and information exchange among business partners in the industries (Wu, 2011). Innovative firms will endeavour to collect resources from a variety of businesses to realise economies of scale within their research initiatives. As such, these firms are more willingly to expand the size of their knowledge pool by drawing on the experience and expertise of other companies (Powell, Koput and Smith-Doerr, 1996). Scholars suggest that obtaining resources through business network ties is challenging for the following reasons: information asymmetry between resource suppliers and recipients, and the tacit or sticky character of firm-specific resources (Zhang, Soh and Wong, 2010; Jiang *et al.*, 2018). Further, Wiklund and Shepherd (2003) indicate such resources involve substantial expenditures and effort for firms

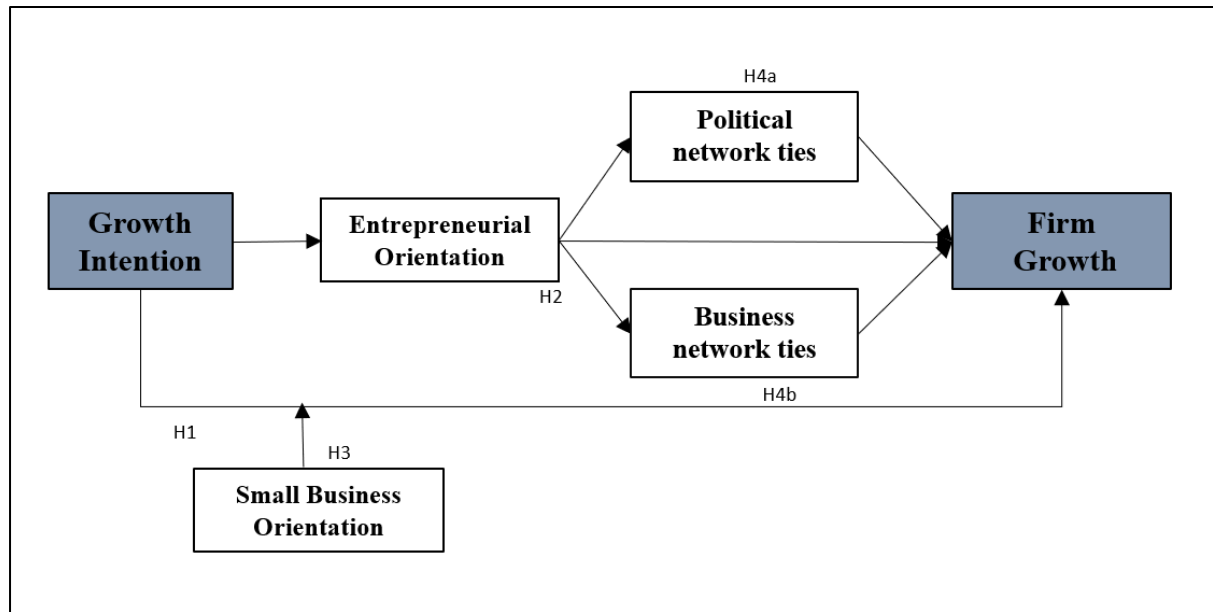
to obtain. As firms with risk taking propensity are more likely to be involved in resource acquisition through collaborations with other business parties, they will be more willingly to bear the risk of untrustworthy actors in order to achieve superior performance and firm growth. As for proactiveness, firms with such characteristics will be more active and enthusiastic in opportunity exploration and resources acquisition. This is due to the fact that proactiveness promotes the ability and willingness of business owner managers to implement a plan for opportunistic expansion, provides a first mover advantage to help capitalize on a market opportunity, and also acts in anticipation of future demand (Covin, Green and Slevin, 2006; Pearce, Fritz and Davis, 2010). As such, proactiveness promotes the firm to being among the first to leverage and obtain surrounding business opportunities.

Overall, the higher the level of EO in a firm, the more likely it is that high levels of business network ties are achieved; the higher the level of business network ties a firm has, the more likely a firm is to achieve business growth. Thus, this study argues that:

### **3.6 Conceptual Framework**

Based on the above hypotheses and arguments derived from the literature, a model of this research is conducted to describe the complexities in the relationship between the two main constructs - namely, growth intention and firm growth. Drawing upon the fundamental principles of the theory of planned behaviour, the RBV theory and the social capital theory, this study aims to explain the mediating role of entrepreneurial orientation, the moderating role of small business orientation, and role of network ties as a missing link between the EO/firm growth relationship. The conceptual models proposed in this study are exhibited in Figure 3.2 below.

**Figure 3.2: Research Model**



In line with the assertion by Gielnik et al., (2015), not all entrepreneurs keep their business on a continuing path of growth. Some entrepreneurs intend on being involved in ventures with larger future sales revenue, and keep a strong willingness to follow ongoing growth; while others aim for a target line in business growth, and after achieving a certain level of developmental status, they are engaged in maintaining that level of performance. We have identified that strategic postures including EO and SBO involve the growth intention of an entrepreneur to develop a business. Existing literature provides extensive evidence to show a strong relationship between EO and firm performance (growth). When it comes to the process of theoretical development, it is essential to note both the unidimensional and multidimensional views of EO have significant benefits and drawbacks. For the purposes of this study, based on TPB, the entrepreneurial orientation construct is considered to be the strategy-making manifestation of entrepreneurial behaviour that improves firm growth. Therefore, the current study will adopt EO as a unidimensional construct. Social capital theory in entrepreneurship research suggests that firms are embedded in social networks within which they are connected (Granovetter, 1985). It emphasizes the importance of network-based constructs in affecting entrepreneurial strategic choices and outcomes.

Building upon a wide range of factors that influence intention and growth, and considering different business contexts of the entrepreneurial ventures, six key components are identified to structure the research framework: 1. growth intention, 2. firm growth, 3. EO, 4. SBO, 5. political network ties, 6. business network ties. With this proposed theoretical framework, this study aims to explain why intention to grow entails different business trajectories. Figure 3.2

presents the conceptual model of the study. The coloured squares from the model represent both independent and dependent variables, and the arrows indicate the direction of the hypothesised association among the variables, that is, from predictor to outcome or consequence.

### **3.7 Chapter Summary**

This chapter presented a discussion of the research hypotheses' development and conceptual framework. The current study aims to investigate the relationship between growth intention and business growth through examining how this relationship is manifested by the impact of strategic postures and network resources on the business development process. The theory of planned behaviour, resource-based view, and social capital theory provide theoretical directions for the development of the research conceptual framework. This study argues growth intention is positively associated with firm growth; EO mediates the growth intention and firm growth linkage, and SBO plays the role of moderator in this relationship. Political network ties and business network ties further mediate the EO-firm growth link in Chinese emerging economies. The conceptual framework provides a comprehensive roadmap of conceptual streams drawn from the broader domains of entrepreneurship, business strategy and organisational theory. In the following chapter, this study will elaborate on the methodology, research methods and data collection, with the predetermined concepts derived from the research model, which will be linked to the research questions and objectives.

## **Chapter 4: Research Methodology**

### **4.1 Introduction**

Research methodology refers to the theory that underpins the work and methods the researcher uses to collect and analyse data (Hair *et al.*, 2010). This chapter describes the procedures and methods employed to collect data for the current study. The overall goal of the research methodology is to achieve consistency between the philosophical view underpinning this study and the objectives of the research. The methodology used to address a particular research problem must always consider the nature of the data collected to address the research questions or test the hypotheses (Bryman, Bell and Harley, 2019).

Based on the research objectives and hypotheses delineated in Chapter 3, it is imperative to provide a comprehensive research plan that elucidates the methodology employed to accomplish the study's objectives and test the hypotheses. As such, this chapter comprises eight sections to elucidate the study's design and implementation. The first section explicates the philosophical foundations underpinning the research. The second and third sections delve into the research approach and methods adopted in this investigation. In the fourth section, the research design is outlined, offering a detailed rationale for its selection and an examination of the questionnaire design process. The fifth section addresses the pre-testing of the questionnaire and relevant considerations. The sixth section introduces the measurement instruments employed for the research variables. The seventh section attends to ethical considerations pertinent to the study and delineates the data collection procedures executed during the primary survey.

### **4.2 Research Philosophy**

Generally, management research deals with social world issues, which are complicated because they involve human interaction (Saunders *et al.*, 2007). Researchers use the term 'research philosophy' to describe the development and nature of knowledge. It is important for a researcher to adopt a specific research philosophy that explains his or her academic view and fundamental principles that support the research methodology and strategy (Saunders, Lewis and Thornhill, 2012).

In order to find the best method for the type of research being conducted, researchers should be able to understand the philosophical positioning of a study, hence facilitating the clarification of alternative designs and methodology (Saunders, Lewis and Thornhill, 2012).

According to Denzin and Lincoln (2011) “*a paradigm defines the worldview and the basic set of beliefs that inform the research, thereby providing guiding principles with regards to ethics, epistemology, ontology and methodology.*” Our discussion focuses on two major approaches to research philosophy: ontology and epistemology.

Ontology represents insights regarding the nature of existence (can be subjective or objective), initially attempting to understand what is and how it is. It is concerned with the nature of reality and social beings that the ontological strand focuses on (Saunders, Lewis and Thornhill, 2012). Based on subjectivism, social phenomena are created by perceptions, social factors, and their subsequent actions. In other words, reality is under assumptions. On the contrary, objectivism claims that social entities exist in reality. In short, ontology is a philosophy of realism. It assumes there is a knowable reality to be discovered in the world, and this reality is determined by immutable natural laws. Ontology may serve as the starting point of one’s theoretical framework in the research process, because the realist ontological stance posits that a single, objective reality exists independent of human perception, and this reality can be studied systematically using empirical research methods (Bhaskar, 2008). This perspective is particularly relevant to the investigation of the relationship between intention and firm performance, as these constructs can be operationalized and measured objectively (Krueger et al., 2000). Realism is well-suited for this study because it allows for the examination of causal relationships and the identification of patterns and trends that can be generalized to broader populations (Sayer, 2000).

Epistemology concerns the process by which individuals make sense of the world and the means by which knowledge may be constructed and communicated in terms of “*the nature of knowledge, its possibility, scope and general basis*” (Saunders, Lewis and Thornhill, 2012). In other words, epistemology is objectivist, whereby we view the issues from the social world through the different lenses we obtain based on our experience, background and education etc. Epistemological enquiry is engaged with what constitute knowledge, its formation and communication (Pittaway, 2005). Epistemologically, debates in management research are usually divided into two main philosophical approaches: positivism and interpretivism (Saunders, Lewis and Thornhill, 2012). The former approach seeks to elucidate and forecast a series of causal relationships, while the later rejects the search and certainty of causality and regularity in social phenomena and holds the view that the nature of the social world can never be reduced or acquitted with that of the natural world. In the context of this research effort, an inquiry about epistemology is essential for clarifying issues regarding research design presenting a framework for data gathering and interpretation (Gray, 2004).

In the realm of entrepreneurship research, there is an accumulation of knowledge regarding the context and foundational premises of the phenomenon, which contributes to its conceptual advancement (Davidsson, 2009; Lumpkin & Dess, 1996). This progress furnishes a theoretical basis upon which further investigations can be constructed. In terms of methodological rigor, the discipline has seen significant improvements (Chandler & Lyon, 2001), resulting in research that is theory-driven and incorporates appropriate qualitative and quantitative methods (Low & MacMillan, 1988; Davidsson et al., 2001). Central to the current thesis is that entrepreneurship, as the subject of investigation, inherently exhibits a multidisciplinary focus. Different philosophical stances may influence the way in which researchers think about their research process. Thus, a consideration of different perspectives is likely to enrich both this research and the subsequent development of theory in a more comprehensible and professional manner.

#### **4.2.1 Positivism and interpretivism**

Two main philosophical traditions that have inspired social science research are positivism and interpretivism (Robson, 1993). To tackle philosophical matters, this section investigates the two main philosophical stance or research paradigms (positivism and interpretivism), which are frequently associated with quantitative and qualitative research methods in social science research.

The basic assumption in positivist research was defined by Saunders et al. (2009), who stated it is possible to study the world objectively without interfering with the phenomena of the research, since it is ordered. According to the positivist perspective, credible data and facts can be derived from observable phenomena. In addition, positivist research emphasises the use of highly structured methodology with quantifiable findings in order to facilitate replication of results (Gill and Johnson, 2010; Saunders, Lewis and Thornhill, 2012). Entrepreneurship research has typically been positioned in a predominantly positivist paradigm (Kirkwood and Campbell-Hunt, 2007). Nevertheless, positivists often face difficulties operationalizing the variables in their theories. The ability of evidence to test theories is naturally reduced when there is an inconsistency between phenomena and data. As a result, it is difficult to conduct management research in accordance with a pure version of positivism. Quantitative research has been particularly successful in incorporating positivism. Based on Guba and Lincoln's (1994) research, the quality of research can be determined by the level of reliability, validity and rigour with which quantitative analyses are conducted. Therefore, quantitative research methods are appropriate for those with variables of interest that can be quantified, hypotheses

that can be formulated and tested, and inferences made from samples to populations (Liebscher, 1998)

Interpretivism is an epistemology. According to interpretivism, it is necessary for researchers to understand the differences between humans in their role as social actors (Saunders, Lewis and Thornhill, 2012). It views reality as a socially constructed interpretation and therefore it concerns the research perspective of understanding human behaviour. Interpretivists hold the view that an investigator's interaction with the object of investigation is the only means by which a deeper understanding can be discovered. The interpretivist view rejects the idea that there is any objective knowledge independent of human thinking and reasoning (Gephart, 2004). According to Saunders et al. (2009) and Charumbira (2013), as business situations are constantly evolving and becoming more complex, interpretivism is highly appropriate in management and business research (such as organisational behaviour, marketing and human resource management). In contrast, interpretivism is often criticised for lacking generalisability and scientific rigour for conducting research (Denzin and Lincoln, 2011). Saunders et al. (2009) emphasise the challenges of explaining the social world of research from the perspective of researchers.

#### **4.2.2 Research philosophy adopted for the present study**

From an ontological perspective, scholars emphasise the authenticity of research where the truth must be seen incompletely and probabilistically as the human factors block full understanding (Howell, 2013). In the proposed study, a designed structure will be examined in order to investigate the influence of entrepreneur's growth intention on firm growth through strategic orientations with regards to small businesses in China. The reality is beyond the reach of the researcher and thus cannot be recognisable and measured in an unbiased manner. As such, the reality cannot be completely comprehended empathetically as the examination perceives the impact of the participants' observations, mentalities and perspectives. The impact originates from the adoption of Likert scales, which depend on entrepreneurs' and owner managers' judgments and beliefs.

From an epistemological perspective, the positivist epistemological stance aligns with the realist ontological perspective, emphasizing the importance of empirical, objective methods to generate knowledge (Creswell, 2014). Positivism holds that knowledge should be grounded in observable phenomena and subject to empirical testing, which is appropriate for the examination of entrepreneurial intention and firm performance (Ajzen, 1991; Davidsson, 1991). By adopting a positivist epistemology, the study aims to build a rigorous, evidence-based understanding of the relationship between these constructs, ensuring that the findings are



grounded in empirical data and are generalizable to the broader population of entrepreneurs (Hair et al., 2010). The researcher aims to test hypotheses derived from previous studies in order to explain the relationship between variables, rather than exploring the concept first and then creating a theory afterwards. The objectivity of the examination can be explored with the quantitative estimation of the research factors.

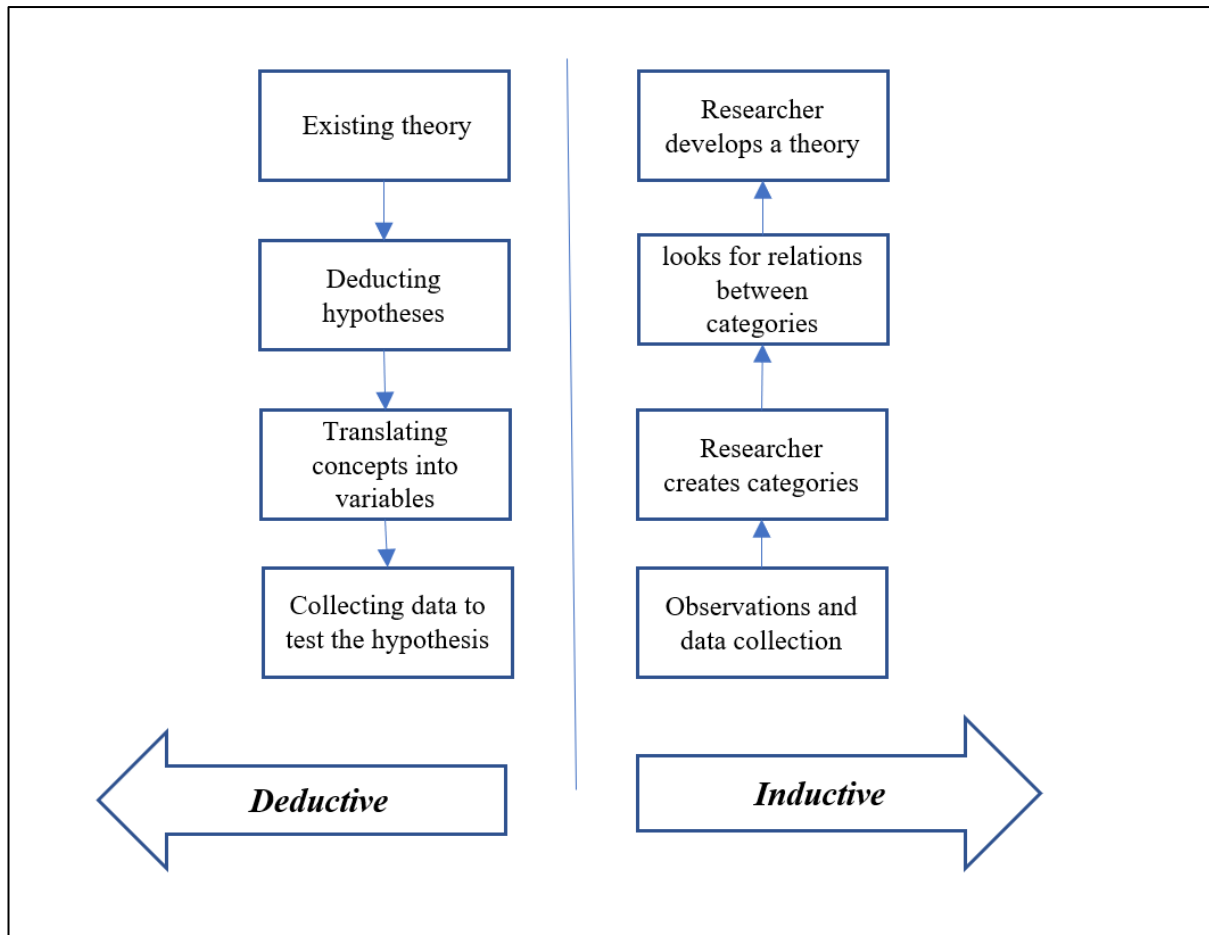
Axiology refers to the study of values and the role they play in research (Creswell, 2014). The axiological stance in this study is based on the principles of objectivity and value neutrality, which are inherent in the realist ontology and positivist epistemology (Bryman, 2012). The researcher strives to maintain objectivity throughout the research process, minimizing the influence of personal values and biases on the findings (Creswell, 2014). This is achieved through the use of standardized measurement instruments (Krueger et al., 2000), rigorous data collection procedures (Bryman, 2012), and robust statistical analyses (Hair et al., 2010). By adhering to the principles of objectivity and value neutrality, the study seeks to produce reliable, valid, and generalizable insights into the relationship between entrepreneurial intention and firm performance (Creswell, 2014).

To summarise, the realist ontological perspective, positivist epistemological stance, and objective axiological stance are coherent and consistent with one another, providing a solid foundation for the investigation of the relationship between entrepreneurial intention and firm performance in this thesis (Creswell, 2014; Hair et al., 2010). The realist ontology enables the study of various constructs as objectively existing phenomena, while the positivist epistemology supports the use of empirical methods to generate knowledge about their relationship (Bhaskar, 2008; Creswell, 2014). The objective axiological stance ensures that the research process is guided by principles of objectivity and value neutrality, enhancing the validity and reliability of the findings (Bryman, 2012). As such, the chosen research philosophy aligns with the study's objectives and provides a rigorous, systematic framework for the investigation of the relationship between entrepreneur's intention and firm performance.

### **4.3 Research Methodology**

Methodology is broadly defined as the way in which a research is conducted, the way to conduct the research that is tailored to the research philosophy and shaped by two major approaches: deductive approach and inductive approach (Jonker and Pennink, 2009; see Figure 4.1). According to Crowther and Lancaster (2008), it is generally accepted that positivist studies use a deductive approach to conduct their research, while interpretive studies employ an inductive approach.

As a form of positivism, the deductive approach tends to be closely associated with scientific research, its emphasis on testing and verification based on scientific principles (Saunders, Lewis and Thornhill, 2012). The process of deductive research involves theory testing and essentially progressing from identification of theory, generate hypotheses, to empirical examinations with various research techniques Crowther and Lancaster (2008). Deductive research focuses on factors and reasons for social events and aim to explain causal relationship between variables. With deductive approach, hypotheses and their implications can be proven or disproven. Research methods must be developed accurately by linking relevant theory to hypotheses derived from it (Bell and Bryman, 2007). In addition, Jonker and Pennink (2009) emphasize the need to observe and quantify information numerically using statistical techniques before using a deductive approach. The inductive approach, on the other hand, differs from deductive approach as it attempts to understand the meanings of humans and events within the social world (Saunders, Lewis and Thornhill, 2012). The process of inductive approach involves theory building, as opposed to the deductive process. It often starts with observations and theories are often formulated towards the end of the research. Inductive approach often employs qualitative methods to collect rich and in-depth information establish different views of phenomena, such as scholars suggest inductive approach it is more appropriate for studies targeting a small sample of subjects.



**Figure 4.1: Deductive approach vs. inductive approach (Jonker and Pennink, 2009).**

The analysis of both approaches has its advantages as well as its disadvantages, despite these criticisms. Since the real world is complex, it is imperative that the research methodology selected is appropriate to the particular problem and research objectives. The objective of this study is to investigate the existence of the empirically-based complexities of and relationship between an entrepreneur’s growth intention and small business growth in the Chinese context. It is therefore necessary to adopt a deductive approach to this research in order to achieve its aims and objectives. According to Saunders, Lewis and Thornhill (2012), the application of deductive research allows for the identification and investigation of relationships between variables, it also allows the adaption of generalisations derived from previous research in order to achieve the research purposes and objectives.

More importantly, the research paradigm in terms of the two types of research methods need to be clarified. Quantitative and qualitative are the two broad research methods in the social research, quantitative researchers adopt deductive approach to conduct theory-driven studies

and qualitative researchers use inductive approach to conduct theory-building studies (Bell and Bryman, 2007; Saunders, Lewis and Thornhill, 2012).

#### **4.3.1 Qualitative research method**

The qualitative research method depicts “an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem, the research builds a complex, holistic picture, analyses words, reports a detailed view of informants” (Creswell, 2007, p.249). Qualitative research aims to collect data with information that is rich in detail and is presented in the form of words rather than figures. Researchers adopt an inductive approach that often requires qualitative data (Jonker and Pennink, 2009).

Methodological researchers have identified the main strengths of the qualitative method: the data is collected in close proximity to a specific situation rather than a self-complete survey or interview through phone calls, as such the qualitative data have an emphasis on a specific case or the internal process in a case and is embedded in a specific context; the rich and in-depth nature of such data provides a strong potential, revealing complexities of social and human activities in natural setting. Moreover, the flexibility in data generation enables researchers to use the data in any processes, in some special cases it can be used to assess causality (Miles and Huberman, 1994). Nevertheless, qualitative research using an inductive approach tends to collect data on a small scale, it is limited to producing or advancing a theory based on the deep understanding of a specific phenomenon rather than generalising results. Some researchers argue that from a positivist philosophical perspective, if qualitative research is lacking in scientific grounding and without proper data analysis and interpretation, the legitimisation in terms of validity, reliability and generalisation might be questioned (Denzin and Lincoln, 2011).

#### **4.3.2 Quantitative research method**

In the quantitative method, positivism is inherent, and it is entrenched in scientific research and aims to define concepts and establish or generalise patterns of relationships between different variables. In the field of social science, quantitative research contributes to theory development by generating hypotheses from existing theories and conducting empirical examinations to investigate the relationships among research variables. Different variables are often operationalised through survey scales, and quantitative researchers often collect data from a large-scaled representative population without direct interaction with observed subjects (Saunders, Lewis and Thornhill, 2012). Following data collection, data analysis and

hypothesis testing can be performed using a range of statistical techniques, such as simple regression and more sophisticated SEM. As such, there is a general consensus that quantitative research indeed contributes to more valid, reliable and generalisable research findings based on effective sampling, testing and validating processes.

Quantitative research applies the deductive approach, therefore the researcher must be able to link relevant theory to hypotheses derived from it as a starting point (Bell and Bryman, 2007), and then translate concept or research variables into operational terms for data collection; after analysing the data and testing the hypotheses, the researcher will be able to contribute to the underlying theory.

The discussion with regards to different research methodologies above shows the differing pros and cons. As Peterson et al. (1982) noted, data collection methods and research designs are determined not only by the available resources, but also depend on how the most appropriate research method can generate the required information. Both quantitative and qualitative paradigms have been used in entrepreneurial research and provide fruitful insights into the field. Newman and Ridenour (1998) claim that quantitative and qualitative methods may not stand in isolation. However, the current research subject's purpose is to examine the proposed theoretical relationships between the research variables, including growth intention, firm growth, strategic postures and network resources in the Chinese emerging economic context. As such, adopting a quantitative approach is most appropriate in order to meet the research objectives. Moreover, the methodological decision of this study is in line with the majority of the studies relevant to firm growth and entrepreneurial intention towards actions. Studies in the aforementioned domains that are published in mainstream academic journals are quantitative studies with a large data set that is drawn from survey scales (e.g., Boyd and Vozikis, 1994; Lüthje and Franke, 2003; Wiklund and Shepherd, 2003; Cassar, 2006; Douglas, 2013; Bennett and Levinthal, 2017; Meoli et al., 2020).

It is also important to note the limitations of conducting quantitative research. As previously mentioned, most quantitative research uses survey questionnaires to generate primary data. Scholars indicate research using the single data collection method (self-report survey questionnaires) is subjective to potential common method bias (Podsakoff *et al.*, 2003). Moreover, it is widely recognised that most of the entrepreneurial research suffers from firm, country or industry bias. Research conducted in different contexts is embedded with different cultural norms and intrinsic mechanisms, reflected in the current study, and such differences affect the perspective of an entrepreneur's growth intention, strategic postures, and network ties in different ways (Luo, Huang and Wang, 2012; Mary George *et al.*, 2016).

## **4.4 Research Context**

In critical realism, the most fundamental methodological contention is the choice of research methods; the adopted method should be consistent with the nature of the study and best serve research objectives (Bell and Bryman, 2007). Similar concepts can be used to choose research context. In this section, we will discuss the reasoning for selecting China, specifically the northeast region of China, as the research context for this thesis.

### **4.4.1 Why study entrepreneurs' growth intention in China**

China's economic transition has greatly unleashed entrepreneurship and private enterprise development since the 1980s (He, Lu and Qian, 2019). SMEs emerged as the important driving forces behind China's rapid economic development and are central to the successful realization of the new "Five-Year-Plans", despite the fact that most the SMEs came about in the last twenty years (Gao and Banerji, 2015). In recent regional entrepreneurial research, He, Lu and Qian (2019) emphasise that 'mass entrepreneurship and innovation' has emerged as the new national economic development strategy since 2015. Start-ups, small and micro businesses, particularly those that are innovative, are receiving tremendous support from the Chinese central and local governments. However, historically and traditionally speaking, public support and preferential policies have traditionally leaned towards state-owned and foreign-owned companies rather than private-owned ones (Li and Zhang, 2007; Sheng, Zhou and Li, 2011). The new State Council document distributed in July 2017 requires various ministries to lead or support entrepreneurship and innovation initiatives (State Council of People's Republic of China 2017). With the supportive government policy, China now has more than 13 million SMEs across different industries, accounting for 99 percent of the total number of firms (Tang and Tang, 2012). Chinese SMEs have produced more than 60 percent of GDP, 70 percent of exports, contributed 50 percent of total taxation revenue and provided 80 percent of employment (China's NBS, 2013).

In China, most industries have been undergoing structural transformations, which have created complex industrial dynamics that lead to a significant impact on firm behaviours and business conduct (Luo, Zhou and Liu, 2005). As such, the Chinese emerging economy can be an interesting and rich research context to conduct entrepreneurial studies. Furthermore, as a developing country, China has experienced rapid economic growth resulting from direct market-based activities of private firms and market friendly policies administrated by government authorities (Jiang, Li and Lin, 2014). Nevertheless, it remains challenging for Chinese SMEs to transform and upgrade from labour-intensive to technology-intensive enterprises due to the outdated management practices, inadequate market support from

institutions, and underdeveloped government support systems. In consequence, a large proportion of Chinese SMEs still remain at the bottom of the global value chain, and are much more susceptible to rapid technological change and uncertain market conditions (Jiang, Li and Lin, 2014).

According to Chen (2006), along with economic reforms proceeding in China, SMEs became more and more important, with widely recognised contributions in terms of stimulating economic growth, increasing employment, expanding exports and promoting science and technology innovations. Research focusing on entrepreneurship in China is also gaining momentum. In mainstream management and entrepreneurship journals prior to 2005, a limited amount of research conducted in China was published on this topic (Yang and Li, 2008). This situation has much improved in recent years. The research field on business growth has drawn significant attention from both government and scholars due to the widely recognised importance of business growth for the achievement of both economic and non-economic objectives in China.

Entrepreneurial literature reveals the market uncertainty derived from inadequate market support, flawed regulatory capacities and legal institutions and can be potentially reduced by entrepreneurs who have a strong willingness to grow (Dutta and Thornhill, 2008; Bamiatzi and Kirchmaier, 2014). As Kraus and Kauranen (2009) suggested, in most small businesses it is not the top management teams but the entrepreneur her/himself who is the enterprise's main strategist, developing and implementing the vision, mission and business strategies. Under such a centralised decision-making mechanism, firms tend to be managed in a relatively personalised way. Therefore, in such contexts, growth intention can be considered an essential component of entrepreneurial motivation and success (Bird, 1988) because strong growth intentions enable entrepreneurs to achieve outcome performances beyond their normal expectations.

Hence, this study advocates the role of growth intention and small business should be considered in the Chinese emerging economy because the process of establishing and managing a firm in a developing country requires the entrepreneurs to commit and devote massive amounts of energy, money and time to carry out a business plan with a consistent goal, considering the institutional frameworks supporting business initiatives are comparatively under-developed.

Besides exploring the internal phenomenon of small firm growth in the Chinese context. Puffer, McCarthy and Boisot (2010) emphasis the role of the informal institutions as substitutes for the formal institutional voids in developing countries and transitional economies, and the study addresses the fact that attention should be paid to the impact of informal institutions such as

culture and social capital/networks. In line with many entrepreneurial studies conducted in China, it has been suggested entrepreneurial activities are often embedded in and co-shaped by social capital and institutional resources (Park and Luo, 2001; Li, Poppo and Zhou, 2008; Luo, Huang and Wang, 2012). Despite the existing constraints in the Chinese business environment, the scarcity in the research concerning the notion of growth intention and its influence on entrepreneurial activities is somewhat surprising. Therefore, it is important to investigate to what extent individual growth intention of small private entrepreneurs is linked to performance and promotes business activities in the Chinese emerging economy. Considering the geographical challenges and regional culture diversification, the current study focuses on the target population in the northeast region of China.

#### **4.4.2 Regional research background**

Based on the Blue Book on development of small and medium sized businesses (SMBs) in China (2013-2014), 76.5 percent of these businesses are located in the eastern part of China, 15.5 percent located in the mid-area, and only 8 percent in the western area. This uneven geographical distribution was explained by (Fong, 2011), she found that businesses located in the western and central regions are generally exposed to fewer growth opportunities than those in the east because the latter have comparatively greater access to research and development skill pools, investment, and technology. Moreover, SMEs located in the following five provinces account for a significant 48.4 percent of all SMEs: Guangdong, Zhejiang, Jiangsu, Shanghai and Shandong. All five provinces are located in the eastern area of China. The number indicates most entrepreneurial research in the Chinese context are conducted in eastern China.

However, the northeast area has been largely ignored in the existing research, empirical studies focusing on this area are nearly blank. In fact, the northeast region was the major industrial base of the country three decades ago, and has been hailed as "the Republic's eldest son". In the 1980s, as the liberalisation and privatisation of China's economy started, the development of northeast China has experienced difficulties, it has suffered from bureaucratic inefficiency and protectionist politics and eventually was left behind in planned economy growth. Researchers and policymakers have come to the conclusion that the stagnation in the northeast can be caused by a poor alignment of interests, the region's internal and external structural constraints, and a socialist historical legacy that has reinforced local conservatism (Ren *et al.*, 2020). The Chinese government has been making great effort and has committed to rejuvenating the stagnant economy of northeast China.



In 2003, the Chinese government established the Northeast China Revitalization Strategy in an effort to boost regional development and reduce the widening economic gaps that exist between different regions, and aimed to stop the rapid economic downturn in the northeast region by improving employment and maintaining social stability (the State Council of the People's Republic of China, 2003). Recent research indicates that the interventions of the Northeast China Revitalization Strategy, in the past decade in the northeast area, have achieved remarkable outcomes, such as improving the aggregate economy, promoting structural adjustment, and improving the competitiveness of state-owned enterprises (Ren et al., 2020, based on the State Council of the People's Republic of China, 2016). Policy makers have also made a lot of effort to encourage and enhance entrepreneurial activities, such as by initiating 'sparkling programmes' and constructing 'high and new technology parks' in certain industries and areas (Yang and Li, 2008). Additionally, the Chinese government has recently enacted a number of new policies and regulations to incentivise innovative business endeavours and promote long-term innovation among small and medium-sized businesses, with special attention on the northeast region, for example, the Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises (2002), and Government Procurement Law of the People's Republic of China (2002); policies including "*Promoting the Revitalization of Northeast China and Other Old Industrial Bases Three-Year Rolling Implementation Plan (2016–2018)*"; a regulation guide including the "*Opinions of the State Council on Important Measures to Further Promote the Implementation of the New Round of Revitalizing the Northeast and Speeding up the Economic Stabilization and Improvement of the Northeast Region 2017*" were published (National Development and Reform Commission, 2017, Gao and Banerji, 2015; He, Lu and Qian, 2019). With the comparatively backward economic development in the northeast region of China, the strategies and plans of revitalizing northeast China have long been a focus of interest for domestic scholars and policy makers. The Chinese central government has stressed the importance of sticking to China's new development philosophy and policy, further implementing the strategy of revitalizing northeast China, and urged efforts to ensure a decisive victory in building a moderately prosperous society. Consequently, both central and local government authorities have prioritised northeast revitalization and economic development as critical objectives in recent years.

According to the Total Entrepreneurial Activity (TEA) index (which refers to the population that is either a nascent entrepreneur, or owner of a business), China can be divided into four categories based on the statistics of 2008. Those with a TEA index higher than the national average of 16.4 are highly active regions, those with a TEA index higher than 5 are generally active regions, those with a TEA index higher than 2.5 are inactive regions, and those with a TEA index lower than 2.5 are inactive regions. The Northeast region as a whole has a low

level of entrepreneurial activity of 5, within which Liaoning Province is the most developed area in the northeast region that has a TEA index higher than 5. Therefore, Liaoning province is the optimal research context to conduct our study. As the municipality of Liaoning province (the most developed area in northeast region), the city of Shenyang benefits the most from government support, such as government-sponsored venture capital funds, the National Electronic and Information Technology Development Fund, and a massive amount of business projects involving collaboration with government and institutions (Zhang, 2009).

Northeast China is in a phase of economic and social transition, where the institutional problems left behind by the planned economy are even more significant in many cities located in this area. Whether the Northeast China Revitalization Strategy is a success or a failure has been a topic of ongoing debate for both Chinese Scholars and policy makes (Ren *et al.*, 2020). With the most up-to-date regional data after inclusion of new and beneficial government policies and regulations, the current research adopts a quantitative approach to examine the link between an entrepreneur's growth intention and business growth, and the complexities in the business growth process, concerning the role of strategic postures and network resources in northeast China.

## **4.5 Research Design**

Research design services is a blueprint that guides a study towards achieving its research objectives (Churchill and Iacobucci, 2006). It depicts the research process of data collection, analysis and interpretation, which enables the researcher to make logical deduction regarding causal relations among the variables being investigated (Tight, 2022). The following sections will explain the research design of this study in detail.

### **4.5.1 Research strategy through survey questionnaire**

Bell and Bryman (2007) stress the importance of the precise nature of the study and research objectives in advance of making decisions on research strategy. As has been noted in the previous sections, this study aims to determine the relationship between growth intention and firm growth and further explore the role of strategic postures and network ties in the business growth process. As such, a quantitative research strategy and deductive approach were adopted. According to De Vaus (2013), a survey strategy is commonly accepted to be linked with positivist and deductive approaches. Therefore, this study will adopt a quantitative strategy with survey questionnaires for the research methods.

De Vaus (2013) suggests a survey usually represents a technique for collecting information from a number of respondents who are representative of a specific population. The information was collected through widely used questionnaires, or other techniques - such as interviews, observation, content analysis and so forth. Studies have identified the advantages of adopting survey questionnaires (Baker and Foy, 2008; Bernard, 2012). Firstly, surveys can generate a significant amount of quantitative data in a short time at a comparatively low cost. Secondly, surveys allow researchers to collect information with a list of predefined and well-structured questions to record the responses from the individual participants, which are based on real-world observation, such as attitudes, opinions, descriptions, and consequently behaviours of the respondents for further analysis. Thirdly, according to Robson (2002), surveys may provide a relatively basic and straightforward way to investigate attitudes, values, beliefs and motives, and can be used to obtain generalisable data from almost any population. In most cases, information is only gathered on a small portion of the population under research, but the data are compiled in such a way that it is possible to extrapolate the findings to the entire population. Due to the scarcity of secondary sources and lack of a publicly available dataset that encompasses the essential information for the current study, it is necessary to adopt a survey questionnaire to collect the requisite data.

#### **4.5.2 Visiting-on-site type and web-based survey**

According to Zikmund et al. (2013), survey techniques in business research can be generally categorised in two ways: interactive or non-interactive. The interactive approach can be utilised to carry out questionnaire surveys in terms of face-to-face and telephone interviews. The non-interactive approach can be utilised to carry out questionnaire surveys in terms of visiting-on-site surveys, fax surveys, mail surveys and web-based surveys.

Considering the nature of the information required by the current study, as well as the need to minimise cost, increase response rate and speed, and adhere to strict time constraints, the current study considers using a visiting-on-site survey (it requires the researcher to travel to the respondent's location, drop off the questionnaire and return later to collect it) and a web-based survey (where questionnaires are posted on a website or social media space) simultaneously as an efficient way of collecting the necessary data.

To be more specific about the rationale of the selected survey instrument: Blair et al. (2013) indicates that a researcher is able to access a geographically dispersed target population by using web-based online survey questionnaires. As a self-complete online questionnaire, it stands out among other types of questionnaires due to the low administration cost, faster returned response times, unlimited coverage, less missing data, and less data to enter. From

the perspective of participants, web-based online surveys give them enough space and time to consult relevant documents and resources in order to complete the questionnaire. However, Bryman (2019) argues that a low response rate is one of the most significant drawbacks of using online surveys. According to the survey-based studies conducted in China, researchers found that the online survey and the visiting-on-site survey have been empirically proven to be an efficient and effective form of data collection in entrepreneurship studies (Xiao, 2011). In addition, the visiting-on-site survey serves another purpose, which is to ask and remind the respondents to complete the questionnaire in an effective manner.

Moreover, as the questionnaires of the present study are designed to be self-completed by respondents, there was no intervention from the researcher in the data collection process, which eliminated some potential sources of bias. In addition, the survey undertaken for this study is well constructed, and it adheres to a high standard, thus its reliability and validity can be tested (Robson, 2002).

#### **4.5.3 Sampling frame and target population**

The main focus of this study is to examine its conceptual claims based on small businesses in China. The term "small and medium-sized enterprises" (or "SMEs") was employed for the first time in 1971 by the Bolton Committee Report, which noted that "being a small business is not simply about size, but also has essential distinguishing qualities." China has more than 13 million SMEs across different industries, which collectively represent 99.3 percent of the country's total number of enterprises. There is no official number of small businesses, but according to the report from the State Administration of Industry and Commerce small and micro firms account for about 76.57% of the total number of Chinese enterprises across different industries. Acknowledging that a single criterion would not be applicable to all branches. The National Bureau of Statistics of China (2017) defines SMEs in terms of industry, number of workers, sales, and total assets. The definition of SME utilised in this study is shown in the Table 4.1 below.

**Table 4.1: Definition of Micro, Small and Medium Enterprises in China**

Size Category	Industries	Employment Base	Revenue (¥ 10k)
Micro	Service	<10	<50
	Retail	<10	<100
	Wholesale	<10	<100
	Manufacturing	<10	<300
	Hotel and Restaurant	<10	<100
	Transport	<20	<100
Small	Service	10-100	50-1000
	Retail	10-50	100-1000
	Wholesale	10-50	100-500
	Manufacturing	10-300	300-2000
	Hotel and Restaurant	10-100	100-2000
	Transport	20-300	100-2000
Medium	Service	100-300	1000-10000
	Retail	50-300	1000-30000
	Wholesale	50-300	500-20000
	Manufacturing	300-1000	2000-40000
	Hotel and Restaurant	100-300	2000-10000
	Transport	300-1000	2000-30000

SME definition in China (NBS, 2017)

The current study involves a multi-industry empirical examination of entrepreneurial firms operating in north-eastern China. Building a sufficient sample frame in developing economies is a challenging task, due to the fact that detailed industrial listings are not publicly available and are extremely difficult to access. In contrast to the situation in developed economies, where detailed and reliable information about enterprises is often reasonably accessible (Boso, Story and Cadogan, 2013). In the case of China, the underlying challenge in obtaining access to data relates to sensitivity surrounding various statistics, especially the micro-level data. For this reason, A list of potential sample firms was obtained from a variety of sources: business registration reports of micro, small and medium enterprises provided by the Local Tax Bureau, the Management Committee of the High-Technology Industrial Development Zone in Shenyang, and the Business Associations of the Liaoning Province. These sources provided information relating to the names of the businesses, operating locations, contact information, business activities and type of ownership. The final sampling frame list constitutes a total of 1410 small businesses, spreading across all 9 administrative districts of the Shenyang municipality and a further 10 surrounding cities in Liaoning province. The firms in this sample are from different industries, ranging from service and information industries, retail and wholesale industries, the transport industry, to the manufacturing industry. The municipality and surrounding cities were selected to represent the geographic, economic, and demographic characteristics, and reflect business practices of the northeast region of China.

To assure high-quality responses and increase response rate, this study used the key informant technique to identify respondents (Marshall, 1996). The underlying assumption of this technique suggests that the key informants, by virtue of his or her position in the organisation's hierarchy, are the most knowledgeable and familiar with the organisation and are able to deliver genuine thoughts, opinions and perceptions on behalf of other key decision-makers in the firm. In this study, we emphasised that the targeted participants have to be the most senior and knowledgeable informants or the business owner him/herself, which requires identification of respondents to be top managers or founders who are highly involved in business activities and have access to the requisite data.

#### **4.5.4 Questionnaire design**

According to Bryman (2019), the effectiveness of a questionnaire survey and the accuracy of the information acquired are heavily dependent on the careful design of the questionnaire's contents, structure and form of response. For the purpose of this study, a structured questionnaire was developed. According to the work of Saunders et al. (2012), and considering the data collection process was self-completed by participants who have no direct

contact with the researcher, a brief introductory section was included in each questionnaire as a cover letter to explain the purpose of this empirical research in order to provide the participants with need-to-know information and raise the response rates.

Following the advice from Dunn and Huss (2004), when developing a questionnaire the initial consideration is to adequately collect all the information needed to answer the research questions. Therefore, the questionnaire was structured based on the utilised and tested instruments from earlier research and analyses. The questions were designed to capture the information needed for the research constructs and variables. The majority of questions were adapted from previous literature with minor adjustments for the research purpose, and only a few questions were developed specifically for this study. It is also noteworthy for the importance of choosing appropriate question wording and content, response format, as well as the sequencing of the questions. The widely used Likert scale as a measurement tool appears to be more practicable and less complex for respondents, considering that they are generally not willing to spend an excessive amount of time on the questionnaire (Likert, 1932). As such the questionnaire is restricted to 7-point scales, and responses indicate different degrees of agreement or disagreement with an item in the scale.

The questionnaire was originally designed in English (see Appendix 1) and includes 76 questions. Given the fact that the study is taking place in a Chinese setting, translation of the questionnaire became an obvious requirement. The questionnaire was translated into Chinese (see Appendix 2) to allow participants to respond to the questionnaire in a language that they understand well. The questionnaire was translated by the researcher to ensure that the meaning of each question was as consistent as possible with the English version.

#### **4.6 Measurement and Scales**

Measurement is one of the most fundamental and important elements in research, it involves theoretical expansion of the research premises with concepts being translated into indicators (De Vaus, 2013). Chandler and Lyon (2001) reveal that entrepreneurship literature appears fragmented, it remains a challenging task and a great deal of work to try to establish content with valid construct measures. Therefore, utilisation of previously published and analysed scales is beneficial in the establishment of validity.

Based on the proposed theoretical model and hypotheses, four sets of constructs should be measured. The first set comprises only one construct: an entrepreneur's growth intention. The second set includes two constructs that describe business strategic postures, namely entrepreneurial orientation, and small business orientation. The third set includes two

constructs that describe the network resources of the firm, namely political network ties and business network ties. The Fourth set contains the final construct of this research, firm growth, which was assessed by adopting both objective and subjective measures. The main constructs in this study were measured with 7-point Likert scales, respondents were asked to answer all the questions reflecting on their personal perceptions and their own experiences regarding business activity and performance in their current venture. A summary of the variables used in this study is provided in Table 4.4.

#### **4.6.1 Independent variable**

***Entrepreneur's growth intention.*** Entrepreneurs' growth intention measures have been developed using different terms in previous studies, such as Davidsson's (1991) five growth motivation items; Delmar and Wiklund's (2008) single growth motivation measurement item; growth intention measures in the work of Cliff (1998), Kolvereid and Bullvag (1996); and Wiklund and Shepherd's (2003) four-item index of growth aspiration. These measures focus primarily on growth in manpower and revenue. Items used to measure growth intention in this research are 7-point Likert questions which were phrased based on the study of Douglas (2013). The survey comprises five items used to estimate each respondent's growth intention. Each item was preceded by the phrase asking, "*How likely is it that the development of your business venture will involve...*", followed by five statements that provide a detailed description of the potential business endeavour in different ways.

#### **4.6.2 Moderating and mediating variables**

***Small business orientation.*** This study adopted the SBO scale developed by Runyan, Droge and Swinney (2008), who were the first to use the term "small business orientation". According to their definition, SBO refers to business owners whose interests are not primarily pecuniary in nature compared to those of entrepreneurs. Scales designed to measure the small business orientation of business owners have been developed and operationalised by Runyan, Droge and Swinney (2008) based on the study of Carland et. al (1984). Exploration of SBO as a distinct construct is limited (e.g., Runyan, Droge and Swinney, 2008; Runyan and Covin, 2019), and although a nascent concept, research suggests that SBO is driven by the manager's personal goals and emotional attachment to the business, which reflects the values of the owner manager.

The nine-item SBO measurement adopted by this study comprises two aspects: purposes and goals, and emotional attachment. This measurement was further operationalised in SBO



studies (Runyan, Droge and Swinney, 2008; Madison, Runyan and Swinney, 2014). Purposes and goals of the small business owners are measured using five separate statements, and emotional attachment to the business was measured using another four statements. Measurement scales are 7-point Likert scales, with 1 = strongly disagree and 7 = strongly agree. The overall score for the small business owner's SBO can be calculated using the primary ratings of the items. The higher the respondent score, the greater the level of SBO.

**Entrepreneurial Orientation.** The previous literature review extensively discussed that entrepreneurial orientation (EO) is a measure of the extent to which the business venture of a respondent exhibits high degrees of entrepreneurial behaviours across risk-taking, innovativeness and proactiveness dimensions. EO studies have extended and refined the scale and further developed and operationalised the scale in a small business setting (e.g., Miller and Friesen, 1982; Miles, Covin and Heeley, 2000; Dess and Lumpkin, 2001). As we discussed in the literature review chapter, in the EO research domain, some authors argue in favour of a five-dimensional model, while others prefer the three-dimensional model. Additionally, the unidimensional and multidimensional nature of the construct itself has been subject to much debate (Lumpkin and Dess, 2001; Covin, Green and Slevin, 2006; Covin and Wales, 2012; Kraus *et al.*, 2012). Existing empirical studies widely adopt the unidimensional approach of EO and analyse the dimensions in aggregate, implying that there is general consensus in the literature on the conceptualization of firm-level EO proposed by Miller (1983) (Rauch *et al.*, 2009; Wales, Gupta and Mousa, 2013).

Consistent with extant EO research, we conceptualized EO as a three-dimensional construct, capturing elements of innovativeness, proactiveness and risk-taking. As such, we adapted a validated nine-item scale that was developed by Covin and Slevin (1989) and refined by Boso, Story and Cadogan (2013) in order to evaluate the extent to which the firms were innovative, proactive, and willing to take risks in businesses operations. The construct also embraces the Likert points ranging from 1 to 7, which means the respondents have to rate the statements based on their agreement from strongly agree to its opposite.

**Network resources.** Measures of political network ties were adapted from Li and Zhang (2007). It is including four items to assess the extent to which firm executives over the past three years have (1) spent much effort in cultivating personal connections with officials of government and its agencies; (2) maintained good relationships with officials of state banks and other governmental agencies; (3) devoted substantial resources to maintaining good relationships with officials of administrative agencies; (4) built good relationships with the top

officials in government. Measures of business network ties were adapted from previous studies (Li and Atuahene-Gima, 2002; Sheng, Zhou and Li, 2011). Business network ties are assessed by measuring the extent to which firm executives have interacted with industry counterparts including suppliers, customers, distributors and competitors.

### **4.6.3 Firm growth as the dependent variable**

#### **4.6.3.1 Objective vs. subjective: self-perceived financial growth and actual growth**

Notably, it has been generally accepted that small business growth can be captured in two main ways: self-perceived business growth and actual growth (Harris, 2001; Rosenbusch, Brinckmann and Bausch, 2011). Self-perceived business growth refers to subjective measures of business growth. The growth can be gauged subjectively by asking respondents to evaluate their own company's performance and growth frequently in comparison to that of their competitors, based on their own perceptions (e.g. Zahra, 1991; Wiklund and Shepherd, 2005; Covin, Green and Slevin, 2006). Actual growth refers to objective measures of business growth. According to Hult et al. (2008), growth may be gauged objectively either by asking respondents to report absolute values of performance or via secondary sources (e.g., Atuahene-Gima and Ko, 2001; Li, Poppo and Zhou, 2008; Casillas and Moreno, 2010). In Table 4.2 below, we summarise 28 studies of growth research in various national contexts published since 1999. The independent variables in these studies that affect firm growth are mainly featured in four categories: characteristics of the entrepreneur; management strategies; environmental /industry specific factors; and the characteristics of the firm. We differentiated between subjective and objective growth measures as growth scope (types) and further reported the specific measures of growth. In the listed studies, only 6 out of 28 studies used secondary data, and primary measures of growth were most often measured by respondents' perceived growth (subjective growth). Brouthers (2002) provides an explanation for the widespread adoption of primary data for measuring growth. Using primary data is particularly appropriate when the researcher is seeking to identify not only the goals associated with a specific strategy but also how managers interpret and understand the goals of an organization. By reviewing the performance measures in entrepreneurship studies, Trailer, Hill and Murphy (1996) conclude the high reliance on primary data is consistent with the findings of many entrepreneurship researchers who found a scarcity of relevant secondary sources. Moreover, in a research context such as China, where secondary data is often not available, collecting primary data is necessary and by doing so researchers will gain a better understanding of how managers value specific financial, operational, or overall effectiveness performance measures.

**Table 4.2: Previous research on the measures of firm growth**

Year	Authors	Journal	Country	Sample size	Type of data	Growth scope (type)	Growth measures
1999	Becherer and Maurer	Journal of Small Business Management	U.S.	215	primary	Subjective	sales profit
1997	Dickson and Weaver	Academy of Management	Norway	433	secondary	Objective	employment
2000	Slater and Narver	Journal of Business Research	U.S.	53	primary	Subjective and Objective	ROA(S) profit(O)
2000	Zahra and Garvis	Journal of Business Venturing	U.S.	149	primary	Subjective	ROA sales
2001	Atuahene-Gima and Ko	Organization Science	Australia	151	secondary	Objective	profit sales
2001	Lee, Lee, and Pennings	Strategic Management Journal	Korea	137	primary	Objective	sales
2001	Lumpkin and Dess	Journal of Business Venturing	U.S.	124	primary	Subjective	profit sales
2004	Dimitratos, Lioukas and Carter	International Business Review	Greece	152	secondary	Objective	sales
2005	De Clercq, Sapienza and Crijns	Small Business Economics	Belgium	92	primary	Subjective	sales
2005	Luo, Zhou, and Liu	Journal of Business Research	China	218	secondary	Objective	sales market share
2005	Wiklund and Shepherd	Journal of Business Venturing	Sweden	419	primary	Subjective	sales employment

2005	Zhou, Yim and Tse	Journal of Marketing	China	350	primary	Subjective	overall performance sales ROA
2006	Covin, Green and Slevin	Entrepreneurship Theory & Practice	U.S.	110	primary	Objective	sales
2006	Li, Liu, and Zhao	Industrial Marketing Management	China	585	primary	Subjective	n.a.
2007	Madsen	Entrepreneurship & Regional Development	Norway	168	primary	Subjective	overall performance market share sales employment
2007	Tang, Tang, Zhang and Li	Journal of Developmental Entrepreneurship	China	166	primary	Subjective	overall performance market share sales profit ROA
2008	Li, Poppo, and Zhou	Strategic Management Journal	China	280	primary	Objective	
2008	Stam and Elfring	Academy of Management	Netherlands	90	primary	Subjective and Objective	sales (O) employment market share, gross profit & net profit customer satisfaction (S)
2010	Casillas and Moreno	Entrepreneurship & Regional Development	Spain	449	secondary	Objective	sales
2010	Simsek, Heavey, and Veiga	Strategic Management Journal	Ireland	129	primary	Subjective	sales employment market share profit

2011	Su, Xie, and Li	Journal of Small Business Management	China	223	primary	Subjective	ROA market share net profit return on sales
2013	Anderson and Eshima	Journal of Business Venturing	Japan	230	primary	Subjective and Objective	sales market share employment(S) profit(O)
2015	Brouthers, Nakos and Dinitratos	Entrepreneurship Theory & Practice	UK and U.S.	162	primary	Subjective	return on investment profit overall performance
2016	Stenholm, Pukkinen and Heinonen	Journal of Small Business Management	Finland	532	secondary	Subjective	sales employment market share overall performance revenue ROA
2017	Eshima and Anderson	Strategic Management Journal	Korea and UK	535	secondary	Objective	ROA
2019	Jiang, Liu, Fey and Jiang	Journal of Business Research	China	251	primary	Objective	ROA
2020	Basco, Hernández-Perlines, and Rodríguez-García	Journal of Business Research	China Spain Mexico	114 102 114	primary	Subjective	sales market share profit capital return

\* Return on asset (ROA)

An early study conducted by Dess and Robinson (1984) claims that objective measures of a firm's financial performance are always preferable to subjective self-perceived financial performance when they are available; they further emphasise subjective measures cannot be considered as convenient substitutes for objective measures of a firm's financial performance. Following this notion, later studies have adopted objective performance measures to evaluate a firm's financial performance (e.g., Dickson and Weaver, 1997; Atuahene-Gima and Ko, 2001; Lee, Lee and Pennings, 2001). Chandler and Hanks (1993) conducted a validation study to assess the measurement of business performance. They found that although utilising objective financial measures allows researchers to assess firm performance with potentially lower levels of common method bias, and are especially helpful in assessing venture growth, a major concern is that objective data are often unavailable and challenging to evaluate, particularly in the small business setting. Recent studies also reported the underlying challenges in accessing detailed industrial listings data. Boso, Story and Cadogan (2013) reveal that the detailed industrial listings are not publicly available and extremely difficult to access, especially in emerging economies. Su et al. (2011) convey that due to the absence of publicly available objective data, it is difficult to verify the accuracy of any reported financial performance numbers in the context of Chinese emerging economies. From the respondents' perspective, it has been widely thought that small firms in general are unable and unwilling to provide sensitive financial information (Cai, Hughes and Yin, 2014). Furthermore, Cavaco and Crifo (2014) suggest that absolute scores on financial performance are sensitive to variations that are independent of the business operations of firms, such as macroeconomic shocks, political issues, or industry-specific factors. Therefore, it might be inaccurate and misleading to solely compare the objective financial data collected from small firms in different industries.

Abundant studies have suggested that subjective measures of a firm's financial performance may be appropriate given the restrictions and challenges imposed by accessing objective data (e.g., Madsen, 2007; Li, Poppo and Zhou, 2008; Tang and Tang, 2012). Covin and Slevin (1989) highlight the advantage of adopting self-perceived subjective measures for business performance, it is more useful in assessing the broader dimensions of performance and more accurate for multi-industry comparison. Some researchers argue that in situations where objective data is readily available, the information usually does not accurately reflect a company's actual performance, since managers sometimes falsify the data to avoid paying personal and corporate taxes (Dess and Robinson, 1984).

When comparing subjective and objective measurements, some researchers may be sceptical about the reliability of the primary sources of subjective data and concerned about the bias raised with utilising such measures. Existing literature offers fruitful evidence supporting the validity of subjective measures for firm financial growth (Chandler and Hanks, 1993). For

example, Dess and Robinson (1984) report that subjective measurements are strongly correlated with objective measurements in terms of absolute changes in return on assets and sales over the same period of time. Venkatraman and Ramanujam (1987) found that founders' or executives' assessments of business activities (such as gross profit and sales growth) were highly correlated with objective data, which in turn demonstrates that subjective growth measures can accurately reflect objective data in terms of actual firm growth. The findings support the validity of subjective growth measures and indicate considerable reliability for founder reported growth.

In addition, recent studies in business growth reveal that using primary data to evaluate firm growth can be more reliable than secondary data in emerging markets, for instance the Chinese context (e.g., Boso, Story and Cadogan, 2013; Jiang et al., 2018; He, Lu and Qian, 2019). Dess and Robinson (1984) advocate that secondary measures can be misleading. Considering different goals towards outcome performance inherent across firms, primary measures are potentially more realistic than secondary ones in certain cases. Nevertheless, by emphasising the advantages of subjective measures, Dess and Robinson (1984, p.270) explicitly stated their study "*should not be interpreted to suggest that subjective measures are convenient substitutes for the objective measures of a firm's economic performance*". They concluded that where available, objective measures of performance are always preferable to subjective ones.

Therefore, based on the discussions in performance measurement studies, given the need for valid growth measures and considering the difficulty in collecting valid data, there is merit in the use of subjective growth measures. In line with previous studies conducted in the similar research context, the current thesis adopts subjective measures for small business growth.

#### **4.6.3.2 Growth measures**

Scholars have elucidated that firm growth is heterogeneous in nature. Delmar, Davidsson and Gartner (2003) conducted longitudinal research and identify seven different patterns of firm growth; this research further reveals factors contributing to growth heterogeneity are the variations in the form of growth measures. The vast majority of growth research represents diverse views in measuring small business growth (Delmar and Wiklund, 2008; Shepherd and Wiklund, 2009; Davidsson, Achtenhagen and Naldi, 2010). McKelvie and Wiklund (2010) suggest it appears to remain a controversial topic in measuring business growth since there are no universally accepted measures to gauge small business growth. Typically, the choice of growth measures patterns in two directions: absolute measures (e.g. Miller, 1987) or relative measures (Feesser and Willard, 1990). According to Delmar, Davidsson and Gartner (2003),

when the research is targeting small business groups, relative growth is the more appropriate measure.

Existing literature has identified various ways to measure small business growth, for example: sales/turnover, employment, profits and assets, market share, physical output, or combining various types of the aforementioned measures (e.g., Dobbs and Hamilton, 2007; Shepherd and Wiklund, 2009; Coad and Hözl, 2012; Storey and Greene, 2010). This study outlines the pros and cons of different growth measures based on previous studies in Table 4.3 below.



**Table 4.3: Advantages and disadvantages of utilising different growth measures**

<b>Growth measures</b>	<b>Advantages</b>	<b>Disadvantages</b>
<b>Sales/ Turnover</b>	Applicable to all types of firms; Most commonly adopted; easily accessible (Dobb and Hamilton, 2007)	sensitive to inflation and currency exchange rates; not accurate for technology-based firms and start-ups with longer development times (Dobb and Hamilton, 2007; Storey and Greene, 2010)
<b>Employment</b>	Applicable to all types of firms; best concurrent validity; Most commonly adopted; relevant to policy makers; Easily accessible (Shepherd and Wiklund 2009; Delmar Davidsson, and Gartner, 2003)	greatly divergent among industries; affected by labour productivity increases; machine-for-man substitution; degree of integration and other make-or-buy decisions (Dobb and Hamilton, 2007; Delmar Davidsson, and Gartner, 2003)
<b>Profit</b>	Applicable to all types of firms; ultimate goal of all firms; important indicator of success (Dobb and Hamilton, 2007)	may choose to trade-off long term growth for short term growth; might be inaccurate as it is easily manipulated; past performance is no guarantee of future results (Davidsson, Achtenhagen and Naldi, 2010)
<b>Asset</b>	Applicable to all types of firms; easily accessible; all the businesses use assets to generate sales and profits (Dobb and Hamilton, 2007; Zahra and Garvis, 2000)	highly related to the capital intensity of the industry; sensitive to changes over time; (Dobb and Hamilton, 2007; Zahra and Garvis, 2000)
<b>Market share</b>	Less dependent upon macro-environmental variables; secondary data often available (Chen et al., 2006)	can only be compared within industries; not correlated with profitability; difficult to evaluate for small businesses (Dobb and Hamilton, 2007)
<b>Physical output</b>	Capture non-financial growth (Coluzzi, Ferrando and Martinez-Carrascal, 2015)	non-financial criteria; difficult to calculate; difficult to quantify accurately and efficiently greatly divergent among industries (Coluzzi, Ferrando and Martinez-Carrascal, 2015)
<b>Composite measures using multiple indicators</b>	More accurate as they can access more aspects of business performance; attributes of the same underlying theoretical concepts of growth (Delmar Davidsson, and Gartner, 2003)	the assumption of common causes may be incorrect; the weights of each indication is unclear in the aggregated performance (Wang, 2012)

Sales and employment have been the most widely adopted measures for operationalising business growth (Delmar and Shane, 2003), Dobbs and Hamilton (2007) argue that these two measures are relatively uncontroversial (methodologically) and data tends to be easier to access. Sales growth provides evidence of how revenue of a venture change over time. Davidsson et al. (2010) suggest that the increase in sales turnover encourages businesses to invest more in their assets and employees, which in turn will also results in increased profits or market share. Where there is an increase in sales, the firm is provided with more revenues that can be reinvested in their development and resource acquisition, however, for those technology-based firms and start-ups with longer development periods, who may spend years developing their products before releasing to the market, sales as a growth measure is not accurate. Thus, a more appropriate indicator to measure growth for such businesses may be their growth in employment or other measures.

Dobbs and Hamilton (2007) note that employment growth as a growth indicator is of particular importance to policy makers, due to its contribution to economic growth. However, scholars criticise the efficiency of employment growth measures in small business growth, considering the cases where some small business owners may increase sales while actually reducing employment, and some firms may employ an outsourcing strategy. As such, some suggest employment growth is not always highly accurate in measuring growth (Delmar, Davidsson and Gartner, 2003; Wiklund *et al.*, 2009).

It is consequently suggested by a number of scholars, multiple growth measures should be employed in the study of firm growth (e.g. Wiklund, Davidsson and Delmar, 2003; Dobbs and Hamilton, 2007; Su, Xie and Li, 2011; Stenholm, Pukkinen and Heinonen, 2016). Delmar et al. (2003) highlight that the utilisation of multiple measures may contribute to a more comprehensive relationship for the empirical investigations and provide an alternative path to test the robustness of any theoretical model. Yet it is noteworthy that a major shortcoming of multiple indicators is that the assumption of common cause may be incorrect (Delmar, Davidsson and Gartner, 2003).

Therefore, recognizing the limitations and strengths of different growth measures, the current study will employ multiple measures to access small business growth. Previous studies have emphasised the importance of measuring firm growth in terms of the relative increase in the assets (Zahra and Garvis, 2000; Dobbs and Hamilton, 2007; Su and Yang, 2018). Considering businesses use assets to generate sales and profits, asset growth allows firms to obtain external financing to promote business growth. In addition, following previous empirical studies, in which relative growth over a three-year period was used to assess growth (e.g.,

Zahra and Covin, 1993; Davidsson and Delmar, 1997; Su, Xie and Li, 2011). This study will assess small business performance through the growth in profits, sales, employment, and market share. It is believed that the combination of these indicators contributes to a wider and more comprehensive perspective on measuring and comparing business growth, and it is particularly beneficial for research targeting firms in multi-industries (Delmar et al., 2003).

Finally, based on the preceding discussions, scholars have indicated different growth measures and calculations of business growth may have an impact on the construction of research models, as well as the development of theories; as such, they suggest that adopting a single measure of business growth may be more efficient for academic researchers (Chandler and Hanks, 1993; Davidsson and Delmar, 1997). Notably, entrepreneurship studies conducted in emerging economies highlight the challenges and obstacles in accessing business financial performance and suggested that the utilisation of such subjective measures is more effective at avoiding non-responses than directly asking informants to provide financial measures in terms of figures (e.g., Gao, Xu and Yang, 2008; Boso, Story and Cadogan, 2013; Yin, Hughes and Hu, 2021). In order to capture different aspects of small business performance and avoid variations of model testing, this study adopts subjective growth measures as dependent variables for the research model. When assessing subjective growth, comparisons with competing businesses in the market reveal important additional information (Birley and Westhead, 1994; Wiklund and Dean Shepherd, 2003). Therefore, the subjective measures were assessed through respondents' perceived growth. Respondents were asked to estimate information such as sales growth, market share growth, growth in profit, and growth in employment in the past three years relative to their major competitors in its principal industry on seven-point scales ranging from 'much worse than our competitors' to 'much better than our competitors'.

#### **4.6.4 Control Variables**

Control variables used for this study include age, gender, education level, entrepreneurial experience, firm age, firm size, and industry. Most of these variables were sourced from previous research (e.g. Wang, 2008; Anderson and Eshima, 2013; Douglas, 2013). Scholarly reviews in organisational studies reveal that the vast majority of empirical studies on the relationships under scrutiny adopt three control variables, namely firm size, firm age and industry (Trailer, Hill and Murphy, 1996; Rauch *et al.*, 2009). Firm age controls for the time since a firm's establishment, and the variation in growth rate that is accorded to the initial task of start-up and survival during the development of a firm's life cycle (Hanks *et al.*, 1994). Firm

age as a control variable is measured as the total number of years for which the firm has been in existence. It is favoured by the majority of research due to data indicating that many small firms, post start up, would enter periods of stability, and this outcome performance is often considered intentional. Hence, the aim of recording this data is to identify a typical time frame. Firm size in terms of the size of employment was included to capture the magnitude of growth that the firm has already experienced. Initially, firm size in terms of revenue was also considered, but in the current economy, where many firms have low headcounts but very high revenue, that choice seemed problematic. Followed by the notion of Rauch et al. (2009), Industry is often included as a control variable, a significant line of difference was drawn between high technology firms and non-high technology firms. According to Deutscher et al.(2016), in contrast to non-high technology firms, high technology firms represent characteristics as growth-seekers who proactively pursue business opportunities, observe future trends, and endeavour to adapt to turbulent environments. As such, to determine firm age and firm size, respondents were asked to provide their total number of full-time employees. Firm age was assessed by asking respondents to provide the year of business establishment. Industry was accessed by requesting confirmations from the respondents as to whether the firm was registered and classified as a technology-based venture or having official technology-innovation projects, then it is coded as a binary dummy variable (either high-tech or non-high tech). These three control variables were then logged to create the study's controls.

Gender was chosen as a control due to empirical findings suggesting that female and male entrepreneurs tend to have different attitudes towards work-life balance, and different attitudes towards firm size thresholds (Cliff, 1998). For the purposes of this study, the two most common identified genders are used and coded as a binary dummy variable. Entrepreneurial experience (Marks and Mirvis, 2001) and education (Gruber, MacMillan and Thompson, 2012) have been included as they address the accumulation of business-related information and mental models that are useful in guiding the entrepreneurial endeavour and entrepreneurial behaviour; they both enhance entrepreneurial cognition, and thus new venture creation and promising business development. Entrepreneurial Experience is measured as the total number of business ventures the owner manager had in the past, excluding the current one. Empirical evidence from Ucbasaran et al.(2010) shows that the extent and nature of entrepreneurs' prior experience affects their attitudes toward entrepreneurial behaviour and thus decision-making processes. This study therefore controlled for respondents' previous entrepreneurial experience.

**Table 4.4: Summary of main variables in this thesis**

<b>Variable</b>	<b>Role in research</b>	<b>Number of items</b>	<b>Source of scale</b>	<b>Sample items</b>
<b>Growth intention</b>	Independent variable	5	Douglas (2013)	How likely is it that you would want to develop your business venture to “Exploit a new technology that promises to have very good prospects for long term growth and eventual profitability”; “be based on the gamble that a particular change in the laws will happen, and that you will therefore be in a position to capitalize on that change”; “require several rounds of external funding as it grows, before it eventually becomes highly profitable”, “Involve a high risk of failure, but is expected to be extremely profitable quite quickly if it takes off”; “slowly build up sales and employments and eventually become a very large business”
<b>Entrepreneurial orientation</b>	Innovativeness	3	Miller (1983) Rauch et al., (2009);	“Our company is known as an innovator among businesses in our industry.” “We promote new, innovative product/services in our company.”; “Our company provides leadership in developing new products/services.”
	Risk taking	3	Wales, Gupta and Mousa, (2013)	“Top managers of our company, in general, tend to invest in high-risk projects”; “This company shows a great deal of tolerance for high-risk projects”; “Our business strategy is characterized by a strong tendency to take risks”

	Proactiveness		3		“We seek to exploit anticipated changes in our target market ahead of our rivals”; “We seize initiatives whenever possible in our target market operations”; “We act opportunistically to shape the business environment in which we operate”
<b>Small business orientation</b>	Goals and purposes	Moderator	5	Runyan, Droge & Swinney (2008)	“Our business better fits my personal life than working for someone else”; “Our company has no plans to significantly expand this business in size or sales revenue”; “My goals for this business are more personally orientated than financially oriented”; “This business is my primary source of income”; “Our company aims to expand to multiple (2 or more) locations” (reverse question).
	Emotional attachment		4		“I consider this business to be an extension of my personality”; “My goals for this business are interwoven (interconnected) with my family’s needs”; “I love my business”; “I am emotionally attached to my business”
<b>Political network ties</b>		Mediator	4	Li and Zhang (2007).	“Spent substantial resources in cultivating personal connections with officials of government and its agencies”; “Maintained good relationships with officials of state banks and other governmental agencies”; “Devoted substantial resources to maintain good relationships with officials of administrative agencies”; “Developed good relationship with regional government officials”

<b>Social network ties</b>		Mediator	6	Li and Atuahene-Gima, (2002); Sheng et al., (2011)	“Collaborated with other firms to market new products”; “Joined with other firms to introduce new products”; “Jointly distributed and provided support services for new products with other firms”; “Have built good connections with buyer firms”; “Have built good connections with supplier firms”; “Have built good connections with other business intermediaries”
<b>Firm growth</b>	Subjective self-perceived financial performance	Dependent variable	4	Su, Xie and Li, (2011)	Growth in: Profit; The number of employees; Sales turnover; Market share

## **4.7 Survey Data Collection**

### **4.7.1 Pilot test**

The survey was conducted from late July to early December 2019 in the format of a visiting-on-site survey questionnaire and online web-based survey questionnaire. Procedures for pilot testing were carried out in order to guarantee that the questionnaires that were used in the research for this thesis were valid. According to Saunders et al. (2015), a pilot test is a preliminary preparation using a small sample to test the questionnaire for the research. This process is necessary as it helps to reduce the potential problem and ambiguity of respondents having difficulties understanding and answering the listed questions. The pilot test also provides an opportunity for an initial assessment of the validity and reliability of the questionnaire.

Prior to the pilot study, the translation process was carried out by native Chinese and English speakers who are familiar with research, and eventually completed with a satisfactory version. The pilot study with a Chinese language questionnaire draft is pre-tested for measurement validity. Eight participants who were business managers or entrepreneurs took part in the pilot test. These participants were asked to complete the questionnaire and provide feedback that related to the following aspects: if the questionnaire has an acceptable length; if the instructions are clear; if there are unclear or ambiguous questions or wording; if the questionnaire's layout is clear, professional and attractive. Other comments that the respondent wants to include were also considered if they were relevant to the research theme. Based on the comments from the participants, all feedback was reflected and carefully considered, actions in terms of modification and refinement were taken accordingly.

### **4.7.2 Data collection process**

A sampling frame of 1410 businesses were initially contacted in the format of visit-on-site and online questionnaires to be informed about the research project. Company websites were used to verify the contact details and to record personnel changes if any. A total of 1271 questionnaires were delivered using visit-on-site and the collect survey administration method and online survey method via WeChat (a Chinese social media channel similar to WhatsApp) business groups. Specifically, a total of 401 questionnaires were delivered by visiting on site and the rest of the 870 questionnaires were delivered using online survey questionnaires.



The questionnaire took approximately 15 minutes to complete. Especially, the respondents were asked to provide information about their growth intention of their venture, strategic orientations, network ties, and firm growth. Besides this, the respondent was also asked about: (1) their business characteristics, including age, size, industry, and ownership structure; (2) the personal characteristics of themselves, including age, gender, education, position, and years worked in their ventures. We emphasised that the targeted participants have to be the most senior and knowledgeable informants or the business owner him/herself, as they are able to provide opinions and perceptions that are valid for other key decision-makers in the firm.

Two actions were taken to ensure quality responses and increase response rate. (1) At the beginning of the questionnaire, anonymity/confidentiality was assured; neither the respondent nor its organization would be identified during the analysis and report writing stage (Podsakoff *et al.*, 2003). By including such assurances in the cover letter, the respondent was reassured that subsequent information disclosure would not compromise his or her privacy. (2) At the end of the survey, participants were promised non-monetary rewards in the form of a summary of the study's findings (keeping their anonymity intact) at their request.

The questionnaires were successfully delivered to 1131 companies that the researcher was able to locate and contact, followed by two waves of reminders between July and November 2019. Some of the respondents refused to take part in the survey, citing reasons such as the owner managers being unavailable. Some refused to provide some data owing to confidentiality issues, such as suspicions that the survey might be used for tax purposes. Entrepreneurs are less rigorous towards surveys; therefore many questionnaires were answered illogically and inconsistently. By the end of data collection, there were 528 respondents from different channels of distribution, and 384 respondents were found to be usable. 144 respondents were eliminated. The reasons are briefly summarized as follows: 78 questionnaires were completed by normal employees who were not able to provide opinions and perceptions that were valid for other key decision-makers or founders of the firm; 29 firms were defined as medium and large enterprises; 12 questionnaires were eliminated due to incompleteness with large amounts of missing data (leaving more than 40 percent of the questions blank); 19 questionnaires were eliminated due to identicalness of the answers throughout the questionnaire; 6 questionnaires were eliminated due to careless answers and logical errors in answering the reverse questions. This leaves a total number of 384 observations for data analysis. The details can be found in the Table 4.5.

**Table 4.5: Details of data collection**

	Clusters	Total No.	*Contacted firms	Delivered Questionnaires	Mode of responses	Respondents	**Valid questionnaires
1	Business registers from tax bureau	6200	360	231	hardcopy	189	129
2	Development zone	1632	180	170	hardcopy	150	133
3	Business Associations	1500	870	870	WeChat	189	122
Total		9332	1410	1271		528	384
Overall response rate						37.45%	27.23%

\* Target respondents reachable and available to complete the questionnaires

\*\* List wise deletion of cases due to incomplete information questionnaires and firms which do not meet sample criteria (i.e., samples after excluding businesses that were not in operation, businesses that were of a large size, businesses that were state-owned).

### **4.7.3 Response rate**

Response rate is considered to be an important source in empirical research, representing an essential concern when aiming for reliable survey results. Harzing (1997) argues that low response rates can cause major problems for researchers, unsatisfactory response rates might result in samples that are insufficient for drawing any conclusions. Dennis (2003) notes that small business owners and entrepreneurs produce relatively low response rates due to lack of organisational slack and they tend to be more sensitive to reporting financial related information. Runyan et al. (2008) provide further evidence and suggest a normal response rate is 10%-20% for social science research of small businesses. This response rate corresponds to entrepreneurial studies in China e.g., at 14.5% (Wang, Wang and Chen, 2018) and 20.2% (Jiang, Li and Lin, 2014).

Additionally, in order to acquire high-quality responses as well as a better response rate, efforts were taken to locate the key informants who possessed the most relevant information and ask them to fill in the questionnaire. The qualified executive directors/managers with detailed knowledge and expertise in the daily operations of their businesses were contacted and located via phone calls, and then they were asked if they were willing to take a questionnaire survey. The researcher also made an attempt to access the company websites to verify up-to-date contact details and record personnel changes. After the delivery of the survey, reminders were sent twice to encourage and motivate participation in the completion of the survey. At the end of data collection, the researcher obtained 384 valid questionnaires, indicating the effective response rate was 27.2% (384/1410). We must highlight that this is a comparatively good response rate given the well-documented difficulties of obtaining questionnaire responses for social science worldwide, especially from small business managers in the Chinese context (Li and Atuahene-Gima, 2001; Tang, 2016).

### **4.7.4 Non-response bias assessment**

To investigate potential non-response bias, this study first compared the firm ages of the respondent firms with those of non-respondent firms. The average age of the respondent firms was 7.55 years (standard deviation 4.46) and non-respondent firms 7.63 years (standard deviation 3.23). The t-statistics were insignificant, confirming that non-response bias was not a serious concern and that there was good external validity in this study.

Besides this, t-test comparisons of early-responding firms versus late-responding firms on age of entrepreneurs, firm size and firm age were also conducted (Anderson and Eshima, 2013). The data of this study were categorised into two groups based on the time of response. The

early response group (prompt respondents) has 270 observations, while the late response group (respondents with 2 reminders) has 114 observations. The results presented in Table 4.6 with all p-value > 0.10 shows no non-response bias between the early-responding and late-responding firms in our survey. Given the fact that there are no significant differences between the two groups, non-response bias was not considered a problem in this study.

**Table 4.6: Results from non-response bias test**

	Response period	Mean	Std. Deviation	Std. Error Mean
Position	Early	1.69	0.58	0.04
	Late	1.71	0.59	0.06
Firm Age	Early	2.04	0.68	0.04
	Late	2.02	0.62	0.06
Firm Size	Early	1.79	0.65	0.04
	Late	1.85	0.68	0.06

Independent Sample Test		Levene's Test for Equality of Variances		t-Test for Equality of Means			
		Sig.	t	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Position	Equal variances assumed	0.95	-0.27	0.78	-0.02	-0.15	0.11
	Equal variances not assumed		-0.27	0.79	-0.02	-0.15	0.11
Firm age	Equal variances assumed	0.14	0.32	0.75	0.02	-0.12	0.17
	Equal variances not assumed		0.33	0.75	0.02	-0.12	0.16
Firm size	Equal variances assumed	0.94	-0.79	0.43	-0.06	-0.20	0.09
	Equal variances not assumed		-0.78	0.44	-0.06	-0.21	0.09

#### 4.7.5 Common method bias

Previous literature remarks that common method bias is a potential problem for behavioural science research. According to Podsakoff et al.(2003), it reflects “*the variance that is attributable to the measurement method itself rather than to the constructs that are being measured*” (p.879). The primary concern of common method bias comes from the variance derived from the data collection method or the source of data, it may create an appearance of a relationship between two or more of the variables in the study (Podsakoff et al., 2003). The current study uses self-reported surveys, the measures for the dependent and independent variables were reported by the same respondent. This may be subjected to the concern of common method bias considering the potential false internal consistency in the data analysis process. Following the work of Podsakoff and Organ (1986), the present study countered common method bias through procedural method and statistical techniques. The procedural methods are addressed in the development research measurement items, and the statistical techniques addressed in items loading and collinearity among research variables.

For the data collection process, before the main survey, a pilot study was conducted to eliminate the uncertainty of wording and content, and separate the independent variables from the dependent variables in the questionnaire format. The measurement items were mixed and combined using reverse-coded items. On the cover paper of the questionnaire, respondents were guaranteed complete confidentiality of the information they provided and there was no right or wrong answers to the questions in the survey (Podsakoff et al., 2003). This action was taken to minimise the bias from the respondents and “make them less likely to edit their responses to be more socially desirable, lenient, acquiescent, and consistent with how they think the researcher wants them to respond” (Podsakoff et al., 2003, p.880).

With regards to statistical techniques, this study adopted Harman’s (Harman, 1967) one factor test to check whether common method variance is a serious problem in the data. According to Podsakoff and Organ (1986), when a substantial amount of common method variance is present, “either (a) a single factor will emerge from the factor analysis, or (b) one ‘general’ factor will account for the majority of the covariance” among the measured variables. The exploratory factor analysis (EFA) with all of the multi-item constructs with eigenvalues greater than one result in the expected factor solution, which account for 67.5% of the total variance, and the first factor accounting for about 19.69% of the variance. This result illustrates that a single-factor solution does not emerge, and the first factor does not explain most of the variance. Hence, results suggest that common method variance was not a concern in the current study.

#### **4.7.6 Content validity and instrument reliability**

Generally speaking, validity refers to the accuracy of a measure, the measuring instrument ought to be logically consistent and encompass all aspects of the constructs being studied. Davidsson, Achtenhagen and Naldi (2010) elaborate that evidence of pragmatic, content, and construct validity can be used to evaluate the validity of a measuring instrument. Content validity addresses the adequacy and accuracy with which the domain of research construct are captured by a measurement scale. Essentially, the content validity was assessed in several steps, the study starts with a comprehensive literature review to identify and develop the questionnaire items based on previous research, then the researcher discusses and consults the content of preliminary questionnaire with two academics in the relevant research domain, actions were taken based on their advice. After revising the questionnaire items, a pilot test was conducted and the feedback from the participants was addressed for the final modification and refinement for the data collection instrument.

Mehrens and Lehmann (1984) describe that “reliability can be defined as the degree of consistency between two or more measures of the same thing.” The reliability of the measurement can be assessed with Cronbach’s alpha coefficient which is considered as one of the most widely adopted measures for reliability test (Bryman, 2008). Scholars suggest measurement reliability with Cronbach’s alpha values between 0.60 and 0.70 are considered “acceptable in exploratory research,”; between 0.70 and 0.90 range from “satisfactory to good.”, and exceed 0.95 are problematic, because such high value indicates that the items are redundant, thereby it might result in reducing construct validity (Cronbach, 1951; Diamantopoulos *et al.*, 2012). Although values greater than 0.70 are often considered the criterion for ideal internal consistency, Nunnally (1978) suggests the Cronbach’s alpha value of 0.50 to 0.60 is acceptable in the early stages of the research. It is also worth noting the size of the research sample is an important consideration for internal consistency. According to Hair *et al.* (2010) there appears to be a higher level of Cronbach’s alpha value when the sample size is considerably large. The Cronbach alpha results for the constructs of this study are reported in the data analysis chapter.

#### **4.8 Chapter Summary**

The purpose of this chapter was to introduce aspects related to research philosophy, methodological approach, and research design in detail in the current study. Specifically, this chapter provides a justification of the philosophical perspective of this study; discussion has been made in regard to the decisions and rationales for research design and survey administration methods. This chapter provides a detailed introduction for methodological

context as well as researches a description of sample frame. In addition, this chapter discusses actions that the researcher took to leverage and minimise the problematic aspects that stem from the examination and integration of the phenomena under scrutiny. Considering the nature of research, the current study adopts the positivist approach anchored in quantitative methodology using survey questionnaires for data collection.

Regarding the study's sample, 1410 businesses were initially contacted and 384 useable responses were received. Respondents were restricted to business executives, owner-managers, or founders with significant knowledge and experience in their business operations. Finally, several efforts were made to deal with inadvertent bias, such as possible non-response bias and the potential problem of common method variance issues. With respect to non-response bias, the study compared the responding firms and non-responding firms, as well as early-responding and late-responding firms and these analytic results revealed no problem with non-response bias in the current study. Results of common method variance assessment demonstrated that there is no significant impact of common method variance on the variables examined in the current study. Thus, the research design activities in this study suggest that the data analysed in this study are valid.

## Chapter 5: Data Analysis

### 5.1 Introduction

This chapter introduces the development of an analytical regime for the thesis and reports results of the survey questionnaire. The purpose of this chapter is to empirically assess the research objectives by validating the measurement scales, testing the proposed research hypotheses and revealing how theories fit the reality. The analysis is addressed in many steps. First, this chapter examines the sample profile with descriptive statistics. Second, the chapter presents the procedures for item selection and item analysis using exploratory factor analysis (EFA) and presents the reliability and validity assessment procedures to make sure the sample is ready for regression analysis. Third, the relationships between constructs are examined using Pearson's correlations. For the last section, the researcher further tests the research hypotheses formulated by the conceptual framework, and the assessment of hypotheses is reported. Data analysis reported in this chapter was conducted using the SPSS 26 statistical package for Windows.

### 5.2 Characteristics of the Sample

At the end of data collection, the researcher obtained 384 valid questionnaires out of 1410 businesses that were surveyed (with 262 sourced from a paper-based onsite survey and 122 from a web-based online survey). Table 5.1 below provides details of the sample characteristics. This section further discusses the listed characteristics to deliver the basic knowledge for understanding the research sample.

#### 5.2.1 Characteristics of respondents

*Respondent's gender.* As shown in the table below, out of 384 respondents, approximately 57.8% (222) of those included in the survey are male, the rest 42.2% (162) are female.

*Respondent's education level.* A scholarly review of the literature on the relationship between educational achievement and business growth suggests a positive relationship between educational background and business growth (e.g., Storey, 1994). It was selected due to the fact that educational background addresses an entrepreneur's collection of business-related knowledge and information that is helpful in managing entrepreneurial endeavour. Scholars in this stream also suggest educational background may enhance entrepreneurial cognition, and thus venture creation and expansion (Bae *et al.*, 2014).



Table 5.1 suggests a significant percentage of respondents (52.8%) hold a bachelor's degree, with 31.5% of respondents holding a comparatively lower educational level with a high school degree or lower. Only 15.6 % respondents hold Masters or PhD degrees (15.6%).

*Respondent's position.* Out of the 384 respondent, 141 (36.7%) were from founders, business owners and chairmen, and 243 (63.3%) were executives and members of top-level management teams (e.g., CEOs, general managers or managing directors).

*Entrepreneurial experience.* The table provided also reveals that half of the respondents (51.8%) are nascent entrepreneurs who had no prior entrepreneurial experience and 48.2% of respondents had either one - or more than one - entrepreneurial experience.

### **5.2.2 Characteristics of respondent firms**

*Firm size.* Table 5.1 shows that among all 384 respondent firms, 127 (33.1%) have less than 10 employees, 203 (52.9%) have a number of employees between 11 and 50, and 54 (14.1%) have more than 51 employees. The responding firms are categorized as micro and small-sized enterprises based on the definition by the National Bureau of Statistics of China (2017) presented in Table 4.1 (SMEs table in Chapter 4.5.3).

*Firm age.* Out of the 384 firms, 77 (20.1%) are 3 years old or less, 217 (56.5%) are between 4 and 10 years old, and 90 (23.4%) are between 11 and 19 years old.

*Geographic Location* As we discussed in the previous chapter, this study was conducted in the northeast area in China, and out of 384 firms, 305 (79.4%) are from 9 administrative districts of Shenyang, a municipality of Liaoning province, and 79 (20.6%) are from the other 10 surrounding cities in Liaoning province.

**Table 5.1: The Sampling Profile**

		<b>Frequency</b>	<b>Percent%</b>	<b>Cumulative Percent%</b>
<b>Gender</b>	Male	222	57.8	57.8
	Female	162	42.2	100
<b>Age</b>	21-30	44	11.5	11.5
	31-40	166	43.2	54.7
	41-50	127	33.1	87.8
	51 or above	47	12.2	100
<b>Education</b>	High school and below	121	31.5	31.5
	Bachelor	203	52.9	84.4
	Masters' level and above	60	15.6	100
<b>Overseas education</b>	Yes	17	4.4	4.4
	No	367	95.6	100
<b>Position</b>	Founders or owners	141	36.7	36.7
	Top manager	243	63.3	100
<b>Previous entrepreneurial experience</b>	0	199	51.8	51.8
	1	90	23.4	75.3
	>1	95	24.7	100
<b>Industry</b>	Hi-tech	176	45.8	45.8
	None hi-tech	208	54.2	100
<b>Firm age</b>	3 years and under	77	20.1	20.1
	4-10 years	217	56.5	76.6
	11-19 years	90	23.4	100
<b>Firm size</b>	0-10 employees	127	33.1	33.1
	11-50 employees	203	52.9	85.9
	Over 51 employees	54	14.1	100
<b>Geographic operate location</b>	Shenyang (municipality)	305	79.4	79.4
	Other surrounding cities in Liaoning Province	79	20.6	100
<b>Total</b>		384	100	

## 5.3 Data Screening

### 5.3.1 Missing values

As suggested by Hair *et al.* (2010), in data analytics it is essential to solve the missing values problem. Missing values usually occur during the process of data collection or data entry. There are various methods to deal with a missing value, such as listwise or pairwise deletion, conditional mean imputation (regression imputation), unconditional mean imputation (MI), maximum likelihood (EM algorithm), and multiple imputations (Fichman and Cummings, 2003). The primary objective of data screening is to have a fully functional dataset. The dataset of this study exhibited 2 variables with missing values: perceived firm growth, with 3 missing values; and founder/owner manager's age, with 6 missing values. Following the suggestion by Hair *et al.* (2010) the missing values were replaced by using the mean value of the variable from all other valid responses in this study. It should also be noted that the mean substitution method for the missing values may reduce the variance of the variable, however this issue is unlikely to be a problem as the level of missing data is relatively low in this study.

### 5.3.2 Outliers

The term outlier refers to data that differ significantly from all the others in a specific variable; it represents extreme values (either very low or very high) that may cause non-normal data and distorted statistics. The detection of outliers in research is an important procedure before conducting regression analyses, considering the fact that cases with extreme values impact the value of regression coefficients significantly (Hair *et al.*, 2010). Following the procedures suggested by Hair *et al.* (2010), the analysis assessed both univariate and multivariate outliers. This study utilised the full range of univariate statistics and frequency analyses under SPSS 26 for identifying any out-of-range values and univariate outliers.

As statistical theory informs us that problematic outliers are identified for skewness above 2 and kurtosis above 5 respectively (Ghiselli, Campbell and Zedeck, 1981), a set of procedures was concluded with the examination of box plots and distributions for each variable separately, and no visually exposed problems were found. A final test of multivariate outliers for each observed variable was run by Mahalanobis Distance ( $D^2$ ) in SPSS, then this  $D^2$  measure divided by number of variables involved ( $D^2/df$ ) is approximately distributed as a t-value (t distribution values table). Given the nature of the statistical tests, it is suggested that levels of significance (e.g., .005 or .001) are used as the threshold value for indication as an outlier (Hair *et al.*, 2010; p.64). With data transformation for the t-value, no case with significant value ( $<0.001$ ) was found.

### 5.3.3 Normality

In multivariate analysis, data normality is the most fundamental assumption (Hair *et al.*, 2010). It involves examining the shape of data distributions and determining whether they correspond to the normal distribution. Multivariate normality, defined as the combination of two or more variables in an aggregated measure, is also examined in this study.

By doing so, a histogram has been generated for normality assessment, comparing observed data values with the normal distribution approximation. Statistical interpretation of normality is made again by the skewness and kurtosis values (see Table 5.2). According to these tests, if skewness and kurtosis are zero, the data represent a perfect normality distribution (Hair *et al.*, 2010). The tests of skewness and kurtosis z-values were applied to all variables of this study, and z-values were calculated through dividing the statistical values of skewness and kurtosis by their standard errors respectively.

According to Tabachnick and Fidell (2007), if a study has a reasonably large sample, skewness will not make a substantive difference in the analysis. Kurtosis can result in an underestimation of the variance, but this risk is also reduced with a large sample of no less than 200 (Tabachnick and Fidell, 2007). However, in the current study, even with a sample size of almost 400, issues of non-normality have been broadly identified for both sub-dimensions (purpose and goals, and emotional attachment) in small business orientation (SBO), and proactiveness and business network ties were calculated with a z-value greater than an acceptable value of  $\pm 2.58$ . The broadly identified non-normalities in the above-mentioned variables were later investigated and tested with exploratory factor analysis to check for whether there are cross loading issues of factor structures. The detailed statistic values, standard errors, as well as z-values for the normality test, are provided in Table 5.2 below.

**Table 5.2: Results from normality test**

Variables	N	Skewness			Kurtosis		
		statistic	Std. Error	z-value (acceptable value: +/- 2.58)	Std. Error	statistic	z-value (acceptable value: +/- 2.58)
Growth intention	384	0.13	-0.09	0.68	0.25	-0.63	2.53
SBO	384	0.13	-0.58	4.61	0.25	0.06	-0.54
<i>Purpose &amp; goals</i>	384	0.13	-0.41	3.15	0.25	-0.32	1.28
<i>Emotional attachment</i>	384	0.13	-0.37	2.84	0.25	0.08	-0.32
EO	384	0.13	-0.16	1.31	0.25	-0.30	1.19
<i>Innovativeness</i>	384	0.13	-0.30	2.36	0.25	-0.66	2.56
<i>Risk taking</i>	384	0.13	-0.17	1.32	0.25	-0.34	1.35
<i>Proactiveness</i>	384	0.13	-0.48	2.81	0.25	0.02	-0.24
External network ties	384	0.13	-0.19	1.49	0.25	-0.13	0.53
Business network ties	384	0.13	-0.40	3.12	0.25	-0.03	0.24
Political network ties	384	0.13	-0.17	1.38	0.25	-0.60	2.41
Perceived firm growth	384	0.13	-0.26	2.08	0.25	0.41	1.65

### 5.3.4 Initial internal reliability test

According to Bell and Bryman (2011), reliability is concerned with the consistency of the score obtained from a measure or assessment technique of a concept across settings. Bell and Bryman (2011) suggest there are three ways to evaluate whether a measurement is reliable or not, including: stability, inter-observer consistency and internal reliability. Stability is the way to understand if a measure is still reliable over time. It is important for researchers to see if their research measures produce similar results over a period of time. Inter-observer consistency is a subjective judgement which occurs when different observers reach a consistency in their decisions. And finally, internal reliability refers to multiple indicators which are consistent and related to each other (Bell and Bryman, 2007).

This study adopted internal reliability because the research variables involve multiple-item measures where the internal consistency is important. Cronbach's alpha is the most commonly used technique to assess internal reliability of research constructs with multiple indicators, especially for the study using factor analysis (Bell and Bryman, 2007; Hair *et al.*, 2010). According to Churchill (1979), "*A low coefficient alpha indicates the sample of items perform poorly in capturing the construct*" (p.68). And in general, as a rule of thumb, if the value of Cronbach's alpha  $\geq 0.90$  indicates excellent reliability, 0.70-0.90 indicates high reliability, 0.50-.70 has moderate reliability, and  $\leq 0.50$  indicates low reliability (Hair *et al.*, 2010).

However, according to Hair *et al.* (2010), Cronbach's alpha value is very sensitive to the item number within a construct. For instance, when there are many items in one construct, the Cronbach alpha value may be comparatively high, as there is the same degree of inter-correlation. For this reason, Hair *et al.* (2010) claim a Cronbach's alpha value of 0.60 is acceptable for a study.

**Table 5.3: Cronbach's alpha of the research constructs (initial)**

	Cronbach's alpha
Growth intention	0.708
SBO	0.609
EO	0.926
Political network ties	0.910
Business network ties	0.880
Perceived firm growth	0.909

The Cronbach's alpha test for key constructs is exhibited in Table 5.3 above. During the analytic process, few problems were identified. In growth intention construct, GI2 (item defined in Table 4.4 shows low inter-item correlations with other items in the construct (below 0.3), and item-to-total correlation of G2 is 0.285, which is lower than 0.5. According to the rule of thumb suggested by Hair *et al.* (2010), items with inter-item correlations should be greater than 0.3 and item-to-total correlation should be greater than 0.5, hence GI2 was removed. Reliability of SBO was below an acceptable level, and after removing the reversed item (PURP5 barely correlated with other items) in the purpose and goals sub-dimensions, Cronbach's alpha reached 0.609, which is acceptable (Hair *et al.*, 2010). After removing the aforementioned two items (GI 2 and PURP5), the Cronbach's alpha results of all the constructs suggest the reliability is acceptable. In particular, the results in Table 5.3 show that EO, a firm's network ties and perceived firm growth constructs all have a Cronbach's alpha greater than 0.8, which indicates excellent reliability. Growth intention constructs have acceptable reliability of 0.708.

## **5.4 Refinement of the Research Constructs**

Factor analysis is the best-known statistical procedure for investigating relationships between sets of observed research constructs. Adopting this approach for data analysis allows the researcher to examine the variances and covariances among a set of variables in order to obtain information on their underlying factors. Considering factor analysis is concerned with the extent to which the observed variables can be generated by the underlying latent constructs, it is important to refine all constructs before the data analysis (Hair *et al.*, 2010). Following this view, exploratory factor analysis (EFA) was used to select items that loaded on a factor in order to reduce the number of items.

### **5.4.1 Exploratory factor analysis**

Exploratory factor analysis has been used for defining the underlying structure of the constructs under scrutiny. It is used to discover the number of factors influencing variables and to analysis which variables move together (DeCoster, 1998). EFA was performed in this research in order to test the dimensionality of all research constructs and gauge construct validity. To analyse the data appropriately, dimensionality was assessed with EFA using SPSS 26 by including all items of the research constructs, namely growth intention, small business orientation, entrepreneurial orientation, political network ties, business network ties, and

perceived firm growth. In the process of EFA, this study adopted principal component analysis with varimax rotation. The Kaiser Criterion states eigenvalues >1 have been used to determine the number of factors.

Based on the criteria of practical significance as defined by Hair *et al.* (2010), this research assessed the loadings in EFA results in the following manner:

- Factor loadings ranging from  $\pm 0.30$  to  $\pm 0.40$  are considered to meet the minimal level for interpretation of a structure.
- Loadings at  $\pm 0.50$  or greater are considered practically significant for interpretation of a structure.
- Loadings greater than 0.70 are considered indicative of a well-defined structure and is the most ideal result in factor analysis

Following the aforementioned roles, in the EFA process this study adopted principal component analysis with varimax rotation to allow for extensive research items to load on a maximally simplified factor matrix, thus highlighting its true influence across all factors (Hair *et al.*, 2010). The widely accepted principal component analysis criterion, also known as the Kaiser Criterion ( eigenvalues > 1 ), has been used to determine the number of factors (Kaiser, 1960). In order to ensure completeness and demonstrate the robustness of the items used in this study, EFA was performed on all constructs involving all good items (items that had factor loadings exceeding 0.50).

#### **5.4.2 Initial factor structure for all variables**

According to the initial results of EFA displayed in Table 5.4, all research constructs, namely growth intention (GI2 was removed in the reliability test), small business orientation (PURP5 was removed in the reliability test), entrepreneurial orientation, political network ties, business network ties and perceived firm growth, were evaluated. Eight factors were extracted and explained 68.3% of the total variances. As suggested by Hair *et al.* (2010), factor loadings in the range of  $\pm 0.30$  to  $\pm 0.40$  are considered to meet the minimum level for interpretation of structure. Loadings greater than 0.4 were considered as good loadings and were marked in bold letters in the table.

To be specific, four items measuring perceived firm growth constructs loaded well, with all factor loadings greater than 0.5 and without crossing loadings; all items moved together as a single factor as expected. Four items in political network ties and six items in business network ties are all loaded onto the expected latent constructs respectively with excellent factor



loadings. For EO constructs, nine items, in terms of the three EO dimensions, namely innovativeness, risk taking and proactiveness, loaded onto one factor.

In the literature review chapter and hypotheses development chapters, we have discussed the ongoing debate within the entrepreneurial literature regarding whether EO is a unidimensional or multidimensional construct (Covin, Green and Slevin, 2006). 37 out of 51 studies examined in the scholarly review by Rauch et.al (2009) adopt a unidimensional EO construct, suggesting a field of unidimensional EO with a conceptualisation that draws on concrete theoretical traditions and offers satisfactory explanatory ability for assessing inferential relationships with dependent variables. In contrast, much of the early research examined entrepreneurial orientation as firm-level characteristics and demonstrated that the sub-dimensions of EO - risk taking, innovation, and proactiveness - can vary independently and thus should be treated as a multidimensional construct (Kreiser, Marino and Weaver, 2002; Dess and Lumpkin, 2005). In more recent literature, some researchers focused on uncovering the attributes of individual entrepreneurs that promote a combination of innovativeness, proactiveness and risk-taking as an orientation towards venture performance (Eckhardt and Shane, 2013; Donbesuur, Boso and Hultman, 2020). Miller (1983) sheds light on this notion from a theoretical perspective, he suggests if a firm is characterised as entrepreneurial, it should be concurrently innovative, proactive and risk-taking. In practice, previous studies empirically indicate correlations among these three sub-dimensions of EO tend to be moderately or highly connected (e.g. Kreiser, Marino and Weaver, 2002; Green, Covin and Slevin, 2008). Thus, it is reasonable to employ the EO scale as a unidimensional construct in this study, with 3 sub-dimension 9-items all combined. The extraction results support the unidimensional view of the EO construct, which is also in line with the research objectives.

To move on to the remaining two constructs that loaded unexpectedly, the SBO scale was first developed in 2008 and there is scarcity in the literature investigating small business orientation; as such only limited empirical research has adopted this measurement scale (Madison, Runyan and Swinney, 2014). Growth intention scale was developed in recent years and empirical studies using this scale are sparse. The initial EFA results of SBO construct and GI construct are problematic as presented in Table 5.4. For the SBO construct, two dimensions, namely purpose and goals (PURP) and emotional attachment (EMOT), were measured by 8 items in total. The analysis of EFA revealed all four items capturing emotional attachment (EMOT) and two items capturing purpose and goals (PURP1 and PURP4) are loaded as one factor with all loadings greater than 0.5. PURP2 'Our company have no plans to significantly expand this business in size or sales revenue' with a negative loading of -0.607, and PURP3 '*My goals for this business are more personally orientated than financially orientated*' were extracted as two single factors on their own, respectively. Four items that measure GI

construct were loaded on 3 domains. GI1 has a cross loading of 0.617 with an EO construct. GI was described as *“I want to expand my business by exploiting a new technology that promises to have very good prospects for long term growth and eventual profitability”*, which is highly correlated with the innovativeness dimension in EO. And the description for GI2 and GI3 involves risk seek propensity in terms of the intended business growth plan. This might be the reason why the EFA results indicate these two EI items loaded on the same domain with the risk-taking items in EO sub-dimensions. GI5 was described as ‘Will slowly build up sales and eventually become a very large business with potentially thousands of employees spread around the world’, and PURP2 was described as ‘Our company have no plans to significantly expand this business in size or sales revenue’; as such, there no surprise that the EFA results exhibit negative cross-loadings with these two items that loaded on the same domain.

**Table 5.4: Initial exploratory factor analysis results**

Construct and Items		Factor loading							
		1	2	3	4	5	6	7	8
<b><i>Growth Intention</i></b>									
GI1	Exploits a new technology that promises to have very good prospects for long term growth and eventual profitability	<b>.617</b>	.149	-.027	.114	-.018	.097	.133	<b>.425</b>
GI3	Will not be very profitable at first, requiring several rounds of external funding as it grows, before it eventually becomes highly profitable	.278	.155	.202	.049	.055	<b>.435</b>	.112	.387
GI4	Involves a high risk of failure, but is expected to be extremely profitable quite quickly if it takes off	.293	.111	.097	.088	.051	<b>.642</b>	.004	.160
GI5	Will slowly build up sales and eventually becomes a very large business with potentially thousands of employees spread around the world	.352	.097	.116	.107	.124	.072	-.045	<b>.717</b>
<b><i>Small Business Orientation</i></b>									
<i>Purpose and Goals</i>									
PURP1	Our business better fits my personal life than working for someone else	.110	.030	.060	-.059	<b>.585</b>	-.069	<b>.442</b>	-.278
PURP2	Our company have no plans to significantly expand this business in size or sales revenue	-.230	.007	-.152	-.046	.211	.089	.336	<b>-.607</b>
PURP3	My goals for this business are more personally oriented than financially oriented	-.028	.009	-.028	.017	.188	.005	<b>.672</b>	-.019
PURP4	This business is my primary source of income.	.037	-.011	.083	-.086	<b>.568</b>	-.074	.315	-.201
<b><i>Emotional Attachment</i></b>									
EMOT1	I consider this business to be an extension of my personality.	-.031	.190	-.038	.037	<b>.638</b>	.215	.052	.047
EMOT2	My goals for this business are interwoven (interconnected) with my family's needs	-.104	.034	-.123	-.011	<b>.569</b>	.195	.068	.169
EMOT3	I love my business.	.171	.046	-.056	.043	<b>.805</b>	-.092	-.078	.079
EMOT4	I am emotionally attached to my business	.141	.001	.019	.098	<b>.804</b>	-.022	-.048	-.027
<b><i>Entrepreneurial Orientation</i></b>									
<i>Innovativeness</i>									
INN1	Our company is known as an innovator among businesses in our industry	<b>.792</b>	.106	.073	.155	.005	.090	.070	.179
INN2	We promote new, innovative product/services in our company	<b>.840</b>	.198	.030	.120	.052	.055	.016	.119

INN3	Our company provides leadership in developing new products/services	<b>.842</b>	.072	.081	.183	-.112	.055	.037	.109
<b>Risk-taking</b>									
RISK1	Top managers of our company, in general, tend to invest in high-risk projects	<b>.576</b>	.172	.138	.153	.142	<b>.427</b>	-.159	-.096
RISK2	This company shows a great deal of tolerance for high-risk projects	<b>.579</b>	.123	.142	.113	.045	<b>.548</b>	.008	-.113
RISK3	Our business strategy is characterised by a strong tendency to take risks	<b>.555</b>	.048	.143	.152	.097	<b>.541</b>	-.116	-.040
<b>Proactiveness</b>									
PROA1	We seek to exploit anticipated changes in our target market ahead of our rivals	<b>.640</b>	.212	.062	.114	.231	.174	-.321	-.005
PROA2	We seize initiatives whenever possible in our target market operations	<b>.675</b>	.191	.051	.008	.178	.145	-.310	.130
PROA3	We act opportunistically to shape the business environment in which we operate	<b>.557</b>	.262	.018	.086	.281	.164	-.397	-.048
<b>Network Ties</b>									
<b>Political Network Ties</b>									
SNT1	Spent substantial resources in cultivating personal connections with officials of government and its agencies	.035	.131	.062	<b>.887</b>	-.024	.069	.006	.052
SNT2	Maintained good relationships with officials of state banks and other governmental agencies	.113	.162	.138	<b>.831</b>	-.008	.063	-.045	.013
SNT3	Devoted substantial resources to maintain good relationships with officials of administrative agencies	.015	.151	.071	<b>.874</b>	-.082	.065	.019	.075
SNT4	Developed good relationship with regional government officials	.137	.161	.132	<b>.833</b>	.006	.050	-.057	.077
<b>Business Network Ties</b>									
BNT1	Collaborated with other firms to market new products	.064	.110	<b>.796</b>	.049	.029	.220	.132	.150
BNT2	Joined with other firms to introduce new products	.166	.181	<b>.739</b>	.078	-.004	.176	.175	.127
BNT3	Joined with other firms to introduce new products	.129	.185	<b>.802</b>	.035	.057	.139	.107	.043
BNT4	Built good connections with buyer firms	.300	.211	<b>.691</b>	.123	.121	-.084	-.235	-.042
BNT5	Built good connections with supplier firms	.284	.228	<b>.668</b>	.151	.101	-.119	-.305	-.068
BNT6	Built good connections with other business intermediaries	.228	.187	<b>.660</b>	.230	.093	-.117	-.276	-.078
<b>Perceived Firm Growth</b>									
PGRW	Growth in profit	.103	<b>.828</b>	.168	.114	-.011	.141	-.020	.006

EMPG	Growth in the number of employees	.140	<b>.786</b>	.063	.151	.062	.114	-.049	.113
SGRW	Sales turnover	.177	<b>.862</b>	.124	.125	.009	.108	-.077	.034
MSHR	Market share	.219	<b>.805</b>	.144	.147	.023	.009	-.038	.051

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Eigenvalue:	10.355	3.409	2.91	2.23	1.943	1.495	1.197	1.033
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%Variance explained:	25.365	10.585	8.9	7.455	6.492	3.755	3.035	2.667
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KMO: 0.908

Barlett's Test:  $\chi^2= 9027.569$  (Sig. 0.000)

% of Variance Extracted 68.3%

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*the scale used a 7-point likert scale: 1= strongly disagree, 2= disagree, 3= slightly disagree, 4=neutral, 5= slightly agree, 6= disagree, 7= strongly agree*

*Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization.*

Based on the unsatisfactory result of initial exploratory factor analysis with all of the multiple-item constructs, and although the results of the multi-item constructs account for 68.834% of the total variance, with the first factor accounting for 25.3%, problems regarding the factor loadings needed to be addressed. It made theoretical and empirical sense to eliminate some of the items from further analysis.

Starting with SBO construct, as we discussed previously, in the literature there is a scarcity of empirical examinations of the impact of small business orientation. After reviewing the empirical research, we adopted the SBO measurement scale (i.e. Runyan, Droge and Swinney, 2008; Madison, Runyan and Swinney, 2014 Ma et, al. 2009). We found item eliminations were reported in all these studies which employed SBO measurement. Growth intention scale was developed in recent years by Douglas (2013), and in his study growth intention was well justified, with five items to measure specific growth-oriented intention, in contrast to many entrepreneurship researchers, who measure growth intention by simply eliciting a yes or no answer to the question “do they want to grow the business or not”, which is then coded as a binary dummy variable. A research gap exists in empirically assessing an entrepreneur’s specific intention towards growth, and as such, the studies using growth intention scale from Douglas (2013) are sparse.

Upon examining the wording of the items in the GI and SBO constructs and the findings in previous studies, this study first processed the problems in the SBO construct. Items PURP2 and PURP3 were dropped one at a time, EFA and Cronbach’s alpha were assessed prior to eliminating the next item. PURP 2 was first eliminated because it has a negative factor loading, which indicates the items are negatively related to the factor, and it extracted into one factor with the lowest eigenvalue. Additionally, there were theoretical justifications for dropping these two items. PURP2 was described as ‘Our company have no plans to significantly expand this business in size or sales revenue’, and PURP3 was described as ‘My goals for this business are more personally oriented than financially oriented’; although in this study it is not a trivial adaption of full items from the original scale, eliminating these item allowed our measure to align more closely with our conceptualisation and also allow us to link the SBO construct to firm growth.

#### **5.4.3 Final factor structure for all variables**

After first eliminating PURP2, the Cronbach’s Alpha of SBO slightly increased from 0.732 to 0.743 indicating higher reliability without PURP2. EFA was conducted for all the retained items with principal component analysis and Varimax Kaiser Normalisation rotation. Seven factors

were extracted and explained 68.8% of the total variances (increased by 0.5%). PURP3 in the SBO construct was still loading on its own, however, with a negative loading of -0.684. GI1 still has a cross loading of 0.638 connected to the EO construct. We further remove PURP3 from the SBO construct. The rationale behind the priority elimination of items in SBO is supported by previous studies adopting SBO measurements. The comparatively large number of eliminated items and comparatively low factor loadings in SBO constructs are in line with previous empirical studies (Madison, Runyan and Swinney, 2014; Runyan et. al, 2008). Specifically, eliminations of the items in SBO were also found in the research by Ma, et.al (2009), who adopted SBO measures and applied them in a similar geographical context to the present research. After the elimination of PURP3, The Cronbach's alpha of SBO slightly increased again from 0.743 to 0.770 (as shown in **Error! Reference source not found.**), indicating a higher reliability of SBO without PURP3. EFA was then conducted for all the retained items with principal component analysis and Varimax Kaiser normalisation rotation again. Six factors were extracted and explained 66.58% of the total variances. The results showed that all the items loaded cleanly on the expected factors, except GI1, and GI3 shows cross loading issues as it correlated with the EO construct. Therefore, we dropped GI1 and rerun EFA for the retained items. The results after the elimination are shown in table 6.6. For a clean view, factor loadings smaller than 0.40 have been suppressed in the table below.

**Table 5.5: Cronbach's alpha of the research constructs (final)**

	Cronbach's alpha
Growth intention	0.725
SBO	0.732
EO	0.926
Political network ties	0.910
Business network ties	0.880
Perceived firm growth	0.933

**Table 5.6 Final Exploratory factor analysis results for all items (with PURP 2, PURP3, GI1 eliminated)**

Construct and Items		Factor loading					
		1	2	3	4	5	6
<b>Growth intention</b>							
GI3	Will not be very profitable at first, requiring several rounds of external funding as it grows, before it eventually becomes highly profitable						.595
GI4	Involves a high risk of failure, but is expected to be extremely profitable quite quickly if it takes off						.542
GI5	Will slowly build up sales and eventually become a very large business with potentially thousands of employees spread around the world						.606
<b>Small Business Orientation</b>							
<i>Purpose and Goals</i>							
PURP1	Our business better fits my personal life than working for someone else						.698
PURP4	This business is my primary source of income						.666
<i>Emotional attachment</i>							
EMOT1	I consider this business to be an extension of my personality						.641
EMOT2	My goals for this business are interwoven (interconnected) with my family's needs						.551
EMOT3	I love my business						.744
EMOT4	I am emotionally attached to my business						.767
<b>Entrepreneurial Orientation</b>							
<i>Innovativeness</i>							
INN1	Our company is known as an innovator among businesses in our industry						.796
INN2	We promote new, innovative product/services in our company						.815
INN3	Our company provides leadership in developing new products/services						.837
<i>Risk-taking</i>							
RISK1	Top managers of our company, in general, tend to invest in high-risk projects						.662
RISK2	This company shows a great deal of tolerance for high-risk projects						.690



RISK3	Our business strategy is characterised by a strong tendency to take risks	.659
<i>Proactiveness</i>		
PROA1	We seek to exploit anticipated changes in our target market ahead of our rivals	.668
PROA2	We seize initiatives whenever possible in our target market operations	.697
PROA3	We act opportunistically to shape the business environment in which we operate	.588

### **Network Ties**

#### *Political Network Ties*

PNT1	Spent substantial resources in cultivating personal connections with officials of government and its agencies	.886
PNT2	Maintained good relationships with officials of state banks and other governmental agencies	.830
PNT3	Devoted substantial resources to maintain good relationships with officials of administrative agencies	.879
PNT4	Developed good relationships with regional government officials	.826

#### *Business Network Ties*

BNT1	Collaborated with other firms to market new products	.813
BNT2	Joined with other firms to introduce new products	.784
BNT3	Joined with other firms to introduce new products	.763
BNT4	Have built good connections with buyer firms	.686
BNT5	Have built good connections with supplier firms	.742
BNT6	Have built good connections with other business intermediaries	.691

### **Perceived Firm Growth**

PGRW	Growth in profit	.824
EMPG	Growth in the number of employees	.784
SGRW	Sales turnover	.857
MSHR	Market share	.806

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Eigenvalue:	9.902	3.299	3.032	2.983	2.693	1.994
%Variance explained:	19.694	12.008	11.780	9.908	8.979	5.174

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KMO: 0.907

Barlett's Test:  $\chi^2= 8478.305$  (Sig. 0.000)

% of Variance Extracted 67.5%

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*The scale used a 7-point likert scale: 1= strongly disagree, 2= disagree, 3= slightly disagree, 4=neutral, 5= slightly agree, 6= disagree, 7= strongly agree. Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization*

**Table 5.7: Final Cronbach's Alpha of the research constructs (with PURP 2, PURP3, GI1 eliminated)**

	Cronbach's Alpha
Growth intention	*0.661
SBO	*0.770
EO	0.926
Political network ties	0.910
Business network ties	0.880
Perceived firm growth	0.933

*Asterisked figures indicate increased Cronbach's Alpha after item elimination.*

After eliminating the abovementioned items (G1, PURP2, PURP3), the EFA results produced 6 factors in line with what was predicted and confirmed the uni-dimensionality of the measurement items addressed in each proposed construct, namely growth intention, SBO, EO, political network ties, business network ties and perceived firm growth. Table 5.6 above depicts the matrix for the final EFA results for all scales. As such, no item was further deleted as all the proposed research constructs tested reliably and all the retained items produced factor loadings greater than 0.50. The explanatory power of the retained items is 67.5% of the total variance. As a result, the retained items were considered for regression analysis in the next step.

## **5.5 Measurement Scale Reliability**

According to Bryman (2008), the most common method of determining internal reliability in social science research is Cronbach's Alpha. The final results of the measurement scale reliability were presented in Table 5.7, based on the EFA final results with refined research constructs; the Cronbach's Alpha of growth intention and SBO construct are increased respectively after item elimination. It has been suggested by several scholars that a higher Cronbach's Alpha often indicates higher levels of internal consistency of reliability, specifically, values between 0.60 and 0.70 are considered "acceptable in exploratory research", values between 0.70 and 0.90 range from "satisfactory to good", and values exceeding 0.95 are problematic, because such high values indicate that the items are redundant, thereby it might result in reducing construct validity (Cronbach, 1951; Diamantopoulos *et al.*, 2012). As

presented in Table 6.7, the reliability of the research constructs in the current study ranges from 0.661 to 0.933. Although previous researchers suggest a Cronbach's Alpha above 0.7 is generally more satisfying, most constructs in the current study show acceptable levels of internal consistency. Notably, the GI construct exhibited a comparatively low reliability in the measurement scale. This problem was mainly caused by the elimination of items. As Hair et al. (2010) claimed, Cronbach's Alpha value is very sensitive to the items number within a construct. Therefore, the elimination of items within a construct would highly likely affect its Cronbach's Alpha. The construct reliability value may decrease when the number of items for this construct decreases. In conclusion, the results shown in Table 5.7 indicate the acceptable measurement scale reliability of this research.

## **5.6 Measurement Scale Validity**

Convergent validity of the scales can be considered as a variant of construct validity, it refers to the extent to which measurements of theoretically related variables are, in fact, related (Campbell and Fiske, 1959). Discriminant validity is complementary to the convergent validity concept. It represents the degree to which two conceptually similar concepts are distinct (Hair et al., 2010). In other words, it shows the extent to which factors are distinct and uncorrelated. Discriminant validity is a fundamental condition for confirming hypothesized relationships (Russell, 1978). This study assessed discriminant validity and convergent validity by conducting exploratory factor analysis. Convergent and discriminant validity is examined by evaluating the factor loadings of all extracted factors and the cross-loading issues of each item onto extracted factors. Based on the final EFA results presented in Table 5.6, with six factors extracted, it is indicated that the established measurement scales have all the items loaded in their original constructs with no cross-loading issues. Discriminant validity is also checked through Pearson's correlation, as the correlation matrix is broadly adopted to test for multicollinearity issues. The correlation matrix is presented in Table 5.9 below. Based on all the analysis results, the validity of the measurement scales is sufficient for this research.

## **5.7 Correlations**

Table 5.8 illustrates the correlation coefficients between the study's variables. Hair et al (2010) argue that the correlation coefficient represents the strength of the association between two variables, with the positive and negative signs (+ or -) indicating the direction of the relationship. These associations are fundamental for regression analyses as they provide a general indication of the nature of relationships. Table 6.8 only provides an overview of all relationships

between all constructs and sub-constructs used within the present research, exhibited correlation does not imply causal relationships. Interpretations of associations between constructs are discussed in detail in the following sections.

The result in the table illustrates that the SBO dimensions of 'purpose and goals' and 'emotional attachment' are not significantly associated with the objective measures of firm growth, which may lead to an insignificant regression test result. The sub-constructs exhibited levels of significance; this issue is not concerning as these subdimensions were proved to be intercorrelated within their proposed constructs. While growth intention was found significantly and positively correlated ( $p < .05$ ) with EO, political network ties and business network ties, and perceived firm growth respectively, and same positive and significant correlations were also found between EO and perceived firm growth, which lays the foundation for further hypotheses testing.

**Table 5.8: Correlations of research variables**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Growth Intention														
2. SBO	.080													
3. <i>Purpose and goals</i>	.022	.695**												
4. <i>Emotional attachment</i>	.131*	.798**	.444**											
5. EO	.566**	.120*	.036	.191**										
6. <i>Innovativeness</i>	.504**	.040	-.007	.090	.897**									
7. <i>Risk taking</i>	.531**	.138**	.060	.195**	.866**	.675**								
8. <i>Proactiveness</i>	.464**	.154**	.051	.239**	.872**	.683**	.644**							
9. Network ties	.391**	.050	.018	.077	.451**	.387**	.417**	.393**						
10. Political network ties	.287**	-.024	-.012	-.031	.258**	.223**	.282**	.181**	.838**					
11. Business network ties	.350**	.112*	.041	.170**	.487**	.417**	.401**	.476**	.769**	.297**				
12. Perceived firm growth	.321**	.020	-.030	.081	.438**	.432**	.387**	.333**	.464**	.344**	.422**			

*N=384; Italic figures on the variable column are sub-constructs. Two-tailed tests. Correlations statistically significant at \*p<0.01, \*\*p<0.05*

## **5.8 Hypothesis Testing**

Multiple regression analysis was adopted by this study to test the associations between the dependent and predictor variables. According to Hair et al., (2010), multiple regression analysis can be applied in research based on solid theoretical frameworks when a researcher wants to evaluate the explanatory power of proposed research models. Research hypotheses reflect the links and relationships between the constructs that build up the research model.

In multiple regression analysis, coefficient  $\beta$  and p values are the two primary assessments used to examine the relationship between constructs (Hair et al., 2010). The significance of coefficients  $\beta$  value indicates inner model quality. Another important assessment is coefficients of determination ( $R^2$ ), each endogenous construct has an  $R^2$  value that indicates how well and accurately it is explained, as such  $R^2$  is reported in the result of this research.

### **5.8.1 Overview of research hypotheses and research model**

To address the research questions, this study draws on the theory of planned behaviour (Ajzen, 1991), the resource-based view (Wernerfelt, 1984; Barney, 1991), and social capital theory (Nahapiet and Ghoshal, 1998) to examine the relationship between growth intention and firm growth. It further investigates the complexities within this relationship by exploring the role of strategic postures and two types of network ties. Conceptual justifications for conducting analytical sequence of this study are discussed in previous chapters. Table 5.9 below summarises the research hypotheses formulated in Chapter 4.

**Table 5.9 Hypotheses and related variables**

<b>Equations</b>	<b>Hypotheses</b>	<b>Relationships</b>
<b><i>Growth intention and firm growth</i></b>		
<b>H1</b>	An entrepreneur’s growth intention is positively associated to perceived firm growth	Positive
<b><i>Entrepreneurial strategy making process</i></b>		
<b><i>Mediating effect</i></b>		
<b>H2</b>	Entrepreneurial orientation mediates the effect of an entrepreneur’s growth intention on perceived firm growth	Positive
<b>H3</b>	Small business orientation moderates the relationship of an entrepreneur’s growth intention and perceived firm growth	Positive
<b><i>External networking</i></b>		
<b><i>Network ties as the serial mediator of the GI-EO-perceived growth model</i></b>		
<b>H4</b>	Entrepreneurial orientation mediates the effect of an entrepreneur’s growth intention on perceived firm growth	Positive
<b>H5</b>	Small business orientation moderates the relationship of an entrepreneur’s growth intention and perceived firm growth	Positive

**5.8.2 Multivariate regression**

Quantitative studies require research endeavours in multivariate statistical principles to examine the fundamental assumptions that underpin the regression analysis. An essential step prior to conducting multivariate statistical analysis is the examination of multicollinearity and linearity. Linearity is concerned with correlational association between variables; as is suggested by Field (2013), correlations above 0.8 raise concerns of a multicollinearity issue. The correlation matrix of research variables presented in Table 5.8 showed that none of the predictor variables coefficient from different research constructs was greater than 0.80, and as such, multicollinearity should not be an issue for regression analysis. Multicollinearity refers to a situation where “there is a high correlation between one of the independent variables and some linear combination of the remaining ones” (Kraemer and Blasey, 2004; p.147). To be more specific, when the concept is examined under a regression framework, multicollinearity indicates two or more predictor variables are highly correlated (Hair *et al.*, 2010). As suggested



by some scholars, multicollinearity present in datasets may cause computational problems, affect sampling stability, increase standard errors, and consequent harm research credibility; therefore, this problem needs to be under control (Hair et al., 2010).

To ensure that multicollinearity would not affect the analytical requirement of this study, the decision was to adopt the mean centring approach (Hofmann and Gavin, 1998). The study mean centred all first order variables through a data transformation routine. Moreover, variance inflation vector (VIF) has been suggested to be a more powerful tool to examine the multicollinearity among variables in regression (Hair et al., 2010). Considering the correlations in Table 5.8 are normal to relatively high, a calculation of VIF was also executed. According to the rule of thumb suggested by Field (2013), if the VIF values exceed 10, multicollinearity would be a real concern for the study. The VIF values of all the research variables were well below the threshold of 10, suggesting that multicollinearity was not a concern.

### **5.8.3 Analytic approach**

In line with prior studies, (i.e. Kraus et al., 2012; Kolvereid and Isaksen, 2017; Jiang et al., 2018), the researcher used hierarchical linear regression analysis to examine the research hypotheses. The conceptual models proposed in Chapter three were disassembled into two steps and were tested through different regression models. The first set of assessments is regarding relationships between entrepreneur's growth intention and perceived firm growth, and we further examine the moderating effect of SBO and the mediating effect of EO respectively in the growth intention–firm growth link. The second set of assessments focuses on examinations of the links relating to the effects of business network ties and political network ties in the relationship between EO and firm growth.

Following Hair (2010), we used the ordinary least square (OLS) regression as the analytical approach to examine the relationships between the research constructs. Given the fact that quantitative studies can benefit from examining direct relationships between variables and analysing multiplicative terms using OLS hierarchical regression, and scholars have emphasised that in evaluating models involving contextual and configurational aspects, hierarchical regression is deemed to be an appropriate approach (Wiklund and Shepherd, 2005; Hair et al., 2010).

In the analytical process of hierarchical regression, variables were entered stepwise; in each step, the higher order of interactions was added respectively to assess how significant interactions affect the dependent variable, and the incremental  $R^2$  and F test of statistical significance were evaluated (Wiklund and Shepherd, 2005). With the OLS hierarchical

regression approach, this study was able to examine the interrelationships between research constructs.

### **5.8.3.1 Results of the Main Effect Hypothesis Test**

The initial research question is whether an entrepreneur's growth intention will lead to firm growth. This section aims to examine the main effect of entrepreneurs' growth intention on firm growth. To achieve this objective, we adopted an OLS hierarchical regression approach to test the model, which specified an association between growth intention and perceived firm growth. The analytical process first entered the research control variables (respondents' age, gender, educational level, position in their business and entrepreneurial experience; firm age, size, operational location and whether it is a high-tech firm), followed by adding the independent variable (growth intention). Notably, in the regression models, control variables such as educational level and age groups often represent important influences upon the dependent variable, however these variables are captured as categorical variables. The use of categorical variables in regression analysis is often avoided due to confusion concerning interpretation. Quantitative researchers suggest the use of dummy coding is the simplest method that enables researchers to have the ability to enter categorical predictor variables into a multiple regression analysis (Sweeney and Ulveling, 1972). This study calculated all the categorical variables into dummy coding through the data transformation process.

The unstandardised estimates ( $\beta$ ) and the associated t-values of the regression model were reported in the regression results Table 5.10. Due to the hypothesised relationships in the model being one-way directional, the conventional critical t-values of 1.282, 1.645 and 2.325 were used for \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$  respectively. The analysis employs subjective measures to assess firm growth constructs and examine the proposed relationship as the hypotheses listed below.

*H1: An entrepreneur's growth intention is positively associated to firm growth.*

*H2: Entrepreneurial orientation mediates the effect of an entrepreneur's growth intention on firm growth.*

*H3: Small business orientation mediates the effect of an entrepreneur's growth intention on firm growth.*

To examine the relationship between growth intention and aggregate perceived firm growth, three models were estimated in Table 5.10. The hypothesised relationships being examined were the ones that linked GI to firm growth and EO to firm growth.

Model 1 is the base model, and only includes the control variables of this research which explained a significant amount of the variance in firm growth ( $R^2 = 0.22$ ;  $p < 0.01$ ). In particular, the coefficient of male ( $\beta = 0.24$ ;  $p < 0.01$ ), firm size ( $\beta = 0.65$ ;  $p < 0.01$ ), bachelor's degree educational level ( $\beta = 0.38$ ;  $p < 0.05$ ), and first-time entrepreneurs ( $\beta = 0.23$ ;  $p < 0.01$ ) were statistically positive. Except the eldest entrepreneur's age group (41-50), which was found to be statistically negative with ( $\beta = -0.05$ ;  $p < 0.05$ ).

While in model 2, the independent variable growth intention was entered. The coefficient of growth intention was positive and statistically significant ( $\beta = 0.23$ ,  $p < 0.01$ ). The result revealed that high levels of overall growth intention would significantly facilitate firm growth. The first hypothesis of the study suggested that growth intention would be positively associated to firm growth, and this is supported. Notably, after adding the independent variables into Model 2, the  $R^2$  increased to 0.22 from 0.26 which indicates an increase in the exploratory power of the regression model.

EO was further entered in model 3, by regressing firm growth on both growth intention and EO simultaneously. Results in Model 3 illustrated EO was positively and significantly ( $\beta = 0.33$ ,  $p < 0.01$ ) related to firm growth. Moreover, after adding the EO into Model 3, the  $R^2$  has increased to 0.26 from 0.32, and the adjusted  $R^2$  increased from 0.23 in Model 2 to 0.28 in model 3. More importantly, the coefficient of growth intention on perceived firm growth is reduced significantly from 0.23 to 0.07, and no longer significantly associated with firm growth when EO is included in the model. This suggests that EO fully mediates the relationship between growth intention and perceived firm growth.

**Table 5.10: OLS models of growth intention and EO onto perceived firm growth**

<i>control variables</i>		<b>perceived firm growth</b>					
		Model 1		Model 2		Model 3	
		$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value
<b>Age</b>	<i>21-30</i>	.07	.39	-.02	-.11	.00	.00
	<i>31-40</i>	-.27	-1.47	-.29*	-1.65	-.26	-1.54
	<i>41-50</i>	-.55**	-2.40	-.52**	-2.33	-.52**	-2.42
<b>Gender male</b>	<i>Male</i>	.24**	2.22	.23**	2.19	.22**	2.20
	<i>&lt;3</i>	-.20	-1.45	-.20	-1.52	-.22	-1.72
<b>Firm age</b>	<i>4-10</i>	-.44	-2.65	-.44	-2.74	-.35	-2.22
	<i>0-10</i>	.65***	5.67	.56***	4.91	.46***	4.14
<b>Firm size</b>	<i>11-50</i>	1.20***	7.06	1.09***	6.52	.92***	5.61
	<i>&lt;high school</i>	.16	1.40	.16	1.37	.15	1.41
<b>Education</b>	<i>undergrads</i>	.38**	2.42	.29**	1.84	.28*	1.90
	<i>1</i>	.23**	1.80	.22**	1.74	.16	1.28
<b>Entrepreneurial experience</b>	<i>&gt;1</i>	.17	1.29	.14	1.10	.06	.51
	<i>hi-tech</i>	.11	1.05	.04	.34	-.12	-1.16
<b>Industry</b>	<i>founders</i>	-.01	-.11	-.01	-.09	-.05	-.45
	<i>TMT</i>	.10	.45	.12	.52	.12	.56
<b>Position</b>							
<b>Location</b>		-.01	-.08	.01	.06	.04	.29
<b>Independent variables</b>							
<b>GI</b>				.23***	4.66	.07	1.34
<b>Independent variables</b>							
<b>EO</b>						.33***	5.38
<b>R Square</b>		.22		.26		.32	
<b>Adjusted R Square</b>		.18		.23		.28	
<b>F change</b>		6.35***		21.78***		28.91***	

†N=384. Unstandardised Beta coefficients and *t*-values are reported. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . Critical *t*-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

The current study further examines the relationship between growth intention and an aggregate EO construct. The only hypothesised relationship presented in Table 5.11 was the linked growth intention and EO. Model 1 only included the control variables of this research

which explained a significant amount of the variance in firm growth ( $R^2 = 0.22$ ;  $p < 0.01$ ). In particular, the coefficient of firm size with 0-10 ( $\beta = 0.49$ ;  $p < 0.01$ ), entrepreneurial experience ( $\beta = 0.29$ ;  $p < 0.05$ ), and hi-tech company ( $\beta = 0.62$ ;  $p < 0.01$ ) were statistically positive. Except the firm age ranging from 4-10 years old ( $\beta = -0.29$ ;  $p < 0.01$ ), which was found to be statistically negative.

In Model 2, growth intention was entered to test whether growth intention is positively related to entrepreneurial orientation. The researcher used EO as a dependent variable and growth intention as an independent variable. The result showed that growth intention positively relates to EO ( $\beta = 0.47$ ,  $p < 0.01$ ). Thus, hypothesis 2 is supported, and the result suggests EO fully mediates the relationship between growth intention and firm growth.

**Table 5.11: Regression Results of Growth intention and EO**

		EO			
		Model 1		Model 2	
<i>control variables</i>		$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value
<b>Age</b>	<i>21-30</i>	.12	.74	-.06	-.41
	<i>31-40</i>	-.04	-.24	-.09	-.62
	<i>41-50</i>	-.06	-.28	.00	.01
<b>Gender</b>	<i>Male</i>	.04	.41	.02	.26
	<i>&lt;3</i>	.06	.50	.06	.51
<b>Firm age</b>	<i>4-10</i>	-.29*	-1.84	-.29**	-2.19
	<i>0-10</i>	.49**	4.56	.30**	3.18
<b>Firm size</b>	<i>11-50</i>	.74***	4.66	.51***	3.73
	<i>&lt;high school</i>	.02	.19	.01	.05
<b>Education</b>	<i>undergrads</i>	.20	1.36	.00	.02
	<i>1</i>	.22*	1.79	.19*	1.82
<b>Entrepreneurial experience</b>	<i>&gt;1</i>	.29**	2.40	.24**	2.24
	<i>hi-tech</i>	.62***	6.38	.47***	5.56
<b>Industry</b>	<i>founders</i>	.11	1.04	.11	1.27
	<i>TMT</i>	-.04	-1.19	-.01	-.08
<b>Location</b>		-.12	-1.01	-.08	-.82
<i>Independent variables</i>					
<b>GI</b>				.47***	9.64
<b>R Square</b>		.22		.43	
<b>Adjusted R Square</b>		.18		.40	

**F change**

6.40\*\*\*

49.64\*\*\*

---

†N=384. Unstandardised Beta coefficients and t-values are reported. \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ . Critical t-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

### **5.8.3.2 Regression Model of SBO**

Having examined the direct main effect of entrepreneurial growth intention on perceived firm growth, the study advanced to examine the moderating effects of SBO on the growth intention-firm growth association; as such, an interaction term was needed for the regression analysis. In the present study, all the variables involved in the creation of the interaction terms were mean centred following procedures suggested by previous researchers (e.g. Jiang et al., 2018). The calculation of the interaction term was performed by multiplying the independent variable (growth intention) by the hypothesised moderator (SBO) and interaction results were residually centred. Following this procedure, the interaction term GI\*SBO was created for regression analysis. We took an additional procedure to test potential multicollinearity issues with variance inflation factor (VIF) for a newly created interaction term. The VIF value was below 3. Therefore, multicollinearity was not concerned.

The hierarchical moderated regression analysis was adopted to examine H3: *Small business orientation moderates the relationship of an entrepreneur's growth intention and perceived firm growth*. Table 5.12. presents the results of the moderated hierarchical regression analyses.

**Table 5.12: OLS models of Growth intention and SBO onto perceived firm growth**

		Perceived firm growth					
		Model 1		Model 2		Model 3	
<i>control variables</i>		$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value
<b>Age</b>	<i>21-30</i>	.07	.39	-.02	-.14	-.02	-.14
	<i>31-40</i>	-.27	-1.47	-.30*	-1.69	-.30	-1.68
	<i>41-50</i>	-.55**	-2.40	-.52**	-2.34	-.52**	-2.32
<b>Gender</b>	<i>Male</i>	.24**	2.22	.23**	2.17	.23**	2.19
	<i>&lt;3</i>	-.20	-1.45	-.20	-1.53	-.20	-1.52
<b>Firm age</b>	<i>4-10</i>	-.44	-2.65	-.44	-2.73	-.45	-2.77
	<i>0-10</i>	.65***	5.67	.56***	4.85	.55***	4.84
<b>Firm size</b>	<i>11-50</i>	1.20***	7.06	1.09***	6.53	1.08***	6.46
	<i>&lt;high school</i>	.16	1.40	.16	1.40	.16	1.38
<b>Education</b>	<i>undergrads</i>	.38**	2.42	.29**	1.89	.30*	1.90
	<i>1</i>	.23**	1.80	.22**	1.76	.22*	1.76
<b>Entrepreneurial experience</b>	<i>&gt;1</i>	.17	1.29	.14	1.10	.14	1.07
	<i>hi-tech</i>	.11	1.05	.04	.40	.04	.40
<b>Industry</b>	<i>founders</i>	-.01	-.11	-.02	-.14	-.01	-.10
	<i>TMT</i>	.10	.45	.13	.58	.14	.61
<b>Location</b>	<i>Municipality</i>	-.01	-.08	.00	.02	.01	.05
<i>Independent variables</i>							
<b>GI</b>				.21***	4.21	.21***	4.21
<b>SBO</b>				.04	.64	.04	.63
<i>Interaction term</i>							
<b>GI*SBO</b>						-.04	-.79
<b>R Square</b>		.22		.26		.26	
<b>Adjusted R Square</b>		.18		.22		.22	
<b>F change</b>		6.35***		9.74***		.92	

†N=384. Unstandardised Beta coefficients and *t*-values are reported. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ . Critical *t*-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

In the results presented in the Table 5.12 above, Model 1 only included the control variable. Both growth intention and SBO were entered in Model 2. By regressing firm growth on both growth intention and SBO simultaneously, results in Model 2 indicate growth intention was

positively and significantly ( $\beta = 0.21, p < 0.01$ ) related to firm growth. However, the effect of SBO was statistically insignificant ( $\beta = 0.04, p > 0.1$ ).

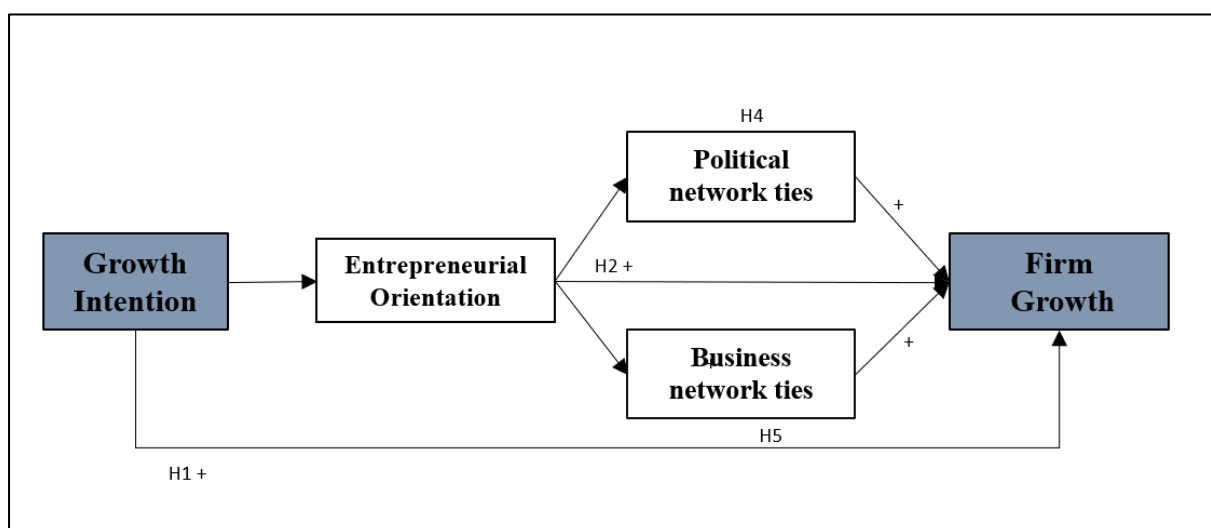
The interaction variable of GI\*SBO was added in Model 3. The result indicates this interaction variable was statistically insignificant ( $\beta = -0.04, p > 0.1$ ). This finding rejects H3, that the synergistic effect of growth intention and SBO is significant at a moderate level, such that the relationship between growth intention and firm growth is not moderated by SBO. The results also revealed SBO does not have a significant relationship with firm growth, which contradicts previous literature, which in turn is limited in quantity (Runyan, Droge and Swinney, 2008a). The reason may be contextual and institutional differences in research settings, and this study will further elaborate on this result in the discussion chapter.

### 5.8.3.3 Mediating effect of network ties

Scholars in entrepreneurship research have emphasised the role of social networks. Nahapiet and Ghoshal (1998) claim that firms are embedded in the social networks within which they are connected. Based on the tested model in the preceding sections, this study further proposes the mediating roles of network ties in the positive association between EO and firm growth. We have examined the moderating effect of SBO, and the result was insignificant in the previous sections. We updated the research model based on the existing results. The hypotheses listed below are examined in this section, and the research model in Figure 5.1 describes the hypothesised associations in the updated research model.

*H4: Political network ties mediate the effect of EO on firm growth*

*H5: Business network ties mediate the effect of EO on firm growth*





**Figure 5.1: Research model with business network ties and political network ties as mediators**

To examine the relationship exhibited in Figure 5.1, this study first conducted a two-step regression analysis to examine the association between EO and network ties in terms of political network ties and business network ties respectively. Then this study further conducted a three-step regression analysis to examine the relationship that linked EO and political network ties to small business growth, and the relationship that linked EO and business network ties to small business growth respectively. The estimated results were presented in table 5.13, table 5.14 and table 5.15.

**Table 5.13: Regression results of EO and political network ties and business network ties**

		Political Network Ties				Business Network Ties			
		Model 1		Model 2		Model 1		Model 2	
<i>control variables</i>		$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value
<b>Age</b>	<i>21-30</i>	-0.02	-0.07	-0.05	-0.24	-0.18	-0.94	-0.23	-1.41
	<i>31-40</i>	-0.03	-0.13	-0.01	-0.06	-0.25	-1.28	-0.23	-1.28
	<i>41-50</i>	-0.29	-1.01	-0.27	-0.97	-0.46*	-1.87	-0.43*	-1.97
<b>Gender</b>	<i>Male</i>	.25*	1.86	0.24*	1.80	0.20*	1.73	0.18*	1.71
<b>Firm age</b>	<i>&lt;3</i>	0.12	0.68	0.10	0.59	0.16	1.08	0.13	0.99
	<i>04-10</i>	-0.13	-0.6	-0.03	-0.13	-0.11	-0.59	0.06	0.34
<b>Firm size</b>	<i>0-10</i>	.47**	3.21	0.31**	2.10	0.35***	2.78	0.08	0.70
<b>(Employees)</b>	<i>11-50</i>	.82***	3.8	0.57**	2.66	0.41**	2.23	0.01	0.04
<b>Education</b>	<i>&lt;high school</i>	0.11	0.77	0.11	0.75	0.11	0.88	0.10	0.90
	<i>undergrads</i>	0.19	0.95	0.13	0.64	0.36*	2.12	0.25*	1.66
<b>Entrepreneurial experience</b>	<i>1</i>	0.27	1.62	0.20	1.22	0.26*	1.84	0.14	1.14
	<i>&gt;1</i>	0.23	1.37	0.13	0.79	0.23	1.65	0.07	0.57
<b>Industry</b>	<i>hi-tech</i>	0.25*	1.91	0.46***	3.40	0.00	-0.03	-0.35**	-3.26
<b>Position</b>	<i>founders</i>	-0.07	-0.5	-0.11	-0.80	0.05*	0.40	-0.02*	-0.14
	<i>TMT</i>	0.4	1.36	0.40	1.42	-0.49	-1.97	-0.48	-2.18

<b>Location</b>	<i>Municipality</i>	0.27*	1.66	0.23	1.44	-0.06	-0.43	0.01	0.08
<b>Independent variables</b>									
<b>EO</b>				0.32***	4.74			0.52***	9.92
<b>R Square</b>		0.11		0.16		0.10		0.29	
<b>Adjusted R Square</b>		0.07		0.12		0.06		0.26	
<b>F change</b>		2.77***		22.44***		2.49***		77.14***	

†N=384. Unstandardised Beta coefficients and t-values are reported. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ . Critical t-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

The study first examines the relationship between an aggregate EO construct and external network ties in terms of political network ties and business network ties respectively. The hypothesised relationships presented in table 5.13 was using political network ties and business network ties as the dependent variable respectively in two independent examinations to test the association with EO. With political network ties as dependent variable, Model 1 only included the control variables of this research which explained a significant amount of the variance in political network ties ( $R^2 = 0.11$ ;  $p < 0.01$ ). In particular, the coefficient of firm size with 0-10 ( $\beta = 0.47$ ;  $p < 0.5$ ) and 11-50 ( $\beta = 0.82$ ;  $p < 0.01$ ), hi-tech company ( $\beta = 0.25$ ;  $p < 0.1$ ) and male entrepreneurs ( $\beta = 0.25$ ;  $p < 0.1$ ) were statistically positive. In Model 2, EO was entered as the independent variable to test whether this aggregated construct is positively related to political network ties. The result showed that EO positively relates to political network ties ( $\beta = 0.32$ ,  $p < 0.01$ ), confirming the positive association between EO and political network ties. A similar result has been found in the literature, suggesting that high EO firms may be able to directly attract more network resources, and that political ties may play an important role in explaining variations in EO's effectiveness in Chinese emerging economies (Boso, Story and Cadogan, 2013; Jiang et al., 2018).

Accordingly, this study also examines the hypothesised relationship of EO and business network ties as dependent variable, Model 1 only included the control variables of this research which explained a significant amount of the variance in business network ties ( $R^2 = 0.10$ ;  $p < 0.01$ ). In particular, the coefficient of firm size with 0-10 ( $\beta = 0.35$ ;  $p < 0.01$ ) and 11-50 ( $\beta = 0.41$ ;  $p < 0.5$ ), male entrepreneurs ( $\beta = 0.20$ ;  $p < 0.1$ ), entrepreneurs with undergraduate and below educational levels ( $\beta = 0.36$ ;  $p < 0.1$ ) and experienced entrepreneurs ( $\beta = 0.26$ ;  $p < 0.1$ ) were statistically positive. Except the business owners age ranging from 40-50 years old ( $\beta = -0.46$ ;  $p < 0.1$ ), which was found to be statistically negative. In Model 2, EO was entered

as the independent variable to test whether this aggregated construct is positively related to business network ties. The result showed that EO positively relates to business network ties ( $\beta = 0.52, p < 0.01$ ). Notably, after adding the independent variable EO into Model 2, the  $R^2$  largely increased to 0.29 from 0.10, which indicates an increase in exploratory power of the regression model. The result revealed and confirmed that high levels of EO would promote strong business network ties.

**Table 5.14: OLS models of EO and political network ties on to firm growth**

		perceived firm growth					
		Model 1		Model 2		Model 3	
<i>control variables</i>		$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value
<b>Age</b>	<i>21-30</i>	0.07	0.39	0.03	0.16	0.03	0.21
	<i>31-40</i>	-0.27	-1.47	-0.25	-1.46	-0.25	-1.48
	<i>41-50</i>	-.55**	-2.4	-0.53**	-2.47	-0.48**	-2.31
<b>Gender male</b>	<i>Male</i>	.24**	2.22	0.22*	2.20	0.18*	1.84
<b>Firm age</b>	<i>&lt;3</i>	-0.20**	-1.45	-0.22**	-1.71	-0.23**	-1.88
	<i>04-10</i>	-0.44**	-2.65	-0.33**	-2.09	-0.32*	-2.11
<b>Firm size</b>	<i>0-10</i>	0.65***	5.67	0.47***	4.19	0.42***	3.80
	<i>11-50</i>	1.20***	7.06	0.91***	5.59	0.82***	5.08
<b>Education</b>	<i>&lt;high school</i>	0.16	1.4	0.16	1.43	0.14	1.30
	<i>undergrads</i>	.38**	2.42	0.30**	2.05	0.28*	1.96
<b>Entrepreneurial experience</b>	<i>1</i>	.23*	1.8	0.15	1.24	0.12	1.00
	<i>&gt;1</i>	0.17	1.29	0.06	0.45	0.04	0.28
<b>Industry</b>	<i>hi-tech</i>	0.11	1.05	-0.13	-1.27	-0.06	-0.55
	<i>founders</i>	-0.01	-0.11	-0.06	-0.55	-0.04	-0.38
<b>Position</b>	<i>TMT</i>	0.1	0.45	0.11	0.50	0.04	0.20
<b>Location</b>		-0.01	-0.08	0.04	0.32	0.08	0.64
<b>Independent variables</b>							
<b>EO</b>				0.37***	6.17	0.30***	5.64
<b>Independent variables</b>							
<b>Political network ties</b>						.19***	4.3
<b>R Square</b>		0.22		0.31		0.35	
<b>Adjusted Square</b>	<b>R</b>	0.18		0.28		0.32	
<b>F change</b>		6.35***		41.72***		17.93***	

†N=384. Unstandardised Beta coefficients and *t*-values are reported. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ . Critical *t*-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

To further examine the role of political network ties, this study conducted two waves of regression analysis. First, the test used firm growth as a dependent variable and three models were estimated in table 5.14 above.

Model 1 is the base model and only included the control variables of this research which explained a significant amount of the variance in firm growth ( $R^2 = 0.22$ ;  $p < 0.01$ ). In particular, the coefficient of male ( $\beta = 0.24$ ;  $p < 0.1$ ), education at undergraduate and below level ( $\beta = 0.38$ ;  $p < 0.05$ ), firm age and firm size at all level were statistically positive and significant. Whereas entrepreneurs age ranging from 41-50 ( $\beta = -0.55$ ;  $p < 0.05$ ) were found statistically negative. In model 2, the independent variable EO was entered. The coefficient of EO was positive and statistically significant ( $\beta = 0.37$ ,  $p < 0.01$ ). The result revealed that high levels of EO promote promising business growth. Notably, after adding the independent variable EO into Model 2, the  $R^2$  increased from 0.22 to 0.31, which indicates an increase in exploratory power of the regression model. Political network ties were further entered in model 3 by regressing firm growth on both EO and political network ties simultaneously. Results in Model 3 illustrate EO at an aggregate level positively relates to firm growth ( $\beta = 0.30$ ,  $p < 0.01$ ) at a 5% significance level. Moreover, after adding the political network ties into Model 3, the  $R^2$  increased to 0.35 from 0.31, and the adjusted  $R^2$  increased from 0.28 in Model 2 to 0.32 in model 3; whereas the coefficient of EO on firm growth is slightly reduced, from 0.37 to 0.30 but remains at a 1% significance level. The results indicate that political network ties partially mediate the relationship between EO and firm growth.

**Table 5.15: OLS models of EO and business network ties onto firm growth**

<i>control variables</i>		perceived firm growth					
		Model 1		Model 2		Model 3	
		$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value	$\beta$	<i>t</i> -value
<b>Age</b>	<i>21-30</i>	0.07	0.39	0.03	0.16	0.09	0.54
	<i>31-40</i>	-0.27	-1.47	-0.25	-1.46	-0.19	-1.16
	<i>41-50</i>	-0.55**	-2.4	-0.53**	-2.47	-0.42*	-2.01
<b>Gender male</b>	<i>Male</i>	0.24**	2.22	0.22**	2.2	0.18*	1.80
<b>Firm age</b>	<i>&lt;3</i>	-0.2**	-1.45	-0.22**	-1.71	-0.25**	-2.04
	<i>04-10</i>	-0.44**	-2.65	-0.33**	-2.09	-0.34**	-2.26
<b>Firm size</b>	<i>0-10</i>	0.65***	5.67	0.47***	4.19	0.45***	4.14
	<i>11-50</i>	1.20***	7.06	0.91***	5.59	0.91***	5.77
<b>Education</b>	<i>&lt;high school</i>	0.16	1.4	0.16	1.43	0.13	1.23
	<i>undergrads</i>	.38**	2.42	0.30**	2.05	0.24*	1.67
<b>Entrepreneurial experience</b>	<i>1</i>	.23*	1.8	0.15	1.24	0.11	0.97
	<i>&gt;1</i>	0.17	1.29	0.06	0.45	0.04	0.31
<b>Industry</b>	<i>hi-tech</i>	0.11	1.05	-0.13	-1.27	-0.04	-0.43
<b>Position</b>	<i>founders</i>	-0.01	-0.11	-0.06	-0.55	-0.05	-0.53
	<i>TMT</i>	0.1	0.45	0.11	0.5	0.23	1.10
<b>Location</b>		-0.01	-0.08	0.04	0.32	0.04	0.31
<b>Independent variables</b>							
<b>EO</b>				0.37***	6.17	0.24**	4.1
<b>Independent variables</b>							
<b>Business network ties</b>						0.26***	5.19
<b>R Square</b>		0.22		0.31		0.37	
<b>Adjusted Square</b>	<b>R</b>	0.18		0.28		0.33	
<b>F change</b>		6.35***		41.72***		27.92***	

†N=384. Unstandardised Beta coefficients and *t*-values are reported. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ . Critical *t*-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

Accordingly, this study also examined the similar role of business network ties. Model 1 only included the control variables as the same to Table 5.14. In model 2, the independent variable EO was entered. Business network ties was further entered in model 3 by regressing firm growth on both EO and business network ties simultaneously. Results in Model 3 illustrated that business network ties are positively relates to firm growth ( $\beta = 0.26$ ,  $p < 0.01$ ) at a 1% significance level. As such, it suggests firms with stronger business network ties would have

better outcome performance. Moreover, after adding the business network ties into Model 3, the  $R^2$  increased to 0.37 from 0.30, the coefficient of EO on firm growth is slightly reduced, from 0.37 at a 1% significance level to 0.24 at a 5% significance level. The results indicate that business network ties partially mediate the relationship between EO and firm growth.

To examine Hypotheses 4 and 5, a four-step regression analysis was conducted to examine the proposed mediating effect. The estimated results presented in Table 5.16 and Table 5.17 examine the single-direct serial mediating model with the serial mediators of political ties (GI>EO>PNT>growth) and business ties (GI>EO>BNT>growth) respectively. Table 5.18 presents the full variables model by regressing perceived firm growth on both political ties and business ties simultaneously in the third step of the regression analysis (GI>EO>PNT/BNT>growth).

**Table 5.16: OLS models of growth intention, EO and political ties onto firm growth.**

		Perceived firm growth							
		Model 1		Model 2		Model 3		Model 4	
<i>control variables</i>		$\beta$	t-value	$\beta$	t-value	$\beta$	t-value	$\beta$	t-value
<b>Age</b>	21-30	.07	.39	-.02	-.11	.00	.00	.08	.15
	31-40	-.27	1.47	-.29*	1.65	-.26	1.54	-.20	1.50
	41-50	-.55**	2.40	-.52**	2.33	-.52**	2.42	-.39*	2.29
<b>Gender</b>	male	.24**	2.22	.23**	2.19	.22**	2.20	0.18*	1.85
<b>Firm age</b>	<3	-.20	1.45	-.20	1.52	-.22	1.72	-.26*	1.87
	4-10	-.44**	2.65	-.44	2.74	-.35	2.22	-.34*	2.14
<b>Firm size</b>	0-10	.65***	5.67	.56***	4.91	.46***	4.14	.41***	3.77
		1.20** *	7.06	1.09***	6.52	.92***	5.61	.82***	5.08
<b>Education</b>	<high school	.16	1.40	.16	1.37	.15	1.41	.14	1.29
	undergrads	.38**	2.42	.29**	1.84	.28*	1.90	.28*	1.88
<b>Entrepreneurial experience</b>	1	.23*	1.80	.22**	1.74	.16	1.28	.12	1.02
	>1	.17	1.29	.14	1.10	.06	.51	.04	.30
<b>Industry</b>	hi-tech	.11	1.05	.04	.34	-.12	1.16	-.06	-.55
<b>Position</b>	founders	-.01	-.11	-.01	-.09	-.05	-.45	-.04	-.36
	TMT	.10	.45	.12	.52	.12	.56	.05	.22
<b>Location</b>	Municipality	-.01	-.08	.01	.06	.04	.29	.07	.63
<b>Independent variables</b>									
<b>GI</b>				.23***	4.66	.07	1.34	.03	.59
<b>Independent variables</b>									
<b>EO</b>						.33***	5.38	.30***	4.97
<b>Mediators</b>									
<b>Political network ties</b>								.15**	3.82
<b>R Square</b>		.22		.26		.32		.34	
<b>Adjusted Square R</b>		.18		.23		.28		.31	
<b>F change</b>		6.35** *		21.78** *		28.91** *		16.08** *	

†N=384. Unstandardised Beta coefficients and t-values are reported. \*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.10. Critical t-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables



Based on Model 4 presented in Table 5.16, when political ties were added, there is no change in the significance of growth intention and EO coefficient - the  $R^2$  slightly increased from 0.32 to 0.34. The coefficient of political ties on firm growth was statistically positive with  $\beta = 0.15$  at a 5% significance level. The coefficient of entrepreneurs' ages ranging from 41-50 ( $\beta = -0.39$ ;  $p < 0.1$ ) was found to be statistically negative with a lower level of significance; the coefficient of firm age less than 3 years was found to be statistically negative with an emerging significance level at 10% ( $\beta = -0.34$ ,  $p < 0.1$ ).

Table 5.17: OLS models of growth intention, EO and business ties onto firm growth.

		Perceived firm growth							
		Model 1		Model 2		Model 3		Model 4	
<i>control variables</i>		$\beta$	<i>t-value</i>	$\beta$	<i>t-value</i>	$\beta$	<i>t-value</i>	$\beta$	<i>t-value</i>
<b>Age</b>	21-30	.07	.39	-.02	-.11	.00	.00	.07	.45
	31-40	-.27	1.47	-.29*	1.65	-.26	1.54	-.20	1.20
	41-50	-.55**	2.40	-.52**	2.33	-.52**	2.42	-.41**	1.90
<b>Gender</b>	male	.24**	2.22	.23**	2.19	.22**	2.20	.17*	1.80
<b>Firm age</b>	<3	-.20	1.45	-.20	1.52	-.22	1.72	-.25*	2.03
	4-10	-.44**	2.65	-.44**	2.74	-.35**	2.22	-.35**	2.30
<b>Firm size</b>	0-10	.65***	5.67	.56***	4.91	.46***	4.14	.44***	4.01
	11-50	1.20** *	7.06	1.09***	6.52	.92***	5.61	.91***	5.65
<b>Education</b>	<high school	.16	1.40	.16	1.37	.15	1.41	.12	1.21
	undergrads	.38**	2.42	.29**	1.84	.28*	1.90	.23	1.58
<b>Entrepreneurial experience</b>	1	.23*	1.80	.22**	1.74	.16	1.28	.12	1.00
	>1	.17	1.29	.14	1.10	.06	.51	.04	.33
<b>Industry</b>	hi-tech	.11	1.05	.04	.34	-.12	1.16	-.04	-.42
	founders	-.01	-.11	-.01	-.09	-.05	-.45	-.04	-.35
<b>Position</b>	TMT	.10	.45	.12	.52	.12	.56	.23	.98
	Municipality	-.01	-.08	.01	.06	.04	.29	.04	.31
<b>Independent variables</b>									
<b>GI</b>				.23***	4.66	.07	1.34	.04	.80
<b>Independent variables</b>									
<b>EO</b>						.33***	5.38	.22**	3.41
<b>Mediators</b>									
<b>Business network ties</b>								.25***	5.07
<b>R Square</b>		.22		.26		.32		.36	
<b>Adjusted Square R</b>		.18		.23		.28		.33	
<b>F change</b>		6.35** *		21.78** *		28.91** *		25.73** *	

†N=384. Unstandardised Beta coefficients and t-values are reported. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ . Critical t-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

**Table 5.18: OLS models of growth intention, EO and both network ties onto firm growth**

		Perceived firm growth							
		Model 1		Model 2		Model 3		Model 4	
<b>control variables</b>		$\beta$	t-value	$\beta$	t-value	$\beta$	t-value	$\beta$	t-value
<b>Age</b>	21-30	.07	.39	-.02	-.11	.00	.00	.08	.51
	31-40	-.27	-1.47	-.29*	-1.65	-.26	-1.54	-.20	-1.23
	41-50	-.55**	-2.40	-.52**	-2.33	-.52**	-2.42	-.39*	-1.90
<b>Gender</b>	male	.24**	2.22	.23**	2.19	.22**	2.20	.15	1.55
<b>Firm age</b>	<3	-.20	-1.45	-.20	-1.52	-.22	-1.72	-.26*	-2.15
	4-10	-.44**	-2.65	-.44	-2.74	-.35	-2.22	-.34*	-2.30
<b>Firm size</b>	0-10	.65***	5.67	.56***	4.91	.46***	4.14	.41***	3.83
	11-50	1.20***	7.06	1.09***	6.52	.92***	5.61	.84***	5.35
<b>Education</b>	<high school	.16	1.40	.16	1.37	.15	1.41	.12	1.13
	undergrads	.38**	2.42	.29**	1.84	.28*	1.90	.23	1.59
<b>Entrepreneurial experience</b>	1	.23**	1.80	.22**	1.74	.16	1.28	.10	.82
	>1	.17	1.29	.14	1.10	.06	.51	.03	.22
<b>Industry</b>	hi-tech	.11	1.05	.04	.34	-.12	-1.16	.02	.15
<b>Position</b>	founders	-.01	-.11	-.01	-.09	-.05	-.45	-.04	-.35
	TMT	.10	.45	.12	.52	.12	.56	.17	.82
<b>Location</b>	Municipality	-.01	-.08	.01	.06	.04	.29	.06	.55
<b>Independent variables</b>									
<b>GI</b>				.23***	4.66	.07	1.34	.02	.31
<b>Independent variables</b>									
<b>EO</b>						.33***	5.38	.20***	3.13
<b>Mediators</b>									
<b>Political network ties</b>								.13**	3.37
<b>Business network ties</b>								.23***	4.58
<b>R Square</b>		.22		.26		.32		.38	
<b>Adjusted R Square</b>		.18		.23		.28		.34	
<b>F change</b>		6.35***		21.78***		28.91***		19.02***	

†N=384. Unstandardised Beta coefficients and t-values are reported. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ . Critical t-values are 2.325, 1.645 and 1.282 respectively (one-tailed test as all hypotheses are one directional). The answers of "0" and "1" were allocated into new scores of categorical control variables

Based on Model 4 presented in Table 5.17, when political ties were added, the coefficient aggregate EO construct were reduced from  $\beta = 0.33$  at a 1% significance level in Model 3 to  $\beta = 0.22$  at a 5% significance level. The  $R^2$  increased from 0.32 in model 3 to 0.36 in model 4. The coefficient of business ties on firm growth was statistically positive with  $\beta = 0.25$  at a 1% significance level. The results reveal that high EO firms are more likely to obtain strong business network ties, which in turn facilitates firm growth. Business network ties partially mediate the relationship between EO and firm growth.

The hypothesised relationships being examined in Table 5.18 were the ones that linked EO to firm growth and network ties (political network ties and business network ties) to firm growth. In model 4 we add both political network ties and business network ties, and regressed firm growth on growth intention, EO, political network ties and business network ties simultaneously. The result reveals that besides high levels of overall EO ( $\beta = 0.20$ ,  $p < 0.01$ ) significantly relating to perceived firm growth, political network ties ( $\beta = 0.13$ ,  $p < 0.05$ ) and business network ties ( $\beta = 0.23$ ,  $p < 0.01$ ), at an aggregate level, also positively and significantly relate to firm growth. Moreover, results in Model 3 and Model 4 show that the effect of EO on firm growth is reduced (from 0.33 to 0.20), but is still at a 1% significance level. This indicates that both political network ties and business network ties partially mediate the relationship between EO and firm growth, which supports the research model exhibited in Figure 5.1. Thus, we conclude that political network ties and business network ties are the mediators in the relationship between EO and firm growth. Hypotheses 4 and 5 were supported.

## 5.9 Summary of the Research Hypotheses

The results from hypothesis testing are summarised in Table 5.19. Hypothesis 1 examined the direct relationship between growth intention and firm growth. This research found a positive relationship between these two main constructs. Hypothesis 2 examined the mediating effect of entrepreneurial orientation on the relationship between growth intention and firm growth. The empirical results suggest a full mediating effect of entrepreneurial orientation. Hypothesis 3 examined the moderating effect of small business orientation on the growth intention–firm growth relationship, and the moderating effect was not observed in this case.

Hypotheses 4 and 5 assessed the effects of external network ties on firm growth and the mediating effects between EO and firm growth. Based on the predicted mediating effects of network ties in the relationships between firm growth and entrepreneurial orientation, we found

empirical evidence that supports the mediating roles of political network ties and business network ties.

**Table 5.19: Summary of results from hypothesis testing**

<b>Hypotheses</b>		<b>Support</b>
<b>Hypothesis 1</b>	An entrepreneur's growth intention is positively associated with perceived firm growth	Yes
<b>Hypothesis 2</b>	Entrepreneurial orientation mediates the effect of an entrepreneur's growth intention on perceived firm growth	Yes (Full Mediation)
<b>Hypothesis 3</b>	Small business orientation moderates the relationship of an entrepreneur's growth intention and perceived firm growth	No
<b>Hypothesis 4</b>	Political network ties mediate the effect of EO on perceived firm growth	Yes (Partially)
<b>Hypothesis 5</b>	Business network ties mediate the effect of EO on perceived firm growth	Yes (Partially)

## 5.10 Chapter Summary

Emerging studies have called for a deeper investigation into small business firm growth. This study aims to enhance the understanding of how entrepreneurs' growth intention, firms' strategic postures, and network resources influence small business growth in China. In this chapter, we first conduct a descriptive data analysis of the research samples and present the results of purification of the items and scales. This chapter further provides the results of exploratory factor analysis (EFA) for item selection and item analysis. Additionally, dimensionality and validity assessment procedures were further presented. The aforementioned analytical process is critical, as under the traditional regression framework, those examinations would yield results that would bear errors. The final part of this chapter focuses on examining the hypotheses that were proposed in chapter four. This chapter examines the extent to which entrepreneurial growth intention and business strategic orientation impacts on perceived firm growth, and further explores the roles of different network ties in the relationship between EO and firm growth. Considering the nature and scope of this examination is to investigate the direct and indirect effects among endogenous elements, OLS hierarchical regression analysis has been embraced. The analysis result confirms previous theoretical claims regarding the positive associations between entrepreneurial orientation and firm growth, as well as the positive associations between

network ties and firm growth; and demonstrates that for entrepreneurs, growth intention is an aspect that contributes strongly to their entrepreneurial orientation and perceived firm growth. In the next chapter, the analytic results will be discussed.

## **Chapter 6: Discussion**

### **6.1 Introduction**

Based on the data analysis results in the previous chapter, this chapter puts the research findings under scrutiny. In general, this chapter aims to critically evaluate the research results and assess how these findings contribute to existing knowledge in the literature. By doing so, the chapter draws comparisons with previous literature to accumulate a deeper understanding of the associations between growth intention, strategic postures, network ties and small business growth in one conceptual framework. This chapter starts an overview of the key findings in this study. By reflecting on the research objectives, drawing on the theoretical gaps and proposed hypotheses based on literature assessment, we further discuss the potential contributions to the entrepreneurship literature and the implications for entrepreneurial practice and policy makers.

### **6.2 Overview of Research Findings**

The objective of this study was to make contributions to the sparse existing literature on the relationship between growth intention and small business growth in a developing economy (Lau and Busenitz, 2001; Baum; Locke, 2004). Based on the literature review, given the broadly recognise insufficient predictor power of growth intention to firm growth, scholars have called for further investigations and explorations in the growth intention – firm growth gap (e.g. Schlaegel and Koenig, 2014a; Van Gelderen, Kautonen and Fink, 2015). The researcher therefore further examines the influence of strategic postures and network resources on small business growth.

The analytic results clearly reveal that growth intention is positively and significantly associated with the perceived financial growth of the firm ( $\beta= 0.23, p<0.01$ ). According to TPB, it was expected that a founder's intention to grow would lead to certain behaviours involving business activities, which would in turn influence business performance and promote firm growth.

Further, given the inadequacy in the literature in examining the gap between growth intention and firm growth, this study further identifies two strategic postures as influential factors that potentially reinforce the growth intention-small business growth link, namely entrepreneurial orientation and small business orientation. These two strategic postures are distinctive in

nature, as we discussed in the literature review. The pursuit of a founder with a small business orientation is to further personal and family goals and find a career path through which to fulfil the need to be self-sufficient. The pursuit of a founder with an entrepreneurial orientation is to bring an idea to fruition that would earn profits and take advantage of a market opportunity through his or her business (Runyan, Droge and Swinney, 2008). Hypothesis 2, which assumes that EO is a mediator between growth intention and perceived firm growth ( $\beta = 0.33$ ,  $p < 0.01$ ), was found to be supported. Specifically, EO was examined as an aggregate construct with all three subdimensions combined, due to the fact that in this study EO was considered to be the strategy-making manifestation of entrepreneurial behaviour that improves firm growth. The regression result shows that when EO was added, growth intention is no longer significantly associated with firm growth; EO was found to significantly and fully mediate the growth intention and firm growth link. These results highlight the fact that using growth intention as a predictor of firm growth is insufficient, it cannot reveal the intricacies of growing process.

In terms of the other strategic posture, small business orientation, and building on the work of Runyan, Droge and Swinney (2008), this study examined SBO as a distinctive and separate posture from EO. Considering founders with strong SBO have an emotional component attached to their business, this orientation was anticipated to lead to a more relaxed and trust-driven strategic orientation for the firm to manage inter-firm business relations (Runyan, Droge and Swinney, 2008; Madison, Runyan and Swinney, 2014). Therefore, it is more likely to moderate the intention–growth relationship. The analytic results indicate a non-significant moderating effect of SBO (i.e., H3). The finding of SBO is not in line with the positive results in the previous literature (Runyan, Droge and Swinney, 2008; Madison, Runyan and Swinney, 2014).

Building on the mediating role of EO between growth intention and perceived financial growth, this study further contributes to the literature by refining the link between EO and small business growth. Considering the use of network ties to conduct business in China has a long tradition and rich legacy (e.g. Park and Luo, 2001; Li, Poppo and Zhou, 2008), and the success of a business in China is heavily dependent on network ties and personal connections, network ties are much more critical in explaining variations in performance outcomes of strategic orientation activities in transitional economies than in more advanced economies (Boso, Story and Cadogan, 2013). As such, the study hypothesised external network ties, in terms of political network ties and social network ties, are critical and further strengthen this relationship and the function of EO as serial mediators in the gap between growth intention and firm growth (i.e., H4; H5). By confirming the mediating effect of political ties and business ties, this study argues and provides evidence that given the fact EO is in high demand of resources, the three



dimensions of EO will also enhance the acquisition of network ties and, in turn, the firm is more likely to achieve growth. In addition, the analytic results indicate that business network ties ( $\beta=0.23$ ,  $p < 0.01$ ) presented a stronger mediating effect compared to political network ties ( $\beta=0.13$ ,  $p < 0.05$ ).

## **6.3 Theoretical Contributions**

### **6.3.1 Growth intention and small business growth**

The concept of entrepreneurial intention was narrowed to a generic intention for venture creation (Douglas, 2013). By focusing on entrepreneurs' specific growth-oriented intention this study addresses the issue regarding the association between growth intention and business growth. In recent years, emerging interests have drawn on growth intention as an important internal individual factor for both firm-level performance and individual-level behaviours (e.g., Douglas, 2020; Fernando et al., 2019; Liñán and Fayolle, 2014). As has been revealed in the literature assessment, in the entrepreneurship domain, although studies concerning nascent entrepreneurship and entrepreneurial goal intention have produced fruitful findings, there are few studies on transforming entrepreneurial goal intentions into actions and goal achievements (Kautonen et al., 2013; Fayolle and Linan, 2014; Van Gelderen et al., 2015).

Building on previous literature, this study considers growth as a top reason for starting a business and it is positively associated with all measures of growth intention and preference (Cassar, 2007; Douglas, 2013). In light of the fact that starting and establishing a firm is riddled with unknown challenges and restrictions, having a growth-oriented intention may become a crucial motivator of entrepreneurial activities and entrepreneurial success (Gundry and Welsch, 2001; Barringer, Jones and Neubaum, 2005).

With regards to the relationship between growth intention and business growth reported subjectively by business owner managers in northeast China, this study found a significant positive association. The results reveal that growth intentions are critical for achieving business growth, which is in line with the studies conducted in well developed economies (Sheeran, 2002; Wiklund and Shepherd, 2003) and the latest empirical studies focused on the growth intention-firm growth link (Dutta, Thornhill and Trateg, 2014; Kolvereid and Amo, 2019). The findings of this study are important considering the majority of Chinese enterprises are categorised as small and micro businesses that contribute to a large proportion of wealth and employment creation. The context of northeast China provides an interesting angle to test the theoretical models in this thesis. With the new implementation of policies and laws that provides tremendous support to encourage and enhance entrepreneurial activities in regional

business development, the researcher believes such findings are applicable, and reveal the great importance of individual-level intentions' contribution to firm growth.

From a theoretical perspective, this finding contributes to the literature by highlighting the role of cognitive appraisal from the individual perspectives in achieving firm growth. This study echoes the call from recent research and distinguished growth intention from the generic entrepreneurial intention concept, as such avoiding potential misleading empirical results raised from confounding the effects of general intention (e.g., Dunkelberg et al., 2013, Douglas, 2013; Dutta and Thornhill, 2014; Muñoz-Bullón et al., 2019). This finding provides empirical support and contributes to existing entrepreneurial intention literature suggesting growth intention is positively and significantly associated with business growth (e.g., Kolvereid and Bullvag, 1996; Baum, Locke and Smith, 2001; Delmer and Wiklund, 2003). Moreover, the results are in line with the most recent longitudinal study conducted in Europe by Cesinger, Gundolf and Géraudel (2018), where they found growth intentions are critical for achieving sales growth and firm size growth. The research findings also highlight the individual differences in entrepreneurial mindsets in terms of growth intent will eventually promote or constrain business growth. The empirical findings further contribute to entrepreneurship research in the Chinese context, where entrepreneurial intention research is particularly scarce.

### **6.3.2 EO as the mediator of growth intention-business growth linkage**

This study hypothesised that business owner managers with strong growth intention are prone to adopt an entrepreneurial orientation that drives strategic decisions of the business to achieve firm growth. This study found strong support for this hypothesis. There is a significant causal relationship between growth intention and EO in the first place, especially for those small businesses that are categorised as hi-tech firms. The results indicate EO fully mediates the relationship between growth intention and firm growth.

The findings make a contribution to EO research. Extensive EO literature constructs EO as an independent variable that influences performance on different levels (Lechner and Gudmundsson 2014; Lumpkin and Dess, 1996). Our results challenge the idea as empirical results indicate EO is driven by an entrepreneur's growth intention. Based on their growth intentions, entrepreneurs deliberately decide on a strategy to grow their businesses. Through the lens of TPB, it was expected that a founder's intention to grow would influence their behaviour profiles, which would in turn lead to the adoption of a certain strategic strategies to grow their business. Given the inadequacy in the literature in examining the gap between

growth intention and firm growth, this finding contributes to entrepreneurship theories, especially in the small business context.

Further, Scholars have pointed out the appropriate unit of analysis for EO is often ambiguous. Due to the fact that this study considers EO as the strategy-making manifestation of entrepreneurial behaviour that improves firm growth, we examined EO as an aggregate construct with all three subdimensions combined. The verification of EO has a positive impact on small firm financial performance, confirming previous claims in the literature under various contexts (Covin and Lumpkin, 2011; Su, Xie and Wang, 2015). Although in most of the existing studies, EO is considered as a firm-level construct and has been analysed at the firm-level, in the context of a small business, it is suggested by the most recent research that an individual-level of entrepreneurial intention “imputes the behaviour of the firm to the ‘upper-echelon effect’” (Ruzzier *et al.*, 2020). This study makes a contribution by discovering that growth intention reflects a founder’s preferences, which are permeated throughout the company and serve as the primary driver of business strategic orientation towards firm growth. In other words, this study linked individual-level growth intention and firm-level strategic postures and found that a strong willingness to grow the business will urge business owners to embrace managerial preferences and attitudes toward interpreted information, such as propensity towards risk-taking, proactiveness and innovativeness, as often measured through entrepreneurial orientation.

Notably, despite the claims in the existing literature advocate on the EO contribution to firm performance, a few scholarly debates argue that research with samples containing micro and very young firms often fails to determine a positive association between EO and business performance (Lechner and Gudmundsson, 2014), and similar assertions can also be found in the work of Runyan, Droge and Swinney (2008). Considering this study was conducted in a small business setting, this study argues the linkage between EO and the broader facets of business growth or performance are not straightforward.

Moreover, it was expected that business founders’ mindsets would influence their behaviour profiles that would in turn lead to the adoption of a certain strategic orientation by the firms. A founder with a small business orientation is emotionally attached to his or her business and is less ambitious in terms of expanding the business. This study further examines SBO as a moderating variable to answer the call from Rauch *et al.* (2009, p.781), who claim that “it is time to open up EO research to new ideas and to further examine the role of moderators.” Building on work by Runyan *et al.* (2008), this study examines SBO as a separate and distinct strategic posture from EO. The analytic results of SBO did not align well with previous findings. SBO did not have a significant relationship with either growth intention or business growth.

The results run contrary to the findings in Runyan's (2008) work and Madison et al.'s (2014) work where they reveal that SBO can also promote firm performance. Analysis of the SBO effect reveals significant differences from other strategic postures in the business growing process. Late studies address the importance of SBO within the realm of family firms (Zellweger *et al.*, 2013; Runyan and Covin, 2019), and emphasize the influence of SBO is magnified in the family business context. The rationale behind this statement is that family firms are ideal for a strategic orientation that is more personal and emotion-based because these types of firms are depicted as having these characteristics (Zellweger *et al.*, 2013). The insignificant results of the SBO effect might be owing to the research context - in the current study a great number of samples are hi-tech firms.

### **6.3.3 Network resources as the serial mediator of growth intention-business growth linkage**

Several studies have demonstrated that network resources are considered a vital element for new venture establishment, survival and growth (Walter, Auer and Ritter, 2006; Street and Cameron, 2007; Wang, Thornhill and De Castro, 2017). New ventures and small businesses face similar challenges when it comes to constrained resources, limited information, and uncertainty in the environment. The literature has revealed that entrepreneurs are rooted in a social network and, as such, employing a network perspective would provide researchers with fruitful insight to assess the entrepreneurial process (e.g., Teng, 2007; Peng and Luo, 2000). By integrating a resource-based view, this study identifies the critical role of network-based constructs in determining entrepreneurial strategic decisions and results. Building network ties has been considered crucial, especially for the firms operating in Northeast China and other emerging economies (e.g., Gu, Hung and Tse, 2008; Li, Poppo and Zhou, 2008; Puffer, McCarthy and Boisot, 2010). Political network ties and business network ties can help firms obtain necessary resources, foster business growth and promote better firm performance (Li, Poppo and Zhou, 2008). We argue that firms with higher growth intention and EO are more likely to succeed in obtaining critical resources from both political and network ties. Considering the critical role of network ties in the Chinese context, this study proposed a mediating role of these two types of ties.

Analytic results of this thesis indicate growth intention is positively associated with political network ties and business network ties, and both ties mediate the EO-small business growth linkage respectively. The research findings further revealed that the association between growth intention and political ties is slightly more significant than the association between growth intention and business network ties.

From the network perspective, the research findings contribute to the entrepreneurship literature by highlighting the role of growth intention in promoting opportunity seeking and network building activities to facilitate firm growth process. The findings imply that a low level of growth intention and absence of EO may sabotage social capital generation and implementation towards goal achievements.

A number of implications can be drawn from the findings for entrepreneurship literature and network research. Growth intention and EO have been found to contribute to perceived firm growth through the access and acquisition of valuable resources from network ties.

From a resource-based view, resources obtained from strong political and business ties can be considered “valuable, rare, inimitable and non-sustainable” (Barney, 1991). This study introduces network resources in terms of business network ties and political network ties as strategic intermediate variables that break the traditional and direct link between EO and firm growth; as such it provides an alternative path to understand small business growth and adds to the existing knowledge on the complexities in the EO-performance link - all of which echoes the call from recent literature (Wales, 2016).

In entrepreneurial orientation literature, scholarly attentions have largely focused on inter-firm factors in examining the influential factors between EO and firm performance (Wang, 2008; Anderson, Covin and Slevin, 2009). Building on social capital theory, the results indicate the necessity to re-evaluate the effects of EO, and to especially focus on the nature of the associations with political network ties and business network ties. Incorporating these two ties in the research framework depicts a more comprehensive picture that guides entrepreneurs from goal intentions to goal achievements. Therefore, it adds to the understanding that although some firms have limited internal resources, they can still manage to grow.

Moreover, regarding the role played by network ties, there appears to be a discrepancy between the current study and existing empirical research. Recent empirical findings predominately suggest a moderating effect of business network ties and political network ties on the EO-performance link (e.g., Luo, Hsu and Liu, 2008; Zhang et al., 2016; Yin, Hughes and Hu, 2021). Although the findings are in line with previous studies by determining a positive association between network ties and firm growth, considering the research context is small Chinese firms where there are often resource constraints, EO, as a resource-consuming strategic posture, will urge the business to reach out for needed resources (Wiklund and Shepherd, 2011). Therefore, the research findings contribute to the literature by providing deeper insight into the value creation process of EO and the growth intention of entrepreneurs.

Based on the recognised roles of network ties in the research model, this study further examines business network ties and political network ties respectively. We have argued that

external networks have important implications for the business growing process, although their respective mediating effects are different. We found that EO is more effective towards firm growth with strong business network ties compared to political ties. In line with most entrepreneurial network studies conducted in China (which also use the term “*guanxi*”), political network ties equivalently and positively mediate the EO- small business growth link, only with a weaker effect (Peng and Luo, 2000; Li and Zhang, 2007). The different strength of mediating effects may be caused by contextual reasons. Considering Chinese financial infrastructure remains arguably weaker than in developed economies and institutional frameworks are underdeveloped, business network ties are more critical for small businesses and start-ups under these circumstances. Another reason might be the constraints that are inherent in strong political ties, it might affect the entrepreneurial posture of the business and affect entrepreneurial growth-oriented intent towards business development. Thus, the findings contribute to the existing evidence that two types of ties all positively contribute to firm growth (Peng and Luo, 2000), and emphasise that the differences between these two types require further investigations.

#### **6.4 Practical Implications**

Acting upon growth intention implies the adoption and implementation of a growth strategy, beginning with a process that includes the allocation of internal firm resources or reallocation of existing resources, prioritisation of new operations relative to existing operations, and the establishment and acquisition of external network ties. This study helps managers to understand not only these outcomes, but also the origins of the decisions that lead to them. The study offers managers greater insight into how managerial strategy is developed internally and provides guidelines for assessing their own decision-making processes.

Based on the research findings, this study provides empirical evidence for theories that consider the growth intention of small business owners as a unique affective antecedent related to the firm’s strategic postures to achieve goal performance. This study has revealed that growth intention is an important predictor for small business growth. Small business growth, network ties and strategic orientations of the firm as a result of entrepreneur’s growth intention are expected to yield higher levels of growth outcomes. Therefore, an owner manager who is growth oriented is crucial to the success of a small business. From a practitioner perspective, the current study suggests that it is important for small business owner managers and entrepreneurs to embrace the forces that can shape their mindsets and perceptions towards a growth-oriented desirability. That being said, creating a fertile

environment conducive to business growth will affect the growth-oriented endeavour of owner managers.

The positive correlation between a small firm's unidimensional entrepreneurial orientation and firm growth illustrates that when entrepreneurial intentions are geared explicitly towards achieving a growth outcome in small business, the joint effects of EO increase the owner manager's propensity towards expanding firm activities. Considering EO and firm growth are closely related to the external environment, measuring EO in a unidimensional manner would allow the researcher to identify the impact of external factors more easily. Moreover, the verification of EO as a mediator between growth intention and small business growth represents a contribution to knowledge, with political network ties and business network ties as serial mediators in the EO-small business growth connection revealing a more comprehensive venturing process. The research model enriches the existing research body and sheds light on the link between growth intention and small business growth. It also helps researchers to compare the specific effects of factors rooted in different regions.

The findings of this study indicate high EO in firms will result in stronger network ties, especially business network ties. As such, when owner managers initiate entrepreneurial activities, a conscious effort should be made in the strategic planning process to acquire valuable resources from more appropriate and optimal types of network ties. It is possible that in order to encourage more resource-based cooperation, managers will need to establish more efficient techniques for communicating with their network actors and make them more aware of the competitive advantage of their entrepreneurial orientations. This is especially true in the context of emerging economies, where small businesses should be able to utilise internal resources to create the necessary conditions for the effective exploitation of incoming entrepreneurial opportunities from external network ties (Jiang *et al.*, 2018).

Finally, based on the research findings, business owners and entrepreneurs who have a strong growth intention should cultivate network relations with government and officials of regulatory institutions because political ties serve as important resources which enable businesses to secure necessary resources, information and knowledge. This is due to the research results showing that the association between growth intention and political ties is over and above EO, which suggests small businesses managers may wish to pay greater attention to not only modifying their strategic postures but also their political network ties when implementing their entrepreneurial behaviours. This finding is especially important in the Chinese transition economy context, with special attention on the northeast region, where the Chinese government has recently enacted a number of new policies and regulations to incentivise innovative business endeavours and promote long-term innovation among small

and medium-sized businesses. As such, this study recommends that entrepreneurs should pay particular attention to how their inherent levels of growth intention and entrepreneurial orientation interact with their political ties and business ties to achieve a high growth outcome.

## **6.5 Implication for Policy Makers**

The research findings produced a number of implications for public makers, especially for emerging market economies such as the northeast regions in China.

First, at the individual-level of small business owners and entrepreneurs, the ability to perceive, understand and manage growth intention is essential for business development and firm growth. Especially in emerging economy settings, it is imperative for governments and policy makers to encourage small business growth. Based on the research findings, one way to promote business development is to foster growth intention at the individual-level. By doing so, policy makers are suggested to invest more in education for the development of an entrepreneurial mindset and in training sessions for current entrepreneurs and small business owners.

Second, the research findings also provide insights into the business development process, as such they provide valuable information for policy makers to address when updating and implementing new policies and relevant regulations. To be more specific, the findings of this study help researchers and policy makers to understand the current entrepreneurial situation in the northeast area and to assess and evaluate the effectiveness of relevant regulations and policies implemented in recent years. In addition, to help complement and improve the corresponding entrepreneurship policy measures, the implications of this study further help policy makers to update and adjust the guidance and support of regional entrepreneurship policy measures

## **6.6 Chapter Summary**

Based on the research findings, an evaluation of theoretical contributions and practical implications of this thesis was presented in this chapter. This thesis offers new insights to the literature on entrepreneur's growth intention, small business growth, entrepreneurship strategic orientations and network resources studies. On the other hand, it also offers practical suggestions for small business owners who intend to grow their business. All these contributions and implications have sharpened our understanding of entrepreneurial behaviour in the Chinese emerging economy context. However, the study could not eliminate



all the limitations. Thus, the limitations in this thesis and directions for future research are discussed in the following chapter.

## **Chapter 7: Conclusion**

Despite the substantial insights that existing literature has provided into the outcomes of growth intent or motivation for business growth, this study embarks on a fresh initiative to expand the scope of entrepreneurial research in a more comprehensive manner. Building on the summary of research findings and discussions of theoretical contributions and practical implications from the previous chapter, this chapter outlines several potential research limitations. These limitations, in turn, offers opportunities for future research.

### **7.1 Limitations**

First, this study is conducted within a single regional area in China, utilising a small-sized sample; therefore, the findings are context-specific. While businesses operating in emerging economies shares some common features in their market and institutional environments, significant differences exist in terms of cultural contexts and the status of market development (Puffer et al., 2010). As such, it is uncertain whether the results of this study can be applied to other emerging market context. Extra attention should be paid when comparing these research findings with empirical studies conducted in other emerging economies.

Second, the cross-sectional design of this study posed considerable challenges. Previous researchers have noted that business growth is not following a linear path (Davidsson, Achtenhagen and Naldi, 2010; Gielnik, Zacher and Schmitt, 2017) and growth intention might shift over time (Dutta and Thornhill, 2008; Douglas, 2013). Due to resource and time constraints, a longitudinal research design, which would have been desirable for a better understanding of the notion of small firm growth and growth intention, could not be implemented. As a result, this study relied on conceptualising, predicting and proposing a series of relationships that are very under-researched in the realm of management studies. The implementation of a longitudinal design could provide a richer understanding in terms of the robustness of their empirical claims. Therefore, the study's findings are restricted to prediction rather than inference.

Third, the research constructs in this study were measured by self-reported data from single respondents. There are many potential problems associated with retrospective data, such as limited recall of respondents and biased perceptions of the past (Li and Atuahene-Gima, 2002). The self-reported data is also raises concerns regarding common method bias; scholars adopting similar data collection methods have reported more than twenty percent of variance between variables pertaining to perception and attitude are subject to common method bias (Wang, 2008; Douglas, Shepherd and Prentice, 2020). This study employed several methods

to reduce common method bias and improve the reliability and validity of self-reported data. For example, reversed coded items were included in the survey questionnaire, and respondents were assured with complete confidentiality. Nevertheless, respondents might still have been conservative in completing the questionnaire due to various considerations and corporate confidentiality issues. Consequently, interpretations of the research findings should be aware of the potential influence of common method bias.

Fourth, owing to the nature of the phenomena under scrutiny, the research constructs manifest differently in small and large firms. As such, studying larger organisations would allow for comparisons between small and larger-sized firms. Moreover, the categorisation of industrial sectors into hi-tech and non-hi-tech firms does not allow for comparisons within specific individual industries, which could provide a more profound understanding of the phenomena in question.

Finally, this study adopted unidimensional EO construct and empirically tested the three dimensions (innovativeness, proactiveness, and risk-taking) of EO using an aggregate measure. Some scholars emphasised on the multidimensionality concept of EO construct and indicate these dimensions can exhibit different types of associations with business performance. Future studies could examine how each of EO's dimensions interact with one another and how they independently and collectively function in network settings.

## **7.2 Future Research Directions**

From a methodological perspective, the development of new measures for the aforementioned constructs, particularly those related to growth intention and small business orientation, has been suggested. A larger sample frame would be advantageous, as it would allow for an improvement in the degree of empirical complexity of the current study. In addition, the use of confirmatory factor analyses for assessing the validity and the application of structural equation modelling for multivariate statistical analysis to the structural theory of the research would facilitate a clearer conceptualisation of the theory under study. Structural equation modelling can provide estimates of error variance parameters, whilst traditional multivariate procedures are incapable of either assessing or correcting for measurement error.

From contextual perspective, the research sample is multi-industry based, and industry sectors are broadly categorised into high-tech and non-high-tech in this study. Future studies are recommended to take a closer look at the associations between growth intention, multi-dimensions of entrepreneurial orientation, small business orientation, network ties and small firm growth within more specifically categorised industries. Moreover, taking into account the

nature of the independent and dependent construct, a longitudinal design would be ideal for better observing the nature of entrepreneurial growth intention (Dutta and Thornhill, 2014) and small firm growth (Davidsson, 2009), as well as for substantiating the benefits of integrating a small business owner's strategic postures and network ties in a more dynamic way. Longitudinal study would also allow examinations of potential reverse causality and disentangle the different nature of the entrepreneurial growth intention over time (Lévesque and Stephan, 2020). Furthermore, business network ties and political network ties serviced as intermediaries involve different cultural influences and institutional differences across regions or countries. Future research should consider external environment such as cultural background, when evaluation the links between entrepreneur's growth intention, firm growth and network ties. Finally, this study recommend that future research may focus on uncovering more aspect of small business growth. Although given the complex and multidimensional nature of firm growth, this propose seems considerable challenging.

### **7.3 Conclusion**

This thesis has shed light on the theory of small business growth by presenting a model that explores how growth intention at the individual-level contribute to business growth at firm-level in the small business context. By doing so, it also responds to the calls in the recent literature to examine the factors that help convert entrepreneurial goal intention into action (Van Gelderen, Kautonen and Fink, 2015; van Gelderen *et al.*, 2017; Kolvereid and Amo, 2019). It is clear from the results of this study that growth intention does play an important role in the development of small firm growth. Most notably, factors such as entrepreneurial orientation and network ties were found to make important contributions in bridging the growth intention–small business growth gap.

The use of data collected from northeast China to examine business owner managers' growth intentions to assess the growth outcome of small businesses offers a significant contribution to the original entrepreneurship development. There has been ongoing debate concerning the success or failure of the Northeast China Revitalization Strategy. Although substantial efforts are still required to promote entrepreneurship as an engine for economic development across northeast China, research conducted in other regions has confirmed the fact that entrepreneurship plays a significant role in regional development. This study provides direct insight in this regard. While there is no simple answer to whether the revitalization strategy has successfully achieved its original goals to boost regional development, this study offers an integrated view from the perspective of entrepreneurs and small businesses. It suggests that by encouraging and supporting entrepreneurship, optimising institutional development

and enhancing market dynamics, it will continue to promote the transformation and development of the old industrial bases in the northeast China and eventually achieve a renewed economic prosperity.

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## Appendix 1 Cover Letter for Survey Questionnaire



Dear Sir or Madam,

We would like to invite you to take part in a survey on 'Understanding Firm Growth in North-Eastern Chinese Small Businesses '. During the past two years, we have been developing frameworks for a project to understand a firm's growing process, which will deliver fruitful knowledge and further management theory and practice on small firm growth. This "SMEs Growth Survey" is designed under the supervision of prof. Catherine Wang and Dr. Andreas Georgiadis at Brunel Business School.

We would be very grateful if you could provide your insights and perceptions toward firm growth and complete the questionnaire. The questionnaire is designed to be completed by the founder of the firm or a top manager who has a good knowledge of the management and strategy of the firm. Any information you provide will be kept strictly confidential and anonymous and will be used for the purpose of this research only. No individual companies or personnel will be identified. Results will be reported in summary statistics only.

The questionnaire will take less than 20 minutes to complete and your answers will be extremely valuable to the research. If you would like to receive a complimentary copy of the Executive Summary of the Research Findings, please provide your preferred contact details below for this purpose only.

Name: \_\_\_\_\_ Email: \_\_\_\_\_

Other contact details: \_\_\_\_\_

Thank you for your cooperation and we look forward to receiving your completed questionnaire shortly.

Yours sincerely,

Shi Ha, PhD student

Brunel Business School

Brunel University London

Email : [shi.ha@brunel.ac.uk](mailto:shi.ha@brunel.ac.uk)

## Appendix 2 Survey Questionnaire

### Section 1. General Information

#### About Yourself

1. Your gender:      Male      Female
2. Your age group:    under 20    21-30    31-40    41-50    above 51
3. Your position /job title is:  
 Chairman/ President            Top management team            Other \_\_\_\_\_
4. Are you the only owner of the company?  
 Yes      No
5. How many years have you worked in the current firm? \_\_\_\_\_
6. How many years have you worked in the related industry? \_\_\_\_\_
7. Have you started companies other than this company in the past?  
 Yes   How many businesses have you founded in the past? \_\_\_\_      No
8. Please indicate your highest qualification:  
 High School and below  
 Undergraduate degree level  
 Postgraduate/ Master's level and above

#### About Your Business

10. This company was founded in the year of \_\_\_\_\_
11. How many full-time equivalent employees did the company have at its establishment?  
      About \_\_\_\_\_ employees
12. How many full-time equivalent employees does the company currently have?  
      About \_\_\_\_\_ employees
13. What are the current Total Assets of your company? \_\_\_\_\_(RMB)

14. How much has your firm grown in Total Assets since its foundation?

About \_\_\_\_\_(RMB)

15. Please indicate the category of industry that best fits your company: \_\_\_\_\_

16. Does your company belong to the High Technology industry sector?

Yes     No

## Section 2. Aim

Please circle a number to rate the extent to which you agree or disagree with each of the scenarios: (7-point Likert scale with 1 to 7. 1= Highly Unlikely 2=Mostly Unlikely 3=Slightly Unlikely 4=Neutral 5= Slightly Unlikely 6=Mostly Likely and 7=Highly Likely)

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<b>How likely is it that the development of your business will involve</b>	Highly unlikely	Highly likely
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1 Exploiting a new technology that promises to have very good prospects for long term growth and eventual profitability	①	②	③	④	⑤	⑥	⑦
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2 Being based on the gamble that a particular change in the laws will happen, and that you will therefore be in a position to capitalize on that change	①	②	③	④	⑤	⑥	⑦
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3 Not being very profitable at first, requiring several rounds of external funding as it grows, before it eventually becomes highly profitable	①	②	③	④	⑤	⑥	⑦
--	---	---	---	---	---	---	---

4 a high risk of failure, but is expected to be extremely profitable quite quickly if it takes off	①	②	③	④	⑤	⑥	⑦
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5 the slow build-up of sales to eventually become a very large business with potentially thousands of employees spread around the world ① ② ③ ④ ⑤ ⑥ ⑦

### Section 3. Strategic Types

Please tick one number only for each question to indicate to what extent you agree or disagree with each of the following statements. (7-point Likert scale with 1 to 7. 1=Strongly Disagree 2=Mostly Disagree 3=Slightly Disagree 4=Neutral 5= Slightly Agree 6=Mostly Agree and 7=Strongly Agree)

#### Part 1. Type A

Item no.		Strongly disagree						Strongly agree
1	Our business better fits my personal life than working for someone else	①	②	③	④	⑤	⑥	⑦
2	Our company have no plans to significantly expand this business in size or sales revenue	①	②	③	④	⑤	⑥	⑦
3	My goals for this business are more personally orientated than financially oriented	①	②	③	④	⑤	⑥	⑦
4	This business is my primary source of income	①	②	③	④	⑤	⑥	⑦
5	Our company aims to expand to multiple (2 or more) locations	①	②	③	④	⑤	⑥	⑦
6	I consider this business to be an extension of my personality	①	②	③	④	⑤	⑥	⑦
7	My goals for this business are interwoven (interconnected) with my family's needs	①	②	③	④	⑤	⑥	⑦
8	I love my business	①	②	③	④	⑤	⑥	⑦
9	I am emotionally attached to my business	①	②	③	④	⑤	⑥	⑦

#### Part 2. Type B



Item no.		Strongly Disagree						Strongly Agree
1	Our company is known as an innovator among businesses in our industry	①	②	③	④	⑤	⑥	⑦
2	We promote new, innovative product/services in our company	①	②	③	④	⑤	⑥	⑦
3	Our company provides leadership in developing new products/services	①	②	③	④	⑤	⑥	⑦
4	Top managers of our company, in general, tend to invest in high-risk projects	①	②	③	④	⑤	⑥	⑦
5	This company shows a great deal of tolerance for high-risk projects	①	②	③	④	⑤	⑥	⑦
6	Our business strategy is characterised by a strong tendency to take risks	①	②	③	④	⑤	⑥	⑦
7	We seek to exploit anticipated changes in our target market ahead of our rivals	①	②	③	④	⑤	⑥	⑦
8	We seize initiatives whenever possible in our target market operations	①	②	③	④	⑤	⑥	⑦
9	We act opportunistically to shape the business environment in which we operate	①	②	③	④	⑤	⑥	⑦

#### Section 4. External Networking

Compared with your competitors, please rate the extent to which each statement describes your firm performance in China over the past 3 years (7-point Likert scale with 1 to 7. 1=Strongly Disagree 2=Mostly Disagree 3=Slightly Disagree 4=Neutral 5=Slightly Agree 6=Mostly Agree and 7=Strongly Agree)

Item no.	Our firm over the past three years have...	Strongly disagree					Strongly agree

1	Spent substantial resources in cultivating personal connections with officials of government and its agencies	①	②	③	④	⑤	⑥	⑦
2	Maintained good relationships with officials of state banks and other governmental agencies	①	②	③	④	⑤	⑥	⑦
3	Devoted substantial resources to maintain good relationships with officials of administrative agencies	①	②	③	④	⑤	⑥	⑦
4	Developed good relationships with regional government officials	①	②	③	④	⑤	⑥	⑦

Item no.	Our firm has...	Strongly disagree					Strongly agree	
5	Collaborated with other firms to market new products	①	②	③	④	⑤	⑥	⑦
6	Joined with other firms to introduce new products	①	②	③	④	⑤	⑥	⑦
7	Jointly distributed and provided support services for new products with other firms	①	②	③	④	⑤	⑥	⑦
8	Built good connections with buyer firms	①	②	③	④	⑤	⑥	⑦
9	Built good connections with supplier firms	①	②	③	④	⑤	⑥	⑦
10	Built good connections with other business intermediaries	①	②	③	④	⑤	⑥	⑦

### Section 5. Firm performance

How does your company compare with your competitors in the following areas over the past three years: (1=Much Worse 2=Considerably Worse 3=Slightly Worse 4=About the Same 5=Slightly Better 6=Considerably Better 7=Much Better.)

		Much worse		About the same		Much better	
1	Growth in profit	①	②	③	④	⑤	⑥ ⑦
2	Growth in the number of employees	①	②	③	④	⑤	⑥ ⑦
3	Sales turnover	①	②	③	④	⑤	⑥ ⑦
4	Market share	①	②	③	④	⑤	⑥ ⑦

## Appendix 3 Translation Report

### 第一部分. 背景资料

#### 关于您

1. 性别: 男 女
2. 年龄: 20岁及以下 21-30岁 31-40岁 41-50岁 51岁及以上
3. 您的职务或职称: 董事长\总裁 首席执行官\总经理\总监 高层管理团队 其它\_\_\_\_\_
4. 您是公司唯一的老板吗? 是 否 (请回答 4a, 4b 及 4c)
- 4a. 若您不是唯一的老板, 包括您在内, 有多少人一起管理公司? \_\_\_\_\_人
- 4b. 您的所有权比例是多少? \_\_\_\_\_
- 4c. 公司所有合伙人的所有权比例是多少?

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所有权比例	
第一位合伙人	
第二位合伙人	
第三位合伙人	
第四位合伙人	

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5. 您在本公司已工作: \_\_\_\_\_年
6. 您在本公司工作前, 有过多久的工作经验吗? \_\_\_\_\_年
7. 在成立现公司之前, 您曾有过几次创业经历? \_\_\_\_\_次 (若没有请填 0)

8. 您的最高学历是什么?

大专及以下 本科 硕士或同等学历 博士及以上 其他: \_\_\_\_\_

9. 您有过在海外留学的经历吗? 没有 有

若您的选择是“有”; 在哪个国家: \_\_\_\_\_; 攻读什么学历: \_\_\_\_\_; 留学  
\_\_\_\_\_年

### 关于您的公司

10. 您的企业成立的时间是\_\_\_\_\_年

11. 贵公司创立之初的员工人数为: \_\_\_\_\_人

12. 请问贵公司现阶段全职员工数量为: \_\_\_\_\_人

13. 请问贵公司目前的**总资产水平**约为: \_\_\_\_\_万人民币

14. 与创业之初相比, 请问贵公司的总资产水平大约提高了多少? \_\_\_\_\_万人民币.

15. 贵公司从事的主要行业为: \_\_\_\_\_

16. 贵公司是否为高新企业? 是 否

### 第二部分. 创业意图

结合贵公司的**实际情况**, 请您选择在**何种程度**上同意以下问题的描述? ( 1 =非常不符合; 2=基本不符合; 3 =有点不符合; 4 =中立; 5 =有点符合; 6 =基本符合; 7 =非常符合 ) :

17. 您想成立一种以什么发展模式为主的公司?	非常不符合						非常符合
【1】 研发一项会对公司的长期成长及最终盈利有着良好的前景的新技术	1	2	3	4	5	6	7

【2】	通过预先经营未被法律和政策支持的业务积累资本，等待被支持时成为行业先驱，获得高额利润	1	2	3	4	5	6	7
【3】	起初不会太大盈利，在企业成长过程中会有多次外部融资最终提升公司盈利能力	1	2	3	4	5	6	7
【4】	公司周转会面临失败的高风险，如果一旦成功将很快取得高额利润	1	2	3	4	5	6	7
【5】	公司将会逐步加强销售能力，最终目的是发展成为员工遍布全国各地的大型/连锁产业	1	2	3	4	5	6	7

### 第三部分. 战略类型

结合您与贵公司的**实际情况**，请您选择在**何种程度上同意**以下问题的描述（1 = 强烈不同意；2 = 大致不同意；3 = 有点不同意；4 = 中立；5 = 小部分同意；6 = 大致同意；7 = 强烈同意）：

18.企业导向 A	强烈不同意	1	2	3	4	5	6	7	强烈同意
【1】	我之所以创立这个公司是因为这么做更符合我的个人生活，我不愿为他人工作。	1	2	3	4	5	6	7	
【2】	我们公司没有要显著扩大营业规模或销售额的计划	1	2	3	4	5	6	7	
【3】	我们的商业目标更多是以个人为导向，而不是为了经济利益。	1	2	3	4	5	6	7	
【4】	我们的公司的销售盈利是我的主要收入来源。	1	2	3	4	5	6	7	
【5】	我们的公司的目标包括能建立多家（2家或更多）营业地点（分店或分公司）	1	2	3	4	5	6	7	

【6】	从另一个角度上看，我们的企业文化反映了我的个性	1	2	3	4	5	6	7
【7】	我成立该公司主要是为了满足家庭需求。	1	2	3	4	5	6	7
【8】	我热爱我的公司/工作	1	2	3	4	5	6	7
【9】	在情感上，我的事业对我的日常生活非常重要	1	2	3	4	5	6	7
<b>19.企业导向 B</b>		<b>强烈不同意</b>						<b>强烈同意</b>
【1】	我们的公司是业内企业中的创新者。	1	2	3	4	5	6	7
【2】	我们的公司强调研究开发，技术领先和创新营销。	1	2	3	4	5	6	7
【3】	我的公司在开发新产品/服务方面处于业内领先地位。	1	2	3	4	5	6	7
【4】	公司高层领导相信，由于环境的性质，大胆、广泛的行动是达到企业目标所必须的。	1	2	3	4	5	6	7
【5】	我们的公司对于高风险项目表现出了极大的容忍度。	1	2	3	4	5	6	7
【6】	在面对不确定性时，我们公司经营策略倾向于采取大胆的、侵略性的姿态，最大可能地抓住机会。	1	2	3	4	5	6	7
【7】	我们力求在竞争对手之前发掘目标市场的预期变化。	1	2	3	4	5	6	7
【8】	公司力求抓住一切机会成为第一个引入新产品/新服务/新管理技术/生产技术 到目标市场的企业。	1	2	3	4	5	6	7
【9】	我们力求抓住一切机会去塑造我们经营的商业环境。	1	2	3	4	5	6	7

#### 第四部分. 资源

**20.关系网络** (结合贵公司在过去三年里拥有资源的实际情况,请您选择在何种程度上同意以下问题的描述)

<b>在过去三年里,我们的公司.....</b>		<b>强烈不同意</b>					<b>强烈同意</b>	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>【1】</b>	在与政府及其机构官员建立人际关系方面投入大量资源	1	2	3	4	5	6	7
<b>【2】</b>	与国有银行和其他政府机构的官员保持良好的关系	1	2	3	4	5	6	7
<b>【3】</b>	投入大量资源与行政机构官员保持良好关系	1	2	3	4	5	6	7
<b>【4】</b>	与地区政府官员建立了良好的关系	1	2	3	4	5	6	7
<b>我们的公司.....</b>		<b>强烈不同意</b>					<b>强烈同意</b>	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>【5】</b>	与其他公司合作推销新产品	1	2	3	4	5	6	7
<b>【6】</b>	与其他公司合作生产研发新产品	1	2	3	4	5	6	7
<b>【7】</b>	与其他公司共同提供新产品的支持服务	1	2	3	4	5	6	7
<b>【8】</b>	与买方公司建立了良好的关系	1	2	3	4	5	6	7
<b>【9】</b>	与供应商公司建立了良好的关系	1	2	3	4	5	6	7
<b>【10】</b>	与其他商业中介建立了良好的关系	1	2	3	4	5	6	7

**第五部分. 公司绩效**



21.关于贵公司过去三年的绩效表现，与竞争对手相比，请您选择在		很糟糕	基本			非 常		
何种程度上赞同以下的陈述.			相同		好			
<b>【1】</b>	利润增长	1	2	3	4	5	6	7
<b>【2】</b>	员工人数增长	1	2	3	4	5	6	7
<b>【3】</b>	销售额增长	1	2	3	4	5	6	7
<b>【4】</b>	市场份额增长	1	2	3	4	5	6	7

请赐名片：	或留下您的联系方式，便于我们将研究简报发给您：
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