SUMMARY

"YOU CAN’T ALWAYS GET WHAT YOU WANT" – WHY NASCENT ENTREPRENEURS CHANGE THEIR GROWTH EXPECTATIONS DURING THE START-UP PROCESS

Heiko Bergmann, University of St. Gallen, Switzerland
Jurgita Baltrušaitytė-Axelson, Stockholm School of Economics in Riga, Latvia

Principal Topic

This paper investigates how nascent entrepreneurs change their growth expectations during the start-up process, a topic that has not yet been fully investigated in extant literature. This paper is inspired by Dutta and Thornhill’s (2008) ideas. They describe a model on the evolution of growth intentions over time and distinguish between two cognitive styles: an analytic style and a holistic style. The main proposition of their conceptual paper is that holistic entrepreneurs experience relatively large shifts in growth intentions when they perceive competitive conditions to be different from initial expectations.

Method

We use data from waves A and C of the American Panel Study of Entrepreneurial Dynamics II (PSED II). We restrict our analysis to nascent entrepreneurs.

We distinguish between growth expectation and growth intention. Our main dependent variable is growth expectations. The PSED II provides a measure of growth expectations in terms of the expected number of employees when the business is five years old. We calculate the difference in the expected number of employees between wave A and wave C and use this variable in categorized form as dependent variable in hierarchical linear regression models.

Results and Implications

The descriptive results support the findings of prior studies that most nascent entrepreneurs do not aim for growth and that high-growth expectations are only a rare phenomenon. While many nascent entrepreneurs do not change their growth expectations over time, there are also quite substantial changes upwards or downwards. On average, growth expectations show a downward trend during the start-up process which is probably due to entrepreneurial learning.

The regression models show that changes in growth expectations result from the attainment of certain milestones in the entrepreneurial process. Female nascent entrepreneurs are less optimistic from the outset and revise their growth expectations to a lesser extent than men do. We cannot find a significant direct or moderating influence of cognitive style on the evolution of growth expectations.

A limitation of our study is that we are not able to track entrepreneurs once they have fully established their business. This might be the reason why we were not able to find a significant influence of cognitive style.

CONTACT: Heiko Bergmann; heiko.bergmann@unisg.ch; (T): +41712247100; KMU-HSG; Dufourstrasse 40a; 9000 St.Gallen, Switzerland.