Perceived Challenges of Growth in Micro Enterprises

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Abstract
Purpose - Identify the most frequent challenges of growth perceived by micro firms.

Design/methodology/approach - The data was collected through 30 qualitative interviews, conducted in April and May of 2011. In addition, the data was analyzed in accordance of the different characteristics of the participating firms to identify patterns of the most frequent challenges of growth perceived by micro firms.

Findings - The findings from this research implicates that challenges to grow in micro firms differs from different sectors, if the firms is enrolled within a business incubator or not, and according to the age of the firm.

Research limitations/implications - This study may not be global since the research was fulfilled in Sweden. As the institutions and regulations might differ from other countries there are some common nominators that Sweden shares with other nations and regions for instance the financial system.

Practical implications - Evidence from this research has shown that time is the most frequent perceived challenge to grow in micro firms, and that time is the foundation of many other perceived challenges.

Originality/value - Researchers have stated that empirical findings on what affect micro firms growth has been neglected, the previous studies have been focusing on SMEs rather than micro enterprises.

Keywords Growth, Challenges of Growth, Micro Firms, Science Park

Paper Type Research paper

1 Introduction

Small businesses are the backbone of today’s economies and their growth is of greatest importance for job creation and economic welfare (EIM Business & Policy Research, 2009; Association for Enterprise Opportunity, 2010). In the US economy, an astonishing 88 percent of all businesses in 2008 were micro-enterprises (Association for Enterprise Opportunity, 2010). Over 99 percent of all enterprises in Europe are small and medium sized enterprises (SMEs), and 90 percent of them fall in the category of micro firms. These micro firms accounts for 53 percent of all jobs in the continent which reinforces their importance (Bushfeld, Dilger, Hess, Schmid & Voss 2011).

In regards to SMEs, research and attention are increasing to the external and internal factors effecting growth and development of those firms (Street & Cameron, 2007). However, researchers have stated that empirical findings on what affect micro firms’ growth has been
neglected (Heshmati, 2001), even though the majority of SMEs are micro firms. This made the authors of this research question if the challenges in micro firms are similar to SMEs or if there is a gap in knowledge in this area.

If the focus is conveyed to Sweden, the country reported the fastest quarterly economic growth in Europe in the first three months of 2011, and is reinforcing its position of being one of the best-performing economies in Europe (Ward, 2011). In previous decades, the majority of growth, employment and social welfare in Sweden were founded in large companies (Persson, 2011a). Since the 1980s, there has been a change in the sizes of companies in Sweden, the amount of SMEs has increased dramatically (ITPS, 2007), and 96 percent of the SMEs in the Swedish market are micro firms (Statistics Sweden, 2010a). As majority of the SMEs in Sweden, micro enterprises represent 59 percent of the value added and 63 percent of the employees within the Swedish industrial market (Statistics Sweden, 2010a). To establish what a micro firm is, definitions of the different sized firms in Europe are developed in regards to its number of employees and turnover or annual balance-sheet total. According to the European Commission (2007) a micro firm is “…an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EURO 2 million”.

Statistics Sweden (2010b) performed an analysis of the growth of the companies within the Swedish industrial market from 2004 to 2008. From the analysis, it showed that the majority of micro enterprises in 2004 that were still alive in 2008, remained the same size; only 3 percent grew into SMEs. In 2010, the micro firms in Sweden experienced growth in regards to the inflow of orders and turnover. However, it is claimed that the lack of qualified labor force is a threat to the future growth of firms in Sweden (Jansson, 2011). To inspire individuals to start new ventures and to nourish the growth of existing firms, it is of importance to neutralize the existing challenges of growth (Persson, 2011b).

Since researchers have stated that there is a lack in studies on growth of micro firms specifically, the existing research is mainly on SMEs or larger firms (Heshmati, 2001); the authors wish to investigate if the challenges to grow in micro firms are similar to the established challenges in SMEs. If the most frequent challenges for micro firms can be identified, managers of such firms can prepare themselves to easier overcome these issues. This would be beneficial since the survival rate of the newly started ventures in Sweden is fairly low (Persson, 2011a). The authors of this research aim to inform the prospective instigators of new ventures of the most frequent challenges of growth perceived by micro firms so they can prepare for challenges and more easily overcome them. It is important to neutralize the existing challenges of growth to encourage people to start new ventures but also to support the growth of already existing companies (Persson, 2011b). Hence, the purpose of this research is to identify the most frequent challenges of growth perceived by micro firms.

2 Challenges of Growth

Since researchers have stated that the research available on challenges of growth in micro firms is limited (Heshmati, 2001), the following studies are based on challenges to grow within SMEs

In order to fulfill the purpose and to identify the most frequent perceived challenges of growth, one firstly needs to distinguish what growth is in the context of a firm. The term growth has been explained in numerous ways (Penrose, 1959; Ylinenpää, 1996; Delmar, 1997; Weinzimmer, Nystrom & Freeman, 1998; Wiklund, 1998; Ardishvili, Cardozo, Harmon & Vadakath, 1998; Robson & Bennet, 2000; Orser, Hogarth-Scott & Ridong, 2000). Penrose (1959) defined growth by two different implications. The first as an increase in amount of sales and output and the second one concerns changes in size that suggests quality as a consequence of a process of
development. These two views are combined by Ardishvili et al. (1998); Delmar (1997), Weinzimmer et al. (1998) and Wiklund (1998) and further developed as the term growth is defined by the amount of growth such as profit, market share, employment, physical output and assets. This is the definition that will be considered in this research while discussing growth.

Growth among micro firms is not a norm, most startups begin small and die small and never enters a significant growth stage (Davidsson, Achtenhagen & Naldi, 2010). In addition, the authors argued that the main reason for this phenomenon is that many startups enter mature industries with imitated business ideas to serve local markets, which result in a low growth potential.

Penrose (1959) argued that organic growth could be hindered by three factors: internal, external or a combination of both. Internal refers to the managerial ability, external to products and markets and the combination to uncertainty or risks (Penrose, 1959). Davidsson et al., (2010) argued that challenges for growth exist both on the internal and external base, which in coherence with Figure 1, originally constructed by Ylinenpää (1996) but further developed by the authors of this study with additional research on growth challenges. Figure 1 summarizes different challenges and is the base for the following discussion. It explains the challenges for growth by distinguish internal barriers to in-house conditions and external barriers to environmental conditions. One can further divide the barriers into tangible (lack of assets or unfavorable institutional policies) and intangible (lack of human resources or negative growth intentions) (Barth, 1999).

2.1 Internal Challenges of Growth

Internal and tangible barriers are the lack of different systems such as methods for controlling processes and lack in gathering information about market demand, routines and so forth (Ylinenpää 1996). The author also identified internal and intangible barriers that address the lack of skilled labor, management skills how one should develop the organization and expected negative outcomes of growth. Ylinenpää (1996) further simplify the internal challenges to managerial and resource barriers.

Storey (1994) argued that there are many factors surrounding the entrepreneur that could be important while discussing challenges of growth on internal basis; the most important factors to consider are: the manager’s motivation, education and experience, and the number of founders. Penrose (1959) further stated that a significant internal challenge of growth is the need for allocation of resources and capabilities, which also could be referred to purposeful planning, that needs managerial capabilities to function. To capture organic growth one also need to be able to take advantage of growth opportunities; a crucial requirement is to have resources available within a firm (Penrose 1959). While the firm is expanding, it may be challenging to create new managerial services, skills, efficiency and organization structure in order to keep and capture the growth possibilities (Davidsson et al., 2010). In addition, the authors argued that knowledge from previous growth creates an inducement for further expansion, which could be addressed, as previous growth is important for future growth through experience and knowledge. This is further supported and stated through that growth is a force for continuous growth (Orser et al., 2000).

Another general aspect concerning internal challenges that holds for a majority of small firms in Sweden is the notion of not enough hours in a day, which is suggested to hinder firms from taking growth related actions. Another significant internal challenge presented in the study consists of lack of capacity within the facility (Persson, 2011b).
2.2 External Challenges of Growth

Ylinenpää (1996) argued that two groups of external challenges exist; the first one is tangible challenges that refer to low availability of capital and investments for expansion and unfavorable tax and employment institutional systems. The second refers to external and intangible challenges that address the attitude favoring jobs with security and negative attitude towards entrepreneurship. He further simplified the concepts by defining the external and tangible barriers as institutional and the external and intangible barriers to grow as cultural.

Kangasharju (2000) discussed four external challenges that determines small firm growth; the demand for the firms product and services, the competitors, the production factors and the business environment. The business environment is one of the most important creators of challenges for growth, and it is argued that institutions in Sweden since WWII systematically have hindered growth of independent businesses (Davidsson & Henreksson, 2002). The institutions mentioned in the study were concerning sectors in the economy such as taxation, wage-setting institutions and labor market legislation. This was stressed as a Swedish based problem in a comparison between Sweden with Ohio, USA, and the conclusion was that Swedish institutions have hindered business growth (Carlsson, 2002). It is argued that the type of institutions that will affect firms depends on in what kind of industry the respective company operates in. IT and high-tech firms seems to view access to capital as a major hinder of growth, while the service sector regards tax levels and exchange rates as major challenges (Orser et al., 2000).

The Swedish Agency for Economic and Regional Growth presented a study with the most experienced factors that hinder growth in small firms, and two of the top three were concerned with institutions and the lack of supply of the right competences in the labor market (Persson, 2011b). The discussion concerning lack of qualified labor is further developed by Jansson (2011); he argues that Swedish companies are not able to find the right skills in the labor market. In addition, high payroll is also explained as a hinder of growth. Barth (1999) further identifies the external challenges within ones culture that could explain the lack of qualified labor; in some regions there is a tendency to favor jobs with security that creates a challenge to attract skilled labor.

2.3 The Combination of Internal and External Challenges of Growth

Penrose (1959) argued that a third major set of challenges exist, which refers to the combination of internal and external challenges. She explained the combination through the concepts of uncertainty and risk. The risk and uncertainty lies within the external and the internal environment, as discussed in previous sections. Since a firm needs to obtain certain information before acting, this will effectively limit expansion if the managerial capabilities and experience is not attainable (Penrose, 1959). It is also argued that capitalism works in an optimal manner when people are able to take decisions based on calculated rational risks in the accomplishment of their economic activity (Bernanke, 1980). Uncertainty and risks should be seen as a natural part of a business, but the problem occurs when these factors become excessive (Fisher, 2010). He further elaborated that excessive uncertainty hinders a firms` capability to prospect or calculate the future outcome, which will lead to a halter of important decisions and affect the long term performance.

The challenge of growth appears with the difficulties to operate in an environment where a firm is not aware of the set of rules (Bernanke, 1980). The notion of not having access to the set of rules, a firm will recognize that it is impossible to develop a strategy and could lead to that a firm put its operations on hold until the rules are given (Fisher, 2010). The notion of uncertainty is argued that it could create a hinder for an entire economy, led by delayed commitment for expansion capital expenditure (Bernanke, 1980).
2.4 Summarization of Studies

The challenges presented above are summarized in Figure 1. The challenges are divided into internal (referring to in-house conditions) and external (environmental conditions). The challenges are also distinguished between tangible and intangible.

Internal challenges refer mainly to in-house conditions as seen in Figure 1, the tangible refers to lack of assets (e.g. control system and information) where the intangible refers to lack of human resources (e.g. qualified labor and time). The internal challenges are summarized as managerial and resource challenges.

The external challenges are summarized under institutional and cultural challenges. The tangible challenges are summarized as unfavorable institutional policies (e.g. regulations and lack of capital) and negative growth willingness and motivation refers to the intangible challenges.

The third dimension of challenges except for internal and external, lies in the middle of Figure 1 and is stated as risks and uncertainties. Since a firm needs to obtain certain information before acting; risks and uncertainties will, as previously discussed, limit expansion and growth.

Figure 1. Challenges of Growth, a summarizing figure made by the authors of this study based on the research by: Penrose (1959), Bernanke (1980), Ylinenpää (1996), Storey (1999), Kangasharju, A. (2000), Orser et al. (2000), Davidsson & Henriksson (2002), Carlsson (2002), Davidsson et al. (2010), and Persson (2011b).
3 Methodology

Since this thesis is written in an article form, an elaborate methodology is not a requirement. However, to fulfill the requirements of a master’s thesis, an expanded methodology is required and therefore an extended methodology is presented in Appendix A.

To fulfill the purpose of this research a qualitative method was chosen. The data was collected through semi-structured interviews with 30 founders of micro firms. The firms participating in this study were chosen on the basis of number of employees and turnover, consistent with the definition of micro firms used in this study. The interviews were conducted in April and May of 2011. To ensure that all interviewees get similar information and impression, one of the authors of this study conducted all interviews. In addition, since all interviews are recorded, the other author listened to all interviews and summarized the results from the interview; this was implemented to ensure that the interpretation of all interviews was identical. Due to the fact that the interviews were performed in Swedish, all the interviews were recorded, summarized, and translated to English. The transcript from each interview was sent to the respective interviewee for approval to ensure there were no misinterpretations. This practice is known as respondent validation and is used to guarantee validity of an interview (Silverman, 2001). (See Appendix B for the pre-determined questions asked in the interviews, and Appendix C for the full transcripts from all interviews)

Through Science Park in Jönköping the authors of this research had availability to a list of approximately 100 firms in the nearby region. The Science Park system is a business incubator that works as a meeting place for entrepreneurs and firms, and the organization provides support and guidance to individuals that wish to start or expand businesses (Science Park, 2011). By reviewing this list the authors narrowed the selection of firms down to 58 that met the definition requirements for micro firms in this study. The 58 firms were contacted and 18 firms agreed to participate in this research. However, through this list the authors were not able to get 30 interviews, which is the suggested guideline for a study with a heterogeneous sample (e.g. different industries) (DePaulo, 2000). Since the authors of this study did not get a sample of 30 firms from the provided list, snowball sampling was implemented. Snowball sampling is a non-probability sampling where the initial participants supply the researcher with information about future respondents (Saunders, Lewis & Thornhill, 2003). The founders of the participating firms at Science Park recommended other founders that were asked to participate in this study. Through this technique the authors were able to acquire the additional 12 interviews to achieve a sample size of 30. Furthermore, this resulted in a sample of firms that are involved at Science Park and firms that are not, and the businesses are spread out in different regions in Sweden. This also implies a heterogeneous sample, and this will be addressed in the analysis to compare if there is a difference in the perceived challenges to grow depending on the different characteristics of the participating firms.

Since there was a large amount of collected data the authors of this study reduced the data by summarizing the interviews. According to Bernard and Ryan (2003, p.89) “…repetition is one of the easiest ways to identify themes”. To further clarify the data and to investigate different patterns and themes, the authors constructed three different tables of the perceived challenges, divided the firms in groups in accordance to different characteristics. Through the different identification of patterns the authors investigated difference in challenges to grow between the service and manufacturing industry that was implied by previous studies (e.g. Orser et al., 2000). Also, if firms that are enrolled in Science Park have different challenges to grow compared to firms that are not enrolled, and if the age of the firms affects the perceived challenges.
4 Findings

In this section the findings are presented. The ‘challenges’ are regarded as experienced challenges that have been present in the firm, while ‘challenges to grow’ is the factor that could hinder the firm from future growth.

4.1 Background of the Participating Founders and their Firms

The 30 participating firms in this research were mainly located in the Jönköping regions, however, three of the respondents are not; they are located in the Stockholm region. 18 firms are located at Science Park in Jönköping while twelve are not. All of the founders of these micro firms, except one, hold a higher education before the firm was started. Storey (1994) suggests that the background of the entrepreneur that started the firm could affect the challenges to grow, for example his or her education. Due to the fact that only one founder did not withhold a higher education the authors of this study were not able to analyze differences in challenges to grow based on the educational background of the founders. In addition, the majority of the founders have extensive experience within the field that they are currently operating in, where most of the ideas to start a venture were founded by identifying an opportunity within their field of expertise. Storey (1994) implied that the experience of the entrepreneur affects the challenges to grow within a firm. However, since the vast majority of founders had extensive experience from the industry they are operating in today, the authors of this study were not able to investigate if the experience of the founder is affecting the challenges to grow in micro firms (see Appendix D for a full disclosure on the background of the founders).

When a firm is started the intentions vary, if the founder is satisfied with the situation they are in or if they wish to grow and become larger organizations. Of the 30 participating firms, two firms stated that there is no ambition to grow, and those were in the service industry (see Figure 2 below). Both firms claimed that the access to capital is a challenge that affects the firms in general and would also be a barrier if they change ambitions and wanted to grow. However, what is hindering these firms to grow is their ambition, which is line with what Barth (1999) addressed as negative growth intentions, and the lack of managerial motivation that is also discussed by Storey (1994). These firms simply do not have the desire to expand their business. The focus of this analysis will lie on the firms that have the ambition and desire to grow.

4.2 Perceived Challenges

In this study 28 firms stated that they have ambition to grow and 17 of these firms are operating in the service industry and 11 within the manufacturing industry (see Figure 2). The most frequent experienced challenge in the service industry was marketing, which the firms explained through difficulties to reach their target group. The challenge of marketing activities was not identified in previous studies on SMEs. However, Carson (1985) stated that successful marketing is dependent on a specialist in the field, and evidently most small firms does not have, nor can afford a marketing specialist. The authors of this study claims that the findings in this study could be explained by Carson’s argument since the founders stated that they are not able to reach the intended target group, which implies a lack of knowledge in this area. However, an interesting finding is that marketing was not experienced as a challenge in any of the manufacturing firms in this study. The founder of manufacturing firms in this study stated that their challenge in this sense is to gain industrial acceptance, especially if the product is innovative and unique. Their target base is identified and reachable, but to convince them to use and buy their products is the challenge rather than the marketing activities that were identified by the firms from the service industry.
Figure 2. Summarization of results from the interviews, constructed by the authors of this study.
The most frequent experienced challenge, and challenge to grow; in the manufacturing industry is time. The founders state that there is not enough time to accept additional orders or focus on selling since they are involved in administrative tasks within the firm. In addition, the majority of the founder’s state that they work overtime that includes late nights and weekends to cope with their workload.

Other challenges that were present in both industries were of both external and internal nature; qualified labor and complex business structure. The founders stated that they must change the structure of the organization to overcome this challenge but does not have to ability at this point. Ylinenpää (1996) addressed this issue through managerial and resource barriers. In addition, Penrose (1959) stated that this could be explained by poor allocating of resources, for a business to be successful a firm need purposeful planning and managerial capabilities. This study implies that the situation is similar in micro firms. In addition, several founders in the study addressed that the firm has grown faster than was intended by their business plan or vision (see Appendix D for disclosure of the existence of business plans in the participating firms). Through the interviews it was implied that the complex business structure has developed from a lack of resources, or a lack in the management of resources, and therefore is a both a challenge and factor that is hindering growth. Another aspect present is the correlation between complex business structure and time. Better structure and planning could result in better time efficiency.

The participating firms suggested that there is need for better structure but there is not enough time to make any changes. In addition, to make these changes, the founders stated that they would have to recruit employees, but time is limiting them to do so. This implies that time is the base for many of the perceived challenges. This is in line with Persson (2011b), who stated that firms do not have enough hours per day, which hinders small firms in Sweden to take growth related actions. Penrose (1959), state that a crucial requirement for growth is to have resources available within the firm. Through the interviews it was clear that time is a growth challenge since there is a lack of resources within the firms and to be able to increase the existing resources the respective firm need to find time to do so. This calls for better managerial ability and business structure as argued by Davidsson et al. (2010). Several firms stated that the recruitment process is too time consuming, so they rather increase the workload for the existing employees instead of recruiting another member. Furthermore, Davidsson et al. (2010) stated that it is challenging to create new managerial skills, efficiency and organizational structure. However, the founders participating in this study stated that these challenges are also based in the lack of time. Since the founders wish to expand the existing knowledge but does not have the time to invest in such actions.

One differential aspect that the authors of this study found, compared to the existing theories on growth, is the notion from Orser et al. (2000) that IT and high-tech firms view capital as major hinder of growth. This study shows that all participating IT and high-tech firms stated time as a major challenge to grow while only one from this industry implied that the access to capital was a challenge (see Appendix E for a full description of each firms’ industry and challenges).

According to this study, the most frequent barrier to grow within the service industry is regulations while only one firm within the manufacturing industry apprehends this as a challenge or challenge to grow. Researchers have stated that Swedish institutions have hindered business growth (Carlsson, 2002; Henreksson & Davidsson, 2002) and this is in line with findings of this study. The firms participating in this study addressed the problem that regulations are complicated and times consuming which also switch focus from the original activities in the firm. The founders were not able to focus on selling or serving customers, instead focus on administrative tasks such as law enforcement, unfavorable taxation processes and complex employment institutional systems. In addition, barriers to grow that were mentioned numerous times were for the firms to acquire additional risks, for example, to hire another employee and...
through this get higher costs. The firms were reluctant to recruit since it would increase costs and therefore their risks. This also relates to regulations, since the costs for recruiting is uncertain, which according to Bernanke (1980) hinders a firm from taking such actions. Several firms in the study addressed this issue by discussing the costs that could occur if the new employee is on sick leave for longer periods. The firm must still pay for the employee in accordance with the regulations in Sweden, and micro firms cannot afford such costs. This is in line with the findings from Frischenfeldt (2011), who stated that the smaller the firm is the bigger risks it acquires through employing another member, due to increased costs if their employee is sick. Since, there was a difference between the industries, the authors of this study reinforce the findings made by Orser et al. (2000) who stated that the service sector, regards regulations such as tax levels as challenges to grow. However, the authors of this study identified other differences between the firms in this study that may influence the effects of regulations, this is discussed in the next section.

4.3 Business Incubators

Business incubators, such as Science Park, provide support and guidance to individuals that wish to start or expand businesses (Science Park, 2011). Since the enrolled firms are provided with support that other firms does not have access to, the authors of this study investigated if the perceived challenges to grow differs between enrolled firms, and firms that are not. From the participating firms there were 18 firms that were registered at Science Park and 12 firms that were not. As shown in Figure 3, there are some similarities between the firms enrolled at Science Park and firms that are not, but also some differences. One challenge to grow that is the same in both types of firms is time. This challenge to grow is expected in this study since previous studies on barriers of growth suggests that time is a challenge to grow (Persson, 2011b).

However there were some divergent factors that are hindering growth between these firms. The main challenge to grow according to the firms that are not enrolled at Science Park was regulations, while only two firms that are registered at Science Park perceived regulations as a challenge to grow. The authors of this study believe that this can be explained by the support that the employees at Science Park provide the enrolled firms. In the interviews the firms that are enrolled in Science Park stated that they are assigned a business developer that supports the firm and can provide ideas on how to handle the regulations and taxation issues that arises. Furthermore, there are over 100 firms located at Science Park in Jönköping (Science Park, 2011), if the founder has a problem, he or she can ask a fellow founder that are located within the building for guidance. This implication puts emphasis on the networking skills of the entrepreneur. This is in line with the conclusion from Daskalopoulou and Petrou (2010) who stated that networks are important for information exchange but also is a central development resource. These conclusions are greatly supported in this study and clearly relates to the participating micro firms, where all founders stated that their network has been crucial for the firm. In addition, the authors of this study suggest that the network within Science Park is beneficial for the companies since they easily have access to many organizations that can assist their own firm.

4.4 Does the Age of the Firm affect Perceived Challenges?

In the existing literature, the authors of this study did not find studies that differentiated challenges in accordance to the age of micro firm (See the Literature Review performed by the authors of this study in Appendix F). Nevertheless, the authors of this study explored this area to investigate if the perceived challenges, and challenges to grow, differs depending on the age of the firm (see table in Appendix G).
Figure 3. Differences in challenges between the firms enrolled at Science Park and firms that are not, constructed by the authors of this study.
From this exploration the authors were able to identify patterns depending on the age of the firm. In the firms that were founded in the past two years the most frequent challenge, and perceived challenge to grow, was time. While the firms that have been operating from three to seven years, marketing was the most repeated experienced challenge and competition was the most frequent perceived challenge to grow. From these identifications, the authors of this study implies that in the initial faces of a startup puts focus on the internal challenges, since time is the challenging factor for micro firms. However, when the firm has been operating for a few years, these challenges shift to external nature and the focus lies on marketing activities to attract customers, but also on the competition on the market.

Since there were only four firms that have been operational for eight years or more, there were only challenges that were repeated once (e.g. time, capital, and qualified labor) the authors does not assume that these represent the challenges in micro firms that has been operating for a minimum of eight years. The situation is similar with the perceived challenges to grow in the older firms, capital was the only challenge to grow that was repeated more than once and the author of this study are not able to draw conclusion from these identifications.

5 Conclusions
The purpose of this study was to identify the most frequent challenges of growth perceived by micro firms. Since there is limited research on micro firm growth, the authors of this study used a base of the available challenges of growth in SMEs. Through this research the authors clearly established that there are some similarities in the challenges to grow in SMEs and micro firms. One of the most frequent challenges to grow, both in previous research and in this study, was time. In addition, through the empirical findings of this research it was clear that many of the experienced challenges and challenges to grow that are present in micro firms are rooted in time. A few examples are that the founders wish to simplify the complex business structure but do not have the time to do so and that the founders wish to expand and employ more people but do not have the time for the recruitment process. Therefore, the authors of this study concludes that time is the most frequent perceived challenge to grow in micro firms and is the foundation of many other challenges to grow as well. Furthermore, there are factors that are hindering micro firms to grow that were not present in the studies of SMEs, for example marketing and industrial acceptance. Therefore, the authors concluded that one could not assume that the perceived challenges to grow in SMEs and micro firms are identical. In addition, previous studies on SMEs stated specific challenges to grow within the service and IT and high-tech sector. In the service industry it was stated that regulations are the most frequent challenge to grow, and this was reinforced by this study. However, in the IT and high-tech industry previous studies claimed that capital was the most frequent challenge to grow and these results were contradicting from the findings in this research. The most frequent perceived challenge to grow for micro firms within this industry was time.

Since the participating firms in this study consisted of firms that are a part of the Science Park system and firms that are not, the authors compared the perceived challenges between these firms. Through this analysis it was present that regulations, as a challenge to grow, was more frequent within firms that are not enrolled in Science Park. Furthermore, this finding is explained but he support provided by the employees and other firms at Science Park, that only enrolled firms have access to.

In the previous studies on challenges to grow the authors of this study did not find research that implied that the age of the micro firms affects the perceived challenges to grow. The participating firms were spread out from being operational for six months to fifteen years. Therefore, the authors divided the firms in three groups according to how long it has been operational; 0-2 year, 3-7 years and 8 years or more. Since there were only four firms operating for eight year or more,
the authors of this study were not able to draw conclusion on this section. However, through this investigation the authors discovered patterns that young firms that has been operational for a maximum of two years perceived time as the most frequent challenge to grow which is of an internal nature. Whilst the firms that has been operating between three and seven years perceived external challenges such as marketing and competition as challenges to grow.

**Recommendations**

The authors of this study have through the interviews gained several important recommendations to increase micro firms’ survival and development from the founders. These recommendations are as follows:

- If a firm does not possess the right knowledge or capabilities when it comes to regulations, tax or accounting, one should make use of an external consultant. This will help the firm to save time, money, keep the accounting in balance and also the control. The small cost that will occur will easily be outweighed.

- Micro firms need a clear business structure in order to be able to make use of the time, capabilities and resources to its full potential. With a clear business structure the firm will overcome many of the internal challenges that have been presented in this study.

- A Micro firm that is a limited company gains more respect and trust from customers and other firms in the market. Therefore, firms should as soon as possible try to change from a sole proprietorship to a limited company.

- Governmental actions are of importance if more micro firms should be able to develop and grow into larger contributors to the national economic development. Actions for simpler regulations, less bureaucracy complications, lower taxes and a change of the so-called 14-days rule (sick-leave), which could make it less risky to hire new employees for micro firms.

- One founder stated that laws have never been an issue for his firm since he is assisted by ‘Lagbevakning’ (in English: law surveillance). A consultant provides a summary of all the laws that affect the firm, this allows the founders/employees to get a good understanding of the laws of their concern and it is not time consuming. The fees are fairly cheap (prices vary from 2000-3000 SEK per year) and is an effective way for founders/owners/employees to know and understand the laws surrounding the firm.

**Limitations and Further Research**

With evaluations of results of these types of studies, some limitations always have to be considered. This study may not be global since the research was fulfilled in Sweden, as the institutions and regulations might differ from other countries, even though there are some common nominators that Sweden shares with other nations and regions, for instance the financial system. Another limitation that one could argue is the sample size, nevertheless, this study made it possible to obtain comprehensive knowledge about micro firms perceived challenges and also found differences in comparison to the challenges for SMEs.

The author’s hope that the findings presented in this study will be further researched on a broader scale in order to enable more firms to overcome major challenges of growth in micro firms. The results concerning different challenges due to the age of the firm is an area were future research is needed as well. The authors are certain that a broader understanding concerning micro firms and their challenges of growth will be of highly importance for future economic development and welfare for Sweden and the rest of the world.
References


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1 References with a * is only present in the Appendix, in the extended method (Appendix A) or the Literature Review (Appendix F)


Ylinnenpää, H. (1996), Barriers to Innovation in Swedish SME’s, proceedings of the 26th Small Business Seminar, Vaasa, Finland.
Appendix A- Expanded Methodology

According to Saunders, Lewis and Thornhill (2009, p.3), methodology is “…the techniques and procedures used to obtain and analyze research data, including for examples questionnaires, observations, interviews, and statistical and non-statistical techniques”. Thus, the methodology is present to explain how the research objectives are attained and the consequences of those choices.

Research Philosophy

According to Saunders et al., (2003) one of the first steps in establishing the methodology is to adopt a research philosophy that regards to the authors perception of the development of a research. There are three main research philosophies; interpretivism, positivism, and realism. Positivism implies that there is a observable social reality where the end product is are made through generalizations while realism proposes that there is an external and objective reality to be found. Within interpretivism, the researcher focuses on meaning rather than measurement of generalizability, the world is too complex to and that insights into a complex area is lost with generalizations (Saunders et al., 2003). Furthermore, the researcher often implement qualitative research method while working within this philosophy. In addition, the researcher does not start with an hypothesis, but develop such during the research (Daymon & Holloway, 2011). This philosophy has been the base for the authors in this study, since there is a lack of research on micro firm growth (Heshmati, 2001), the authors aim is not to generalize the findings, rather present an hypothesis if there is difference in perceived growth challenges in micro firms compared to SMEs. Therefore, the authors of this study have no predetermined hypothesis, which also is in line with the abductive research approach (Niiniluoto, 1999).

Research Approach

In 1865, Charles S. Pierce explained that there are three types of research approaches; deduction, induction and hypothesis (later named abduction) (Josephson & Josephson, 1996). Pierce explained that there are patterns of reasoning in science and in the everyday life that is not explained by induction or deduction, which is the reason for the development of the third approach; abduction (Niiniluoto, 1999). Deduction includes testing theoretical propositions and induction involves the development of a theory based on empirical findings (Saunders et al., 2003). The authors of this research concluded that these approaches are not suitable in this context, since there is limited previous research on micro firm growth and therefore the authors cannot deduct theories, and for the authors of this research to be able to induce a new theory the findings must be generalized which is not in line with the research philosophy of this study. The latter approach, abduction, means inference or the best explanation for a phenomenon, and is a form of building theory or interpretive implications, and the approach involves the development of an explanatory hypothesis (Niiniluoto, 1999), which the authors of this study concluded to be in line with the implemented research philosophy. The authors of this study initially collected challenges found in studies on challenges to grow in SMEs, and explored if micro firms perceive these challenges. However, the authors also allowed the participating micro firms to elaborate and explained all challenges to grow that the firms have perceived to add new insights in micro firms. Furthermore, studies have stated that perceptions are based in abductive reasoning (Shanahan, 1996). Therefore, to explore micro firms perceived challenges to grow, the choice of abductive approach was reinforced. With this approach the authors wish to shed a new light on the area of micro firms growth.

Research Method

To fulfill the purpose of this research, a qualitative method was chosen which is consistent with the research philosophy and approach of this study. According to Saunders et al. (2003),
Qualitative data is found meanings that are expressed through words, compared to quantitative data that is interpreted through numbers. Furthermore, the collection of qualitative data is non-standardized and requires some form of classification into categories. The analysis of qualitative data is conducted through conceptualization, whereas quantitative data analysis is conducted through diagrams and statistics (Saunders et al., 2003). The strengths of qualitative data are that it focuses on “… naturally occurring, ordinary events in natural setting”, which means that one gets a strong knowledge on what the ‘real life’ is (Miles & Huberman, p. 10, 1994). This strategy allowed the researchers of this study to identify the ‘real life’ challenges that are perceived in micro firms. According to Malhotra (2009) there are two strategies that are commonly used when collecting primary data within the qualitative method: focus groups and interviews. Interviews are an effective strategy to gain access to information that is directly relevant to your research questions and objectives (Saunders et al., 2003).

Interviews differ in the level of structure and standardization. Within qualitative research, two types of interviews are mainly discussed; in-depth interviews and semi-structured interviews. In-depth interviews are informal and do not include a pre-determined list of questions to ask the participant. Whilst the semi-structured interview is founded in determined themes but the researcher can vary the order of the questions and add questions if needed. Compared to surveys, interviews allows the researcher to establish a personal connection to the interviewee and also to adjust the interview during the session by asking additional questions or changing the order of the initial questions, which one is not able to do with a survey (Saunders et al., 2003). Through semi-structured interviews with 30 founders, the authors of this research collected primary data and to identify the perceived challenges to grow in micro firms. This allowed the authors of this study to get a personal connection to the interviewee since all interviews were conducted face-to-face. In addition, even though there were pre-determined questions that the authors asked the participants, they were able to add questions if needed depending on the situation (see the base of questions that were asked to all participants in Appendix B).

Miles and Huberman (1994) discuss three components of qualitative analysis; data reduction, data display, and to draw conclusions. Reducing data may be done through selection, summary, or paraphrasing. The second component, data display, regards to an organized, compressed structure of the information that allows the researcher to draw conclusions. The third component deals with observing regularities and patterns from the collected data. These procedures will simplify the analysis of this study, since there is a large amount of collected data. To reduce the data, the authors summarized the interviews (see appendix C for the transcripts from each interview). According to Bernard and Ryan (2003, p.89) “…repetition is one of the easiest ways to identify themes”. To compress and further clarify the data, and to identify patterns and themes, the authors constructed three different tables of the perceived challenges, divided the firms in groups in accordance to different characteristics. The conclusion based on this study allows prospective initiators of new ventures, and already started organizations with the respective characteristics, to prepare for potential challenges and therefore overcome them easier.

**Selection of Participating Firms**

The firms participating in this study were chosen on the basis of number of employees and turnover, consistent with the definition of micro firms used in this study. Since previous studies suggests that there is a difference in challenges to grow in manufacturing and service industry, the authors the authors included firms from both sectors. Through Science Park in Jönköping the authors of this research had availability to a list of approximately 100 firms in the nearby region. The Science Park system is a business incubator that works as a meeting place for entrepreneurs and firms, and the organization provides support and guidance to individuals that wish to start or expand businesses (Science Park, 2011). By reviewing this list the authors narrowed the selection of firms down to 58 that met the definition requirements for micro firms in this study. The 58
firms were contacted and 18 firms agreed to participate in this research. However, through this list the authors were not able to get 30 interviews, which is the suggested guideline for a study with a heterogeneous sample (e.g. different industries) (DePaulo, 2000). Since the authors of this study did not get a sample of 30 firms from the provided list, snowball sampling was implemented. Snowball sampling is a non-probability sampling where the initial participants supply the researcher with information about future respondents (Saunders et al., 2003). The founders of the participating firms at Science Park recommended other founders that were asked to participate in this study. Through this technique the authors were able to acquire the additional 12 interviews to achieve a sample size of 30. Furthermore, this resulted in a sample of firms that are involved at Science Park and firms that are not, and the businesses are spread out in different regions in Sweden. Which also implies a heterogeneous sample, and this will be addressed in the analysis to compare if there is a difference in the challenges of growth depending on the different characteristic of the participating firms.

Overcoming Issues of Reliability and Validity

There are reliability, validity, and forms of bias in regards to interviews. To overcome these issues it is argued by Saunders et al. (2003) that a qualitative approach is fairly flexible and it is hard to gain the exact same information if another researcher would perform it again. Saunders et al. (2003) further state that this is not undermining the research, simply because the areas are dynamic and complex and it is not realistic to assume that it can be replicated. External validity, also known as generalizability, refers to the extent of the applicability of the results from a study on other contexts (Saunders et al., 2003). This validity issue is a predicament if the sample of a study is small or the firm/s in question is different in a certain way. To address this issue, the authors of this study have involved a fairly high number of participants (30 firms). DePaulo (2000) suggests that if the population is fairly varied an objective is to reach a sample size of 30. This was the guideline for this study since the background of the founders varied and the participating firms are operating in different industries the sample is heterogeneous, therefore a larger number of participants was chosen to increase the external validity of the study.

To overcome interviewee and interviewer bias Saunders et al. (2003) has nine points of recommendations that should be considered in qualitative interviews, for example: the preparation and readiness for the interview, the level of information and supplied to the interviewee, the impact of the interviewers behavior during the course of the interview, the ability to demonstrate attentive listening skills, and the approach to recording the information. To ensure the validity and reliability of the study the researchers of this study used the given recommendations. In addition, to overcome these biases, one of the authors of this study conducted all interviews to ensure that all interviewees get similar information and impression. In addition, since all interviews are recorded, one of the authors listened to all interviews and summarized the results from the interview; this was implemented to ensure that the interpretation of respective interview is identical. Due to the fact that the interviews are performed in Swedish, all the interviews are recorded, summarized, and translated to English. The transcript from each interview was sent to the respective interviewee for approval to ensure there were no misinterpretations. This practice is known as respondent validation and is used to guarantee validity of an interview (Silverman, 2001).
Appendix B- Interview Questions (Swedish and English translation)

Swedish:

<table>
<thead>
<tr>
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<tbody>
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<td>Education:</td>
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<td>Industry:</td>
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1. Who started the company:
   - Only yourself or how many?
   - How did you come up with the idea?

2. What are your ambitions for the company?
   - Motivation for development?
   - Satisfied with the situation?

3. Is the same goal as when you started?

4. Have you experienced any form of growth since you started?
   - In what form (profit, employees, sales)

5. If yes, how did you achieve it?

6. Do you have a business plan?
   - Do you use it?

7. What are the biggest challenges for your company?
   - How do you handle them?

8. What are you most proud of in your entrepreneurship?

9. Do you think your contact network has had a significant impact on you?
   a. Science Park?

10. In the context of your business, what comes to mind when you mention the following expressions?
   a) Risk and uncertainty
   b) Time
   c) Law and rules
   d) Taxes and fees
   e) Salary level
   f) Access to capital (loans)
   g) Skilled labor shortage
   h) Education and knowledge
   i) Experience

11. What do you perceive as the biggest obstacle for your company to grow?

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2 Denna fråga var endast ställd till företagen som hör till Science Park
**English translation:**

<table>
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<td>Education</td>
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<tr>
<td>Previous Experiences</td>
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<tr>
<td>Company Name</td>
<td></td>
</tr>
<tr>
<td>Year the firm was founded</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td></td>
</tr>
</tbody>
</table>

1. **Who started the firm; were you alone or with others?**  
   a. How was the idea for the company initiated?

2. **What are your ambitions with this firm?**  
   a. Motivations for development?  
   b. Satisfied where you are at the moment?

3. **Were these ambitions the same when the firms started?**

4. **Have you experienced growth?**  
   a. Through sales?  
   b. Turnover?  
   c. Hiring employees?

5. **If, yes on question 4, how was this achieved? (Was it intended?)**

6. **Do you have a business plan?**  
   a. If so, do you use it? And how?

7. **What are the largest challenges within your firm?**  
   a. How do you address these challenges?

8. **What are you most proud of in this firm?**

9. **Do you believe that your network has been of importance for this firm?**  
   a. Science Park?³

10. **In regards to your firm, what are your associations to the following concepts?**  
    a. Risk and uncertainty  
    b. Time  
    c. Laws and rules  
    d. Taxation and fees  
    e. Salaries  
    f. Access to capital  
    g. Qualified labor force  
    h. Education and knowledge

11. **According to you, what is the major challenge that hinders your firm to grow?**

³ This question was only asked to the firms enrolled at Science Park
Appendix C- Transcripts from all Interviews

Interview 1

The firm was initially founded with a few friends in 2005 but not at a full speed. After the founder had finished his education he “re-launched” the firm in 2010 alone. The business idea was established through a personal interest in the industry; advertising and communication.

The initial intentions were not to grow. However, since 2010, the ambitions have switched to growth, in order to create a sense of security within the firm. The ambitions have changed due to the fact that since 2010 the founders’ earning is dependent on the firm.

The firm has experienced growth through employing people, more sales and more turnover. The growth was not planned but an effect of the market, where there has been an increase in demand since the recent recession. The company does not have a business plan, but the intentions are to create one within six months.

The major challenge for this firm is the small size, in a positive and negative aspect. The limited budget could be approached as a ‘competition’ or a challenge to overcome. The overall challenge for the firm is to run the operations with limited assets, but with an attitude that it is a positive challenge that one can overcome. Furthermore, negative aspects are that it is tough to be a small actor on a market that involves a lot of prestige. These negative aspects also depend on what customers one is targeting.

The firm is proud of the fact that they represent a passion for the industry. They do not strive to be similar to the competition, which can be assumed to desire to be like the bigger competitors. Instead this company put emphasis on honesty and being humble. In addition, the founder is proud over that he has started a company and has been able to keep the essence the firm intact over time.

The network is crucial for this firm; this is of course depending on the industry that one are in. Since they have to establish a personal connection with their customers; networking and meetings with prospective customers are essential. These meetings are the foundation of their customer base.

Risks and uncertainties have been present within the firm. Even though some challenges are positive, it may cause uncertainties. If one is responsible for an organization and acquires more expenses, that person is liable for these expenses which is a risk or uncertainty

Time is a limitation, however it requires planning and one have to put the customers first and be able to manage the tasks that you have.

Laws and rules are associated with regulations in regards to accounting and salaries. There are many things that simply have to be memorized. One has to learn the process, and that is fairly hard since it is not always a logic process.

In regards to taxes the process is not simple; furthermore it would be easier if there were an easier process for smaller firms that may not have the monetary assets to employ an accountant or controller to handle these aspects.

The administration of payrolls and if your employees are enrolled in the union is a tougher process than taxes according to the founder. The process to declare salaries is hard. In addition, it is very difficult to handle the administrative aspects of the firms and then in the next moment be creative and handle the customer related assignments in the firm.
The firm has no previous loans or financial liabilities. This is connected to the feeling of control, if one would include a venture capitalist it may be difficult to keep the culture of passion and drive within the firm.

In the case of recruiting new talents, the firm search for specific qualities. The combination of the right attitude with the right competences. One needs to have a genuine interest and passion with the industry, and it is hard to find people that have the right education but also the right attitude. Most of the people that do are already employed, which requires a process to headhunt employees. This may be costly. If one employs a newly graduated student they usually do not have any experiences and requires a lot of training. However, it does depend on the position that is available.

The employees at this firm ‘learn by doing’; they follow blogs and the media to keep up with new trends. In addition, through learning by doing, you are assigned to a project you learn more and more, for example, the founder just started teaching at Jönköping University and is constantly evolving and learning new things.

The risks connected with growth are major challenges for this firm. To actually take the risk to employ another person and grow, but also to attain more costs is risky and that is their main challenge to take the first step and grow.

**Interview 2**

The firm was acquired, and the interviewee has no previous graduation but has studied and worked at various firms before the firm was bought, both small and larger firms. From the start, the ambition has been to grow in terms of increased sales.

They have experienced an increase in sales; however they have not yet hired employees to expand even further. The base of the increase of sales is through customers that have contacted the firms themselves; in that sense it was not an intentional plan to grow whereas the customers came to the firm. The firms do have a business plan, but it is not used in the everyday work.

The main challenge for the firm is to manage the larger requests that are ordered. This is time consuming and difficult to manage with the existing resources. To manage these challenges they rely on software. The firm developed a software which makes it easier to manage larger orders and to control the level of quality of their products, and make them more time efficient and decrease the potential flaws in products.

The firm is proud of the amount of sales that they have produced even though it is a small company. The contacts with their larger customers are crucial; however, the contacts within Science Park are not of the same importance at this point in time.

The firms experience risks and uncertainties in terms of the market and lack of control of that market. There is no assurance that the demand will continue as it is now (supply versus demand uncertainties.)

There has not been a lack of time within the firm. Regulations and laws have neither been an issue for this firm. The same with taxes and salaries, their attitude is mainly that they need certain certificates and do not approach it as a problem.

They have a sufficient access to capital. Qualified labor force is not hard to find, since they are able to train the employees themselves once they are recruited.
The major challenge to grow is concerning the competition, a fear of a saturated market. A sense of uncertainty of how the market will evolve in the future. In addition, if this firm will be able to grow they may have to make some structural changes to be able to develop.

**Interview 3**

The company is a subsidiary and was founded in November of 2010. The founder of this subsidiary does have an education and has worked at both larger companies and started his own business in the past. The idea for this subsidiary came from the parent company. In November of 2010 when the venture started, the ambitions were to grow to 10-20 employees. The goal is the same today. They have already employed 5 persons which resulted in increased sales. They do not have a business plan and do not intend to create one.

The main challenge for this firm is to find qualified people to employ, they try to identify people themselves, they do not have the funds at this point to hire a recruitment company, furthermore, the founder states that it is preferred to recruit people yourself since there is a higher level of control.

The firm is mainly proud to be a company that has a relationship focused environment, with a strong driving force in the employees that they have.

The personal networks have been crucial for the firm.

Risks and uncertainties are present, for example, if a person quit their job or get sick. In addition, the potential changes in the market are not seen as an uncertainty since you are not able to control it is rather considered a risk.

Time is not an obstacle for this firm.

Laws, regulations, salaries, are a question of costs and not apprehended as a problem within the firm.

Due to the fact that it is a subsidiary they have access to capital from the parent company.

There is a lack of qualified labor force for this firm on two levels; to find people that are match to their company environment and the technical competence that they are in need of. In addition, everyone does not want to be employed by a small company and perhaps does not want be a consultant.

Improving capacity and training of employees is a big part of this organization, especially in two aspects:

- To evolve as a consultant the person is trained within the firm by the founder.
- The technical competences are developed outside the company.

The firm allows employees to develop in their respective desired direction through development plans.

The main challenge for this firm to grow is to find the right people for this company. In addition, the size of their market, a risk that the market will become saturated.

**Interview 4**

The founder has extensive working experience from both large and small firms and has started firms before this one, in addition he as a higher education. The firm was founded alone in 2007.
The idea was grounded in 2000, but then he was involved with a company and it took until 2007 before he concluded that he wanted his own company.

The ambitions with the company when it started were to grow, and it still is today. The strategy of the company is to let new ideas become subsidiaries to the mother company to let them evolve. In other words, each parts of the firm have a clear on focus on their specific operations.

They are at this point in the early stage of the growth and the founder does not imply that they have experienced growth and all the areas of the firm. They do have a business plan that is use continuously and in addition they also have an “owner card” that is used to keep the strategy of the leaders of the company.

The main challenge for the company is time. They do have the ideas but not enough time to expand these ideas. When it comes to pride, the firm is most proud of is the amazing team of employees that they have.

The network that is present is crucial to the business. The founder was assigned as the networker of the year at Science Park in 2005. This comes from a passion to combine knowledge and people. Time is a challenge but it is the same for everyone and there is not anything you can really do about it.

Risks and uncertainties is a part of starting a firm, you have to be able to cope with the idea that your job may not be there tomorrow. Compared to the safety of an employment in a larger company. There are pro’s and con’s in both small and large companies. Laws and rules are not apprehended as a major problem, they are proactive in the process which is a good for the company. They also have an external service that is called “Law watch” where the laws that are connected to their company are presented and in what way they can affect the firm. This makes the affiliation with laws more efficient.

The firm has a controller that is employed to work with the taxes and fees connected to the company so those institutions are not seen as a problem. When it comes to financing, the firms are fairly spoiled with the access to capital since the have a mother company with subsidiaries. The access to qualified labor is very good for the company, for example they have an agreement with JTH to be able to recruit talented students, both international and domestic. In regards to education and knowledge management of their employees, learning by doing is main development of knowledge and development within the firm.

The main challenge to grow for this firm is time. To accomplish the tasks that they have the main barrier is time. Even though it regards that you need an additional employee, it is still time consuming and in that sense that is the main challenge.

**Interview 5**

The founder has previous working experiences from both large and small firms; in addition he also has higher education. The firm was started alone, the idea evolved as he was a part of the summer entrepreneur program at Science Park in Jönköping. In 2009 when the firm was founded the ambition to grow was to employ one more individual. However, the firm experienced fast growth in the first 1.5 years of business and now the firms has 5 employees and is searching for one additional member for the team.

The firm does not have an updated business plan; they did have one in the beginning when the firm was started. But is has not been developed to match what the business is today.

The major challenges that the firm has experienced were the paper work connected to the change from sole proprietorship to limited company. This was addressed by bringing in a consultant
from an accounting firm. Another challenge is to find qualified employees, especially that are able to be located in the nearby. This issue was resolved by increasing the workload of the existing employees since they did not find a suitable candidate to employ.

In the founders view he is most proud to actually have a successful firm. Within the firm they are most proud of the high-quality products they have developed. The network within Science Park was crucial for starting this firm. The support provided from the employees at Science Park but also the connections and prospective customers in form of the other companies at Science Park.

Risks and uncertainties within the firm have mainly been connected to being a sole proprietorship. First of all you are responsible for everything yourself, which is a big risk. In addition, he suggests that you get more respect as a limited company and recommends initiators of new ventures to make the transition to a limited or trading company as soon as possible. Laws and rules have affected the firm largely in the past year since they made the transition from sole proprietorship to limited company. This process was complicated and time consuming. However, taxes and fees are not regarded as a problem for this firm. An external accountant has been employed and this provides a smooth process.

In regards to wage levels, the firm is slightly higher than average, the founder believes that you get what you pay for and therefore is generous towards his employees. The firm has access to capital, even though you always want for of the capital, the firm is content with the situation they are in. Qualified labor force is difficult to find at times. Education and knowledge management of the employees has much emphasis and he encourages exchange of knowledge between employees but also assists them if there is new technology they wish to explore. Since this most likely will nourish the firm in the long run. The main challenge to grow is time. There are so many areas that he wishes to explore further but at this point he does not have the time.

Interview 6

The company has been operating since February 2011. They are three co-owners where two of them are active and the third is more supplying with infrastructure through contacts, finances and an external company. This enables the firm to increase its credibility since it is able access to production in an early phase of the company’s lifecycle.

The business idea has been established through experience and discovered windows of opportunities within the industry. The demand was already existing and known.

The ambitions are to grow to a medium sized company with 25-30 employees. Turnover by each employees are more important than the number of employees, the firm believes that growth could be misleading if one forgets about the profitability. In the first two months they have already hired one employee and the numbers are looking bright in the near future. The challenge in the short perspective is to deliver and finish the projects that they have right now.

The firm has a business plan and it was essential to find investors and to get good connections with the banks, a way to communicate their message.

In this first stage that the firm is in, it has not reached or meets any large challenges yet. However, challenges that have been present were to find a suitable partner for the company and also find adequate funding, but these challenges have been resolved by the firm.

Most proud of the amount of trust they have received from their customers, this has been done without a need for lowering prices even though it is a small firm.

The personal networks have been essential for the firm, but the network present at Science Park has not been of importance at this point in time.
Risk is always present; the uncertainty is not as existent. Time has not been a challenge so far since the firm still new and exciting to work with, but they have realized that they cannot continue working 60 hours per week, this have been a factor while deciding to recruit another employee.

The laws and regulations are important to understand but they are not a challenge, it could be a factor if one is not well informed. The firm does not think that a lack of qualified labor exists; the firm believes it is important to look beyond qualifications to find persons the right attitude.

The firm emphasis the importance of control over how to grow, and in a sense that the profitability should be the major concern and not the growth, since growth does not automatically mean that one is making more money. The firm wants to stay in a position where it is able to be flexible if there is a decrease in orders. The owner states that there is too little emphasis on profit margins, only on growth in a sense of employees and turnovers.

**Interview 7**

The firms was founded in 2004 as a subsidiary. There was initially one person working with the subsidiary but other people were also involved from the mother firm in the startup.

The firms was started through their network, by discussions with colleagues and friends. Through these discussions, the owners of the mother firm identified an opportunity to be explored, and therefore the firm was established. Today, the firms has been bought out and is no longer a subsidiary, the initial founder is the main owner but the firm has three additional co-owners.

In the beginning the vision or aim of the firm was to get experience and learn by doing projects, but as time moved and the firm expanded and they hired the next employee within a year. The firm’s niche is very specific and the market is too small to survive simply as a consulting agency, which is why the firm is expanding in education as well. Their growth so far has been experienced through an increase in number of orders. The experienced growth has been accomplished through their niche and their networks within different industries.

A business plan exists but due to the development of the firm a new one is being written in present time. The business plan is used as a guide and map to the desired goals.

The fact that it is a consulting firm is, one of the major challenges is to achieve a constant flow of orders. The firm tries to overcome this by being flexible and using different networks.

The firm is most proud over the achievement of the customer base while only being three people in the working force, also, that large corporations have chosen to work with them even though it is a small firm.

The personal network has been a success factor, but the network present at Science Park has not been as important at this point in time. In short, the risk and uncertainties are present in the daily operations. The same holds for the time, there is always a notion that one has a shortage of time. When it comes to institutions such as laws and tax systems the firm has not observed any difficulties and does not see that they have any major effects on their business. Overall, the access to capital continuously seems to be a challenge and the flow of capital seems stagnant and hinders new ideas to be explored in a fast manner.

The owner does not think that there a shortage of qualified labor, but the right attitude among sales people are hard to find.

The largest challenge for growth according to the firm is the distance to the customers, due to that most of the customers are located outside the Jönköping region.
Interview 8

From the beginning they were three students with the aim to start this firm, but two people ended up starting it while they were studying at Jönköping International Business School (JIBS). The firm was founded during their studies through Science Park and that they discovered a gap in the market. The two founders both have entrepreneurial experienced backgrounds that encouraged them to take the step and start their own company.

When it comes to growth is hard to the progress of the firms due to their niche. Their time is covered and in order to growth they would need to bring in some other perspectives and qualities. And right now they are not looking for any recruitment in that sense. The vision was to become the market leader within logistic consulting and that is still the vision but they have decided to start locally and then expanding areas for areas.

They have a business plan and they are continuously considering it in order to stay on the right track, they have renewed it as the time and the business have developed and changed. The firm has grown organically without any need for financial loans and this proves that the growth has been done under control. The largest challenge for the firm is to find and achieve profitability within the firms operations.

The firm is most proud out of that they have succeeded and that they have been able to survive. The network within Science Park has been a success factor for the business and also other external contacts has played a vital role.

The risk and uncertainties has been in their thoughts from the start and they decided to start a limited company to minimize the risks to their personal life. They also conducted a market survey before starting in order to be sure that a demand was there. One could say that they used a bootstrapping strategy when starting to keep costs and risks low.

Time is according to the firm not a major factor in their operations, some periods are more intensive, and some are less. Due to their previous experiences on rules, laws and taxation these have not been challenging since their knowledge about the systems. The firms also use the connections within Science Park when issues are raised within this matter. The firm highlights the importance that one need to be aware of how rules, taxation and laws work in order to not put the business on the line.

Due to the complex business structure with only two owners it would be complicated to recruit one more, the competence exists on the market but maybe it would be more suitable to find an additional co-owner rather than an employee.

When it comes to other challenges to grow the firm mention the distance to customers, which then put emphasize to travelling if the firm would grow. The need for new competences and knowledge to bring to the customers is also a challenge, in other words, how to gain and dissert this knowledge.

Interview 9

The firm was founded by three persons. The all have extensive previous experience and a higher education. The idea for this consultancy firm was that the three founders all are niched in different aspects of the business world and if they joined forces they could reach a wider clientele and also cover for each other if one is extremely busy on of the other partners can take some workload.

The firm was founded in April 2010, and the ambitions is the same today is it was one year ago, which is not to hire another employee but rather recruit another partner if anything. However,
they do wish to increase their sales, which they have during the first year of business. This growth was not planned but an effect of the demand from customers.

This firm does not have business plan and does not intend to establish one, however the founder states that their website is fairly elaborate and feel that it is sufficient for customers and potential funders to know what this business involves.

The main challenge for this firm is to grow, other than that they do not have any specific challenges.

The firm is proud of the business that it has created so far, since the organizations that have been using their services has been prestige’s and the founder believe that this is good since it makes this firms reputable. The networks of the founders are crucial for this firm, and the entire firm is founded on the connections that the founders have.

The founder associated risks with opportunities; you have to ‘give some to gain some’. However, the uncertainty that the founder stated is recession and changes in the market that is out of your control.

The associations made with time are that you always work, some people work to live while others live to work. You have to love what you do and if so, you are willing to work a lot.

In terms of laws, regulations, taxation, and fees the only thing the founder stated was tough! In addition, he also stated that it involves a lot of time and effort. Access to capital is a challenge, it is not always available and this hinders you to explore some areas that you may want to. It has been a challenge for the company. There is no further education or knowledge management for the people involved in the firm; they are all consumed by selling their services and working with assignments.

The major challenge to grow is if this firm would not find an additional co-owner that is suitable for the firm. If they did they can definitely grow, but it has no be the right match with the founders.

**Interview 10**

The firm was started in 1996 as a sole proprietor; however, in 2008 it was made into a limited company. The firm was started alone and is a consultancy and educating firm. The firms was started since the founder saw a window of opportunity after he quit a job at a large firm and wanted to have his own company. The founder has extensive experience from both small and large firms and has a higher education.

The ambition with this firm was not to grow, neither when it started in 1996 nor today. The founder wants to have this firm alone.

The founder is able to earn his living from this firm, but mentions that the recession after 2008 up until the beginning of 2010 clearly had its effects on this company and this was a tough period.

The firm does not have a business plan and does not intend to get one. The main challenge within the firm is to establish a smooth flow of business that is of desired size. At some points in time the requests for services are many but at other times there are few. This challenge is met by continuously trying to sell more and more.

The founder is mostly proud of the success of the assignments that he has performed. The network of the founder is crucial for the business and it means everything to the survival of this firm.
The founder associated risks with opportunities; you have to ‘give some to gain some’. However, the uncertainty that the founder stated is recession and changes in the market that is out of your control.

The associations made with time are that you always work, some people work to love while others live to work. You have to love what you do and if so you are willing to work a lot.

In terms of laws, regulations, taxation, and fees the only thing the founder stated was tough! In addition, he also stated that it involves a lot of time and effort.

Access to capital is a challenge, it is not always available and this hinders you to explore some areas that you may want to. It has been a challenge for the company.

There is no further education or knowledge management for the founder; he is consumed by selling the services and working with present assignment.

The challenges to grow are that he is alone; he cannot do more than he is doing at the moment. Also, there are geographical limitations. The founder also mentions that time is limiting the company and that at some areas the access to capital since he is alone is also hindering the growth of the firm.

**Interview 11**

The firm was founded by two people in 2005. There were two classmates that were enrolled at JIBS and needed some extra money to pay for their studies and decided to start a service business that provided tour packages to Vietnam. None of the students were Swedish (one from Holland and one from Vietnam). The ambitions with the firm was never to grow and be the job for the founders, it was rather an occupation during their studies. However, they do feel that they had the opportunity to grow since they were contacted by travel agencies that wanted to supply their services.

The firm has a business plan that they used from ‘time to time’. Mainly to sell their services to external agents.

There were three challenges for this firm:

1. **Human Resources**- since they were students there was not a stable flow of the resources that they had, due to studies abroad etc.

2. **Marketing in Sweden**- there was a language barrier since none of the founders spoke Swedish, so they chose to have all the information and marketing activities in English.

3. **Finance**- difficult to get funding.

The resolved these challenges by working on their spare time, and also for free. To get funding, they contacted the companies in Vietnam that they were in cooperation with to get assistance with the marketing costs that they had. In addition, the firm also chose to focus on free marketing such as through the internet.

The network that the founders has, is of great importance to the company, since their capital was limited the relied on friends and family to promote their websites.

Risks and uncertainties were definitely involved in the firm, since there are risks involved with starting a company. The founder states that it is even riskier to start a company if you are not Swedish.
Time was a limitation within the firm, especially since the partners were spread out over both Sweden for some time and also in other countries. This made it hard for the person who was left alone to cover all the work.

In terms of laws, regulations, taxation, and fees they got help from the tax office in Sweden so it was not a problem.

The access the capital was a challenge; they tried to apply for funding at different organizations but were not granted since they were students.

They used the university to gain access to qualified labor force, used the courses that they were involved in to get in contact with students that were willing to work for free in exchange of experience.

The main challenge to grow was capital. But also to gain the trust from the end-users in Sweden. Since the website and all information was in English they felt it was hard for them to gain access to the Swedish market. In addition, the founder stated that he felt that Swedes in general do not wish to try new things and this made it tough for them to promote their services.

**Interview 12**

The owner is the son of the founder, which established the firm for 10 years ago. The firm was founded as a response to a clear demand in the market for cheaper fasteners among small firms. In the first years the founder and his dad drove the firm, but the firm experienced a rapid growth in the beginning and grew to five employees within 16 months.

The founder had experience from the construction industry before starting his own firm, but no education. Today’s owner of the firm holds a bachelor degree in industrial economics and has now been in charge for the last three years. The ambitions the last three years when looking at sales and profit has been to double the numbers from 2007 but due to the financial crises in 2008 and 2009, the numbers are still haltering.

The firm now has 6 employees and is in phase were they hoping to increase in sales to be able to grow to a work force with 10 employees by the end of this year. The firm has a business plan in place but does not use it since it is out of date and will perhaps be rewritten in the close future according to the owner.

The firm has been able to grow but has seen a lack of matching the growth figures with increase in profit. Instead of taking another step, the firm has faced many setbacks the last couple of years, which instead of growth have meant the opposite. The largest challenge for the firm is to be better in planning and using the time and resources in a more effective way. The firm is most proud over their employees that have been going through a lot of difficulties the last four years.

Through their relatively long history, (11 years) the firm has a broad network within the industry, which they argue are a need for success. The firm also tries to engage in different networking activities in order to gain a broader access to new markets.

They have been reminded what the risk and uncertainties are the last years, the owner had in one scenario take personal loans in order to keep the firm alive. As mentioned before, time is a huge challenge for the firm, especially time efficiency. Since the firm imports most of their products from Asia, taxes and toll fares are therefore huge; a little raise in taxes could easily eat up their profit.

Overall the firm states that the major challenges for growth are the organizational structure and how the firm works. They need to get better organized; the costs and waste need to be lowered.
**Interview 13**

The firm has been in business since 2009 and was founded by two people followed by revealed demand from previous experiences which they thought they had the capabilities to meet. The owner participating in this interview holds a degree in marketing and the business operates within the industry of PR and marketing. The general ambition when it comes to growth is to develop in a controlled manner and to not put anything on the line by growing too fast. The firm started small and are satisfied in that situation in regards to that they are prepared to take major growth actions when the right opportunities comes. The overall ambitions when they started were that they should survive, to make it work and to make a living.

The firm has experienced growth in a regard that they have received more customers and this has been accomplished through the mouth to mouth method, that customers has recommended other customers. The firm has a business plan and it is used mostly as a communication tool towards the banking sector.

When it comes to challenges for the firm, they mention the geographical limitations and the technical challenges, how to interact with potential and existing customers and media. The firm sees a correlation between challenges and development that challenges calls for development. The firm is most proud over that the managed to take the step to create something on their own, that it works and that they have succeeded.

The personal networks for the firm were important in the beginning, but the network within Science Park were of less importance. When it comes to risk and uncertainty, the firm states that they are in a situation that they rely on one big customer which makes them very dependent, which could be a risk if the firm loses this client. The time is always an important aspect, but it shifts in periods from extreme workload to less. Laws and regulations have not affected the firm so far. The firm states that the taxes and fees are a barrier to growth in many ways.

The major challenges for the firm are to change the business structure in order to be able to let go of some control if recruiting should be possible. The same holds for better time managing.

**Interview 14**

The firm has been in business since February 2011 and was founded by one person as a continuation from her school project in design. The product aims to make the life easier for parents to babies and young children. The general ambition with the firm is to grow, both nationwide, but also to enter the international market. The ambition from the very start was to develop an existing product and try to launch it.

Due to the short period of time that the product has been available the evidence of experienced growth are small, but the firm has been able to growth in many different ways and this has been done through external investments. The firm has a business plan and uses it as a communication tool towards investors and other similar institutions.

The major challenges this far for the firms is to find production partners and the fact for the owner to handle the pressure from being alone. The pride within the firm lays in the journey that the firm has been going through, and that it has been managed.

Networks have played an important factor in the success, both the personal network and within Science Park. When it comes to risk and uncertainty the firm has faced some challenges due to the fact that one must to order a large number of items from a producer without knowing the given demand for the product in question. Time has also been a challenge, due to that everything takes more time than one ever can imagine. Laws and regulation are very complicated and the system could and should be simplified. The same holds for taxes but new alternatives have made
this process a little bit simpler. The owner also tries to educate herself within sales and also to collect a larger network.

The major challenges for growth for the firm is the fact that everything takes a lot of time, especially when one has to do everything alone.

**Interview 15**

The firm was founded in 2005 by 2 individuals and it operates within the metal industry. The founders are highly educated and have previous work experience. The ambitions with the firm is to grow, and has been since it started. They have experienced growth in terms of sales but also a decrease, since the firm was affected by the recent recession. Furthermore, the firm achieved its increase in sales through an active choice and focused on aggressive sales and also relied on previous knowledge since they are familiar with the industry.

The firm has a business plan, but it was used mainly in the beginning when the firm started to attract investors. It has not been updated recently and is not used in the everyday work at the moment.

The main challenges that the firm has experienced is to attain the desired technical quality; to make everything work as they wish, this was hard since their product is innovative and unique. In addition, it is also difficult so get the acceptance from the industry since the product is new. To overcome these challenges they ran tests to ensure that their products are of the intended quality and they target larger customers that has impact on the market and through them gain awareness and acceptance.

The founder states that they are proud of that they have created a unique and innovative product that works!

The network of the founders is crucial for the firm, it is the foundation to build confidence and create a relationship with the customers. The network within Science Park has not been of as great importance but the support provided by the employees at Science Park has been beneficial to the firm.

The associations made with risks are on a technical level, if there is a flaw in their product, but they run extensive tests to prevent this risk. In regards to uncertainty the founder associates this with financial insecurities, for example if there would be another recession and what effect that would have on the firm.

Time is a limitation since the workload is heavy.

Laws, rules, taxation and fees has been outsourced which made these aspects smooth and is not regarded as a limitation or a problem.

Further education and knowledge management within the firm is not a major investment, since the founders are highly educated they do not apprehend a need. In addition, there is not time to invest in such actions at this point. However, they do have employees that have been to seminars and workshops, and that is encouraged.

The main challenge to grow would be to attain industrial acceptance, but if this was obtained they would grow fast and the strategy to get this is, as mentioned before, to target larger players within the industry. Also, the firm would have to increase their customers’ understanding and awareness of their product.
**Interview 16**

The company is a sports marketing firm, which helps Swedish, German and Danish sports teams to increase their sponsorship revenues. The owner has only been running the company for one year; it was by then bought from the founder, which established the firm in 2003. The idea behind the company came from that the founder was asked to sell out an arena (ads, tickets) in correlation to a big handball tournament. The sales went that well that the founder saw a large potential. The owner holds education with different fields such as marketing, business and sales. The ambition with the firm is to become a partner that every team wants to work with. The problem today is that they have to say no to teams since they do not have the capacity to handle all requests.

In other words, they are in a situation where their capabilities are restraining them from growth. This could also be stated, as they want to grow with control and make sure that they can take care of all their partners in a satisfactory way. If one looks back to the ambiguous when the firm started, they only were focusing on handball; today they are into soccer, hockey and bandy.

They have experienced growth by increased sales, number of employees and partners. The firm has a business plan, but has developed a business model from the business plan that they use as strategic guidelines and communicative tools towards their partners and potential partners.

The major challenge for the firm is to take the next step, to develop the business, the business structure in the right direction. In order to grow, they also need to find new ways reach the new markets.

The firm is most proud over that they are able to help Swedish sport teams to increase their income, which then result in better resources for player development and results.

Risk for the firm lies in that too many teams that wants to work with them creates a demand that they cannot meet. The uncertainty exists in the worries that they cannot find enough qualified employees/salespersons. The time is not a challenge for the firm, more of a need to put enough time on each partner in order for everyone to be satisfied. The law concerning the employer’s security (LAS) is a direct barrier for the firm since it protects employer’s that misbehave and do not do their duties.

At last, a challenge for the firm is to find salespeople that fit into their team, and that they can meet the increasing demand for their services.

**Interview 17**

The company is only 3 months old and its store has only been open for a couple of weeks but is close to already reaching the limit of what could be called a micro firm. The firm was founded due to unemployment and is operated in a franchise like concept. The franchising concept limits the owners own ideas but give guidelines that are important in the startup phase.

The vision for the business is to become one of the largest grocery stores within the given city, not by square feet but by profit. The vision is also to create a good working environment. The firm will always try to keep improving and never get satisfied. The growth so far has been through sales and number of employees and also by number of customers compared to the previous weeks.

A business plan exists but only parts from it are used for strategic reasons, the firm has painted important information, guidelines and visions from the business plan on the walls in the employees dining room.
The major challenge within the business is to keep the costs low and to motivate the employees to take more responsibilities in a manner that they make sure that everything is done and that the store looks good.

The firm uses its networks through some benchmarking activities with other stores and it gives them a lot of new insights and ideas how to change, be more effective and create future growth opportunities.

Major challenges or barriers to growth are the union, which tries in all types of ways to support actions taken by employees that hurts the store. The law about job security (LAS) is also a direct threat to growth. Increase in wages is also seen as a threat for the firm since a raise in wages means a raise in costs that then results in lower revenues. The firm thinks that there exist qualified labor on the market, but it is hard to find people with the right attitude, that wants to grow with the firm.

An external challenge is also the infrastructure around the store which soon will have reached its full capacity.

**Interview 18**

The firm was founded of two students based on one’s previous working experience in the caravan manufacturing industry. One of the founders saw a need to construct a CRM system to a very specific industry. The firm was created in September 2010 and the product was launched in February 2011. The firm works closely with business lab at Science Park, which they state has been a success factor. The founders are now finishing their degree in marketing and sales, one of them also holds a degree in software design.

They have already been able to implement their CRM system in 10 companies of potential 80; their goal is to reach 40 by the end of this year. They have simply experienced growth in number of employees and in increase of sales. Their goals and vision were small in the beginning but has now increased by time due to that the window of opportunity has increased.

The firm has a business plan but they do not use it since they have it all in their heads, but if they would hire more people they probably have to rewrite the current one.

Ehen it comes to challenges, the firm has faced some problems to receive trust due to their small size from large corporations. The mistrust also comes from the banks that rather give loans to everyone else than newly started businesses according to the owner. Laws and regulations are also a big barrier for growth according to the firm, for a the firm to hire one extra employee, there were so much costs and bureaucracy that the incoming employee started his own firm instead and are used by a firm as a temporary worker. In summary the firm argues that simplified rules, lower taxes and fees would help the business sector to growth, instead of as it is now, harming it.

**Interview 19**

The firm was established in 2008 as a when the founder felt that the time was right to do something he always wanted; to start his own firm. The knowledge and experienced in the given industry had been collected due to a master degree in economics and working experience in large institutions. The idea behind the firm was that he felt that he could give small enterprises, such as micro firms, a more complete service in accounting and tax advice than large firms. The overall ambition of the firm in the beginning was that one should be able to make a living from it. And they are already reached beyond that point and are now two employees with further ambitions to grow by adding 2-4 more employees in the future.
The success factors could be argued as networks, which they not had in the beginning but that they have worked hard to build up. They also participate in different networks meetings and such. The firm does not have a clear written business plan, only the one existing within the founders mind.

One of the largest challenges for the firm is to create a large amount of customer base. As mentioned this is solved through networking. The founder is most proud over the accomplishment that they have been able to build up a business and that they are able to make a living out of it.

The founder states that the largest risk to be self-employed is the fear of getting sick, since if one gets sick there is no one doing ones job and that will affect the income for the company. Laws and regulations are very complicated and should need some attention from the state in order to simplify for businesses according to the firm according to the founder. In this regards, the founder state that the largest issue is the 14 days rule; that a firm needs to pay for an employee that gets sick for 14 days. This could put the whole business on the line. The current system is not suited for small companies, only for larger corporations.

According to the firm, the largest challenges for firm to growth are to have a large enough customer base and the complexity of the 14 days rule, a small firm cannot take the risk in hiring an extra employee in uncertainty where one could end up in a situation where the employee can be sick for 3 x 14 days per year. There is too much money on the line for taking such risks.

**Interview 20**

The founder has considerable working experience from large firms and but has not started a firm before this one, even if he holds a degree within business creation in higher education. The firm was established with two colleagues in 2009. The idea came 2006, but it was first in the late 2008 that they felt that the time was right, mostly due to that one of them had been laid off as a result of the crash of Lehman brothers.

The ambitions have from day one been to grow, and still is today. The strategy of the company is to always try to be a major player on market before moving into a new one.

They have at this point, after 2 years of operations, they have experienced growth in regards to an increase from three to six employees, the turnover also rises for each quarters. They do have a business plan that they use continuously, but mostly for presentations and communication towards possible investors.

The main challenge for the company the business structure and time. They do have the opportunity, but not enough time and organization to make use of them. When it comes to pride, the firm is most proud over how much they have accomplished in just two years.

The previous personal network has been crucial. They have also made use of the network available on Science Park.

Risks and uncertainties is seen more of an opportunity than a threat, you have to be able to cope with the idea that you have today might not be there Laws and rules is not constructed to help small firms, rather the opposite according to the owner. The same holds for taxes.

The main internal challenges for the firm to grow are the organizational structure and time. These two can be collected according to the firm and by changing the business structure the time could perhaps be used more efficient. As external challenges the firm states the tax system and the regulations concerning small firms.
Interview 21

The firm was started as student project in the course entrepreneurship and business planning at Jönköping International Business School. They were 5 students in the early beginning but only 3 people decided to proceed when the given course were finalized. The idea to the firm came from the new imposed regulations concerning household services and the students saw it as an opportunity to make easy money during the time they were studying. While completing the given course, they got in contact with science park and got a lot of good insights over what to do and how. Without science parks help the firm probably would have folded within one year according to one of the owners.

The ambiguous with the firm when it comes to growth is simple to earn more money, they do not know if they will continue with the business after they have finished their education so any expansion plans are put on hold until they have decided what they want to do. As it is now their time is covered and to increase the revenues they either need to raise their prices or to hire more employees.

They have a business plan and but it was written for school reasons and are not used in the business operations and it would have to be renewed in order to fit today's agenda.

As mentioned above, the firm has grown by increase in revenues without any need for financial aid or risk taking.

The firm is most proud over that they have managed to start a successful firm as students and that it generates the type of money that they do not need to take any loans while studying.

The risk and uncertainties has not been a factor since they have not invested any money, and if the firm would lose clients they are still just students and they are not that depending on the money from the firm. They also used bootstrapping in the beginning to keep costs and risks low.

Time is according to the firm a major factor in their operations; since they now are full booked they cannot increase the customer base, if they do not want it to affect their studies. Due to that one of the owners had some previous experiences on rules, laws and taxation these have not been challenging since they knew how to handle the system. They still think that the system hinders small firms to growth since every extra employee results in high increase of costs of different kinds.

The main challenge for the firm is that they need to decide if they want to grow, they need to change the business structure in order to even be able to grow.

Interview 22

The firm is within the IT business and was founded in 2008 by two persons, after 1 year another partner was brought in. The initial founders saw a window of opportunity from previous experiences within the market and that is why the firms were started.

Today, the ambitions with the company are to widen its market within Sweden, but also to expand to international markets. In addition the partners set the goal to achieve 10 MSEK in turnover in 5 years. In the beginning the ambitions was just to develop the idea but when they saw a need and a demand for their products the goals were change to grow. Since the beginning they have recruited one more partner and their turnover has increased slightly, and this was an active choice and a result from investments from the partners.

The firm has a business plan and they use it mainly to attract investors, but the partner state that they actively strive to achieve the goals stated in the business plan.
The challenges that the firms has experienced so far is stagnant selling processes, since they are selling to municipalities many people need to approve the sell and this is time consuming and a long process. To overcome this challenge they focus in selling more and more but also to improve how they sell it and how they describe the product.

They are most proud of the popularity of their products and that their customers are satisfied. Their personal contacts and network was of great importance and the partner state that it was one of the reasons that the firm could be initiated. However, the network within Science Park has not been of great significance at this point. Risks have not been that present in the firm so far, but uncertainty is associated with the insecurity of running your own business, you do not know if the company will survive for ever.

The firm is time consuming and they have to work many late nights and weekends to cope with their workload at times, but during the summer they usually do not have much work and have time off. Laws, rules, taxation and fees is not regarded as a problem within the firm, they have got support from external companies with the tasks that the partners cannot handle themselves.

The salary levels vary at this point in time, during the summers they usually cannot get paid and have to look for other sources of income. It varies throughout the year.

The access to capital is there and they have recruited an investor quite recently and fell that the liquidity within the firms is good. They have not passed on an opportunity since there was lack of capital.

If they were to employ they do not feel that it would be difficult to recruit another technical employee, however, if they were to hire another administrative partner that would be harder to find.

They invest in further educations and experiences, and the founders all go to workshops and seminars to expand their existing knowledge.

Their main challenge to grow would be if there was another recession since that affected them heavily. Also, if competition grew and their products were copied that would be a challenge to grow as well, but the partner does not apprehend this as major challenges.

Interview 23

The firm was established in 2000 due to that the founder believed that the market was ready for a new type of jeans. From personal experience, she knew that some males need to buy jeans produced for women, and some women the opposite. The firm are now producing unsex cloths, were the firm now have grown from just producing jeans to a whole collection.

In the beginning, it all started with a given need, but also ass a charity project. For every jeans that one purchase, a fixed amount is given away for HIV/AIDS programs. As the sales have increased the vision of the firm is still to help, but also to grow in order to gain larger revenues, and by that also more money to help others.

The founder holds a degree in both clothing design but also some business administration. A business plan exists and it is continuously renewed as the firm develops. The business plan is mostly used for strategic decisions and for communicating for banks and potential investors.

The growth has been experienced through increase in sales, open up a showroom and hiring one extra employee. The growth has been accomplished through satisfied customers that has come back and also by spreading the word mouth to mouth.
Since the firm operates in the clothing industry, the competition is huge. This pushes them to always seek improvements in all their products. The owner states that they try to offer something different that large corporations can’t. The owner is most proud over the accomplishment that she has created a successful business. The fact that they also help people in developing countries also makes her proud.

The personal network has been important for them to reach the first customer base among family and friends. The risk and uncertainties are present in the daily agenda since if they do not succeed it will backlash on her living. Time has been a major issue, but since the firm has grown she can now afford to hire some consultants for accounting, which takes a lot of time. When it comes to institutions such as laws and tax systems the firm is very critical towards the state, she feels that some regulations directly hinders small businesses to grow. The notion that it is very difficult to hire more employees to due to high fees that follows.

The largest challenge for growth according to the firm is the institutions of tax and regulations towards small businesses.

**Interview 24**

The company was started in 2008 when the owner moved from a house on the country into a larger city and was in need for a gallery for his paintings. The solution became to open up a combination of a gallery, art school and shop for painting accessories. The idea behind the firm has existed in several years but the relocation of living made the owner to get the extra push that he needed.

The ambitions for the firm are to make a living and basically that is the same as from the beginning. As the firm has grown due to increased awareness the owner has been able to hire another person, but the sales needs to increase by 25% if both the employees should be able to make a living.

The founder used to own a car dealership and also holds degrees within business administration and arts. The firm has a very limited business plan but they use what they got for strategic decisions and as a tool for communication.

As mentioned the growth has been discovered through increase in sales and by adding on extra employee, the art school has been the driving force here, whereas the students has been introduced to the products and then later has been returning for more.

The firm operates in a small market, among Arts, and the competition is large in relations tot the amount of customers. This forces the owner and his colleague to work harder and to try to establish a personal connection to customers in order to be the choice of purchase. The owner is most proud over the accomplishment that the business is up, running and making profit.

In the early beginning, the personal network was crucial to reach a customer base, but now the network consists of others but they are dependent on some contacts on for instance the Swedish art club. Time has not been a major issue, the marketing has, since the firm was new on a small market, the notion of creating awareness was crucial. When it comes to institutions such as laws and tax systems the firm in line with many others, it is critical since they ask and requests more than necessary.

The largest challenge for growth according to the firm is to reach new customers and regulations.
Interview 25

The father in the family started the company but in 2010 two of the children took over and started a subsidiary. Both of the new owners have educations and previous experience within the firm. Originally the idea for the firms was an opportunity that was realized within the market.

The ambitions with the company are to grow, to move forward, but it is still in the beginning of the growing phase. Since the subsidiary is fairly new the ambitions were the same when it was started. During the past year when the retailing store has been open, they have experienced an increase in growth in terms of that sales have increased. This is an effect of an active strategy to put effort into the marketing activities and increase the knowledge of the firm and through that gets more customers.

There is no business plan that the firm is following; instead they work after a budget and set goals to follow through it.

The main challenges has been marketing, to know what marketing mix is working in the industry they are in, and they have to try different strategies to understand what is working. Another challenge is selection of products that the firm is selling and how much stock they should have since the products are changing fast it is difficult to know what products to order and how much.

To meet these challenges they are trying different strategies to identify the marketing mix and selection of products that is working for this firm.

The firm is proud of their employees. The relationship to their customer is crucial and therefore their employees play an important role and the firm is proud to have such good employees. In addition to this, the network of the founder and the employees are crucial to keep the relationship but also to get new customers.

The associations made with risks and uncertainty is regarded to the challenge of the stock and product selection. If the stock expires, it loses its value.

Time is not a problem at this point in time, the founder points out that they try not to grow too fast to be able to keep up with the changes and not lose control. In addition, she states that if they would grow faster and rush the expansion, time would have been a problem.

Laws, rules, taxation and fees are not associated as problems. They do state that they different employment fees are complex but they have hired an external consultant to deal with these issues.

They use the wage levels to motivate their employees, if you sell more you earn more, so far this has been successful.

Since this is a subsidiary it has the original firm to back it up in the beginning so the access to capital is not a challenge.

In terms of qualified labor, the firm does not require any level of education or experience, instead they focus on finding motivated, and service minded people that will fit in with their environment. They focus on using their network and that has been the base for finding employees.

To expand the existing education and knowledge within the firms, they do attend seminars and workshops. In addition, the founder encourages the employees to want to go to such events as well, but they have to want it and actively show interest.

The main challenges to grow are to manage the product selection, and to make it more effective to not lose value and money. Also, if they were to expand they would have to find employees that
match the environment to let the founder and new owners to focus on administrative tasks rather than selling and working ‘on the floor’. In that sense time is a challenge to grow.

**Interview 26**

The firm was founded in 2010 as a natural further step as being a student at JIBS were on according to the founder constantly being exposed to all the opportunities that exists when it comes to new ventures and entrepreneurship. The founder is a student at the moment and running the business simultaneously with the studies. Most of the activities within the firm are completed during the summer break but the orders have increased more and more since the foundation last summer.

The ambition with the firm is to grow to a size where one is able to make a living and this were also the ambition when he started the firm last year. The firm is held back due to the time issue as the studies always comes first. The main motivation for the founder is to be able to be his own boss and to be able to manage his time on his own. The firm does not have business plan and are not in a process to construct one either since the industry is consulting a business plan is not necessary according to the owner.

The main challenge for the firm is the spread the firm’s name, reach customers and compete with major players on the market. In that sense one can state that the marketing is a challenge. He believes that by keeping competitive prices and high quality the word of the company will be spread. The founder is most proud over to be a business owner, which he was brave to take the step and the knowledge that he gained.

Time is always a challenge, especially when the firm is maintained simultaneously with studies. Laws and regulations are in a sense a barrier for growth, even though the owner is a law student. The tax system is high, but it is manageable.

The owner thinks that laws and regulations are too complicated and they are the largest challenges for growth to the firm. The owner also argues that more incentives for people that want to start firms should be available in Sweden.

**Interview 27**

The man that is still the owner established the firm in 2007. The establishment was a clear reaction of other businesses in the same industry was making good results and the founder believed or thought that if they could do it I can also do it. The founder had previously been employed as a sales representative but decided to start his own business to reach more freedom and less dependence. He holds a bachelor degree within business administration.

The firm started small with one branch; solarium saloon, and are now running four of them. They are all financed with organic capital, the new branches has been opened when the previous ones has generated enough money. So the firm has experienced growth even though the number of employees still counts to one.

The vision of the firm is to reach 15 branches before 2014, both with new locations in the home market, but also at new geographic locations. The firm has a business plan and follows it to some extent, in the business plan a clear strategy and plan is presented what will happened and needs to happen in the next 8 years. The firm uses the business plan as a tool to stay on the right track.

The competition in the given industry is tough, and that is one reason why the owner has decided to not hire any extra employees. The laws and regulations are a threat to the business since the government is looking to construct specific regulations for the type of business that the firm is in.
Tax institutions are not making the life easy for small businesses according to the owner and the systems should be simplified in order to make it easier to follow given rules.

The owner is most proud over amount of increase of satisfied customers that they serve every day, also the number of members in the firms customer gold club. He is also proud over the amount of money he is able to generate.

The major challenges for growth are all the difficult rules and regulations possessed on small businesses. This also holds for the competition.

**Interview 28**

The firm has been up and running since 2008, the year that the founder graduated from high school and with a degree within haircutting. In the first two years the company was operated in her parents’ house but has since one year back been at a location downtown with more than just hairdressing, it has now become more of a beauty salon. The founder has no previous experience in running a business or holds no business degree.

At this stage the business has gained some market shares and the owner are able to take out some salary from times to times. The vision when starting was to establish beauty salon that she could make a living from, and even if she is almost there, there is still a bit to go.

The firm has no business plan and is self-financed, she is in a face when an expanding will come next and then she wants to have a written plan to presents to banks and new employees.

In the given industry the competition is endless and that’s one of the reasons that the owner has some difficulties to satisfy her needs when it comes to income. Another major challenge is the laws and regulations and tax institutions that hinder the business to grow according to the owner. Since the rules are difficult they are hard to understand and needs a lot of time and efforts, which could have been put on to make the business better according to the owner.

The owner is most proud over the number of satisfied customers that keeps returning for new treatments. Also the fact that she has been able to create something is another thing that she wants to connect with pride.

Overall the owner think the saloon could have been better by easier regulations, lower taxes, but also if she would get better knowledge over how to run a business. The owner thinks that with a little better economy she could hire a consultant to take care of the paperwork.

**Interview 29**

The company is only 4 months old (started in January 2011) and the owner has just received a confirmation on their patent application for their product, a new type of holder for the blade on ice-skates. The idea comes from the founder’s experiences in professional hockey and his vision except for financial is to improve the game and to lower the cost for small and large clubs.

Since the industry were the firm operates is controlled by two large corporations the main focus is to survive and to increase the numbers of users each year. No profit goal has been established but the founder wants to be able to make a living from the firm next year. In the meantime he has two jobs. In order to be able to be fully employed by the firm, it needs to grow.

As mentioned in the previous section, the major challenge is the competition from the large players in the market. To eliminate the immediate threat the firm took the decision to apply for patent in order to insure that their product was not copied. Another challenge is to commercialize the product and to get noticed. With easier financing things would become easier for this process according to the founder.
The founder is proud of everything they have accomplished so far and they were able to launch the company and its product. The network from the founder’s previous career has of course been crucial in this early phase since already established contacts have been used in order to commercialize the product. The company has also been involved in startups seminars in order to learn about taxes, finance and other know how’s. The firm has a business plan and uses it for strategy reasons and to stay on the right track.

Due to that the firm is still operated in a way that the founders living is not dependent on its result the risks taken and the uncertainties are kept on a low scale. In the phase the firm is in, of course time is a barrier for growth since the owner cannot work full time. Taxes and rules are not an issue in this early phase according to the owner, but the regulation with patent might play an important role of the firms’ survival. The firm is in the situation that the supply of quality labor and the level of wages do not affect the firm in any way.

The largest challenge for the firm to grow is the time issue. The owner thinks that by be able to work full time; he could make use of his network and be able to reach out with his product.

**Interview 30**

The foundation of the company was more or less accidental due to a takeover from a close relative suddenly past away, and a gap in the medical system was discovered. The founder was alone but has after two years managed to grow by another person.

As mentioned, the aim of the company was to close the discovered gap within the medical system by a product that could enable knowledge and information transformation across different sections of the health care system. The market is unlimited but due to that the health industry is very top down organized, it is hard to penetrate the market. The growth in the firm has been discovered by hiring one person but also in numbers as increase in sales figures.

The growth has been accomplished through that they are more or less alone on the market; this is also a threat since they don’t want to be seen too much in this early phase so that other larger players could copy and steal their idea. The firm has a business plan that they on a monthly basis use in order to make sure that they are staying on track.

When it comes to challenges the firm mostly argues for the risk that larger organizations could steal their ideas, also the bureaucratic structured health industry makes it hard for the firm to penetrate the market. The firm is most pride over that they think that there product could save lives while sharing information between both traditional and alternative health care systems.

The personal drive has been more of a success factor than the network, but the networks provided by science park has been important in times were the business has been struggling. The institutions of health are the largest challenge for growth, so maybe that could be tied together with laws and regulations according to the firm. When it comes to taxes, the founder states that this could be a question if a firm survives or not. This makes this an important aspect to keep under control. In this firm this is done through using external consultants. When it comes to shortage of time and qualified labor the firm does not holds any specific comments that this should be a factor that could hinder growth, since it believes that times is managed through planning and that qualified labor exists on the market.
## Appendix D- Table 2 Background of the Participating Firms

<table>
<thead>
<tr>
<th>Firm</th>
<th>Industry</th>
<th>Education</th>
<th>Experiences</th>
<th>Started the firm alone or with others?</th>
<th>Ambitions to grow?</th>
<th>Were the ambitions the same when the firm started?</th>
<th>Experienced growth?</th>
<th>Business Plan? /using the BP?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Advertising and communication</td>
<td>Yes</td>
<td>Started the firm before the education</td>
<td>Started with others, but is now alone (YES?)</td>
<td>Yes</td>
<td>No</td>
<td>Yes, turnover, employees and sales increased.</td>
<td>No (will be established within 6 months)</td>
</tr>
<tr>
<td>2</td>
<td>Electronics</td>
<td>Yes</td>
<td>From small and large firms</td>
<td>Acquired the firm</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, through increased sales</td>
<td>Yes, but not used</td>
</tr>
<tr>
<td>3</td>
<td>Consulting activity</td>
<td>Yes</td>
<td>Mainly large but also small</td>
<td>Newly started underlying company</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, more employees that generate more sales and turnover.</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>Electronics</td>
<td>Yes</td>
<td>Started firms before and worked at large firms</td>
<td>Alone</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, early stages of growth</td>
<td>Yes, used continuously</td>
</tr>
<tr>
<td>5</td>
<td>IT</td>
<td>Yes</td>
<td>From small and large firms</td>
<td>Alone</td>
<td>1 more employee</td>
<td>No</td>
<td>Yes, fast growth in the past 1.5 years</td>
<td>No, had one in the beginning but it is not up to date</td>
</tr>
<tr>
<td>6</td>
<td>Automations solutions</td>
<td>Yes</td>
<td>Banking and ABB</td>
<td>Three colleagues</td>
<td>Become a middle size firm</td>
<td>Yes</td>
<td>Yes, hired one in</td>
<td>Yes, for finance, presentations and webpage</td>
</tr>
<tr>
<td>7</td>
<td>Consulting</td>
<td>Yes</td>
<td>Started many firms</td>
<td>Three</td>
<td>Yes</td>
<td>No</td>
<td>Yes, more orders</td>
<td>Yes, and its continuously renewed</td>
</tr>
<tr>
<td>Activity</td>
<td>Yes/No</td>
<td>Previous Work and Startups</td>
<td>Activity</td>
<td>Yes/No</td>
<td>Growth Ambitions</td>
<td>Yes/No</td>
<td>Sales and Marketing</td>
<td>Yes/No</td>
</tr>
<tr>
<td>----------------------------------------------</td>
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<td>--------</td>
</tr>
<tr>
<td>Consulting Activity</td>
<td>Yes</td>
<td>Both previous work and startups</td>
<td>Three colleagues</td>
<td>Both yes and no</td>
<td>Yes</td>
<td>Doubled turnover each year</td>
<td>Yes</td>
<td>Yes, in everyday business</td>
</tr>
<tr>
<td>Consulting activity</td>
<td>Yes</td>
<td>Large and small firms, and started own business before</td>
<td>Three partners</td>
<td>Yes</td>
<td>Yes</td>
<td>Increased sales</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Consulting activity and education</td>
<td>Yes</td>
<td>Small and larger firms</td>
<td>Alone</td>
<td>No</td>
<td>Yes</td>
<td>Increased sales</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Service Firm (Tour Packages)</td>
<td>Yes</td>
<td>Family Business</td>
<td>2 students</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes, from time to time.</td>
<td></td>
</tr>
<tr>
<td>Wholesaler for fasteners</td>
<td>Yes</td>
<td>Family business 2nd generation</td>
<td>His dad</td>
<td>Profit goal of 20 million SEK</td>
<td>No</td>
<td>Hired 5 people</td>
<td>Yes, but does not use it</td>
<td></td>
</tr>
<tr>
<td>Advertising and communication</td>
<td>Yes</td>
<td>Yes, larger firms</td>
<td>2 partners</td>
<td>Yes, but not too much</td>
<td>Yes</td>
<td>More customers, increased sales</td>
<td>Yes</td>
<td>for investors and banks.</td>
</tr>
<tr>
<td>Design</td>
<td>Yes</td>
<td>Yes, started own firm before</td>
<td>Alone</td>
<td>Yes, great growth ambitions</td>
<td>No</td>
<td>Yes</td>
<td>Too soon to tell, but has been in business for 3 months and have made sales</td>
<td>Yes, to attract investors.</td>
</tr>
<tr>
<td>Iron and steel industry</td>
<td>Yes</td>
<td>Yes, started own firm before</td>
<td>2 partners</td>
<td>Yes, great growth ambitions</td>
<td>Yes</td>
<td>Yes, but was affected by the recession.</td>
<td>Yes</td>
<td>established in the beginning but is not used or updated.</td>
</tr>
<tr>
<td>Telemarketing sports marketing</td>
<td>Yes</td>
<td>Sales and marketing</td>
<td>Firm started by former owner</td>
<td>Yes</td>
<td>Both yes and no</td>
<td>Yes, both in employees and sales</td>
<td>Yes</td>
<td>but uses a simplified version</td>
</tr>
<tr>
<td>No.</td>
<td>Industry</td>
<td>Yes</td>
<td>Industry</td>
<td>Father and daughter</td>
<td>Major player on market</td>
<td>Yes, both in sales and employees</td>
<td>Yes, uses parts from it</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>------------------------</td>
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<td>------------------------</td>
<td>----------------------------------</td>
<td>------------------------</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Food retailing</td>
<td>Yes</td>
<td>Food industry</td>
<td>Father and daughter</td>
<td>Major player on market</td>
<td>Yes, both in sales and employees</td>
<td>Yes, uses parts from it</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>CRM systems</td>
<td>Yes</td>
<td>Construction and IT</td>
<td>Two colleagues</td>
<td>Make use of potential market</td>
<td>Yes, hired one and increased sales</td>
<td>Yes, but does not use it</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Accounting</td>
<td>Yes</td>
<td>Accounting and tax</td>
<td>Alone</td>
<td>Make a living, grow to 6 employees</td>
<td>Yes, hired one</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Consulting activity</td>
<td>Yes</td>
<td>Mostly from large firms</td>
<td>Three colleagues</td>
<td>Yes, Take market by market</td>
<td>Hired three people</td>
<td>Yes, mostly for presentations and communication</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Household services</td>
<td>Yes</td>
<td>Not in the field</td>
<td>4 colleagues</td>
<td>Make a living</td>
<td>No</td>
<td>Increase in revenue</td>
<td>Yes, but does not use it</td>
</tr>
<tr>
<td>22</td>
<td>IT</td>
<td>Yes</td>
<td>Yes, two of the founders have experiences in the field</td>
<td>2 partners</td>
<td>Turnover goal of 10 MSEK in 5 years</td>
<td>One more partner and increased turnover</td>
<td>Yes, and is used mainly for investors but also followed in terms of goals and vision.</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Clothes</td>
<td>Yes</td>
<td>Not in the field</td>
<td>Alone</td>
<td>Yes, make a living and help others</td>
<td>Hired one person, increase in revenues</td>
<td>Yes, for strategic decisions and communicative tool.</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Arts</td>
<td>Yes</td>
<td>Background as artiste</td>
<td>Alone</td>
<td>Yes, make use of market potential and make a living</td>
<td>Hired one person</td>
<td>Yes, mostly for keeping strategy</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Retailor</td>
<td>Yes</td>
<td>Working experience within small firms</td>
<td>1 founder, but now 2 owners</td>
<td>Yes, expansion plans</td>
<td>Increased sales</td>
<td>No, but they set up a budget and follow that goal.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Activity</td>
<td>Yes</td>
<td>Only from studies</td>
<td>Alone</td>
<td>Yes, to make a living from the business</td>
<td>Yes</td>
<td>Yes, increased number of orders</td>
<td>No</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>26</td>
<td>Consulting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Activity</td>
<td>Yes</td>
<td>Only from studies</td>
<td>Alone</td>
<td>Yes, to make a living from the business</td>
<td>Yes</td>
<td>Yes, increased number of orders</td>
<td>No</td>
</tr>
<tr>
<td>27</td>
<td>Beauty saloon</td>
<td>Yes</td>
<td>Not in the field</td>
<td>Alone</td>
<td>15 branches</td>
<td>Yes</td>
<td>New branches and increased revenues</td>
<td>Yes, for strategic reasons</td>
</tr>
<tr>
<td>28</td>
<td>Beauty saloon</td>
<td>Yes</td>
<td>Yes</td>
<td>Alone</td>
<td>Make a living</td>
<td>Yes</td>
<td>Increase in sales, new location</td>
<td>No</td>
</tr>
<tr>
<td>29</td>
<td>Sport equipment</td>
<td>Yes</td>
<td>Many years of professional background</td>
<td>Alone</td>
<td>“Make a living”</td>
<td>Yes</td>
<td>Some increase in sales</td>
<td>Yes, for strategy reasons</td>
</tr>
<tr>
<td>30</td>
<td>Health</td>
<td>Yes</td>
<td>Not in the field</td>
<td>Alone</td>
<td>Profit goal of 1 million SEK</td>
<td>Yes</td>
<td>Hired one person</td>
<td>Yes, mostly for keeping strategy</td>
</tr>
</tbody>
</table>
### Appendix E- All challenges by the respective firm

<table>
<thead>
<tr>
<th>Firm</th>
<th>Founded:</th>
<th>Industry</th>
<th>Ambitions to grow?</th>
<th>Challenges</th>
<th>Challenges To Grow</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005</td>
<td>Advertising and communication</td>
<td>Yes</td>
<td>Competition (saturated market?), capital</td>
<td>Risk by hiring</td>
</tr>
<tr>
<td>2</td>
<td>2005</td>
<td>Electronics</td>
<td>Yes</td>
<td>Qualified labor, time</td>
<td>Competition (saturated market?), time, risk by hiring</td>
</tr>
<tr>
<td>3</td>
<td>2010</td>
<td>Consulting activity</td>
<td>Yes</td>
<td>Qualified labor/match</td>
<td>Qualified labor, saturated market</td>
</tr>
<tr>
<td>4</td>
<td>2007</td>
<td>Electronics</td>
<td>Yes</td>
<td>Time</td>
<td>Time</td>
</tr>
<tr>
<td>5</td>
<td>2009</td>
<td>IT</td>
<td>1 more employee</td>
<td>Regulations</td>
<td>Time</td>
</tr>
<tr>
<td>6</td>
<td>2011</td>
<td>Automations solutions</td>
<td>Become a middle size firm</td>
<td>Complex business structure, capital</td>
<td>Growth with profit, not sales</td>
</tr>
<tr>
<td>7</td>
<td>2004</td>
<td>Consulting activity</td>
<td>Yes</td>
<td>Even flow of orders</td>
<td>Access to capital, geographical limitations</td>
</tr>
<tr>
<td>8</td>
<td>2005</td>
<td>Consulting Activity</td>
<td>Yes</td>
<td>Complex business structure, capital</td>
<td>Geographical limitations, knowledge management,</td>
</tr>
<tr>
<td>9</td>
<td>2010</td>
<td>Consulting activity</td>
<td>Yes</td>
<td>To grow</td>
<td>Qualified labor</td>
</tr>
<tr>
<td>10</td>
<td>1996</td>
<td>Consulting activity and education</td>
<td>No</td>
<td>Even flow of orders</td>
<td>Geographical limitations, time, capital, be alone</td>
</tr>
<tr>
<td>11</td>
<td>2005</td>
<td>Service Firm (Tour Packages)</td>
<td>No</td>
<td>Qualified labor, Marketing, Capital</td>
<td>Capital and industrial acceptance</td>
</tr>
<tr>
<td>12</td>
<td>2001</td>
<td>Wholesaler for fasteners</td>
<td>Profit goal of 20 million SEK</td>
<td>Seize opportunity</td>
<td>cost control</td>
</tr>
<tr>
<td>13</td>
<td>2009</td>
<td>Advertising and communication</td>
<td>Yes, but not too much</td>
<td>Geographical limitations, technical challenges</td>
<td>Knowledge management, time</td>
</tr>
<tr>
<td>14</td>
<td>2011</td>
<td>Design</td>
<td>Yes, great growth ambitions</td>
<td>Find production, to be alone</td>
<td>Be alone</td>
</tr>
<tr>
<td>15</td>
<td>2005</td>
<td>Iron and steel industry</td>
<td>Yes, great growth</td>
<td>Technical challenges and industrial</td>
<td>Industrial acceptance (by involving large shareholders of the market to accepts product)</td>
</tr>
<tr>
<td>16</td>
<td>2003</td>
<td>Telemarketing (sports)</td>
<td>Yes, new markets</td>
<td>Qualified labor</td>
<td>Complex Business structure</td>
</tr>
<tr>
<td>17</td>
<td>2011</td>
<td>Food retail</td>
<td>Largest store on the market</td>
<td>Cost control and qualified labor</td>
<td>Labor union, Infrastructure</td>
</tr>
<tr>
<td>18</td>
<td>2010</td>
<td>CRM</td>
<td>Make a living</td>
<td>Time, qualified labor, marketing and capital.</td>
<td>Time, Industrial acceptance, capital</td>
</tr>
<tr>
<td>19</td>
<td>2008</td>
<td>Accounting</td>
<td>Make a living, grow to 6 employees</td>
<td>Marketing</td>
<td>Costs of hiring, risk of hiring due to 14 day rule (regulations)</td>
</tr>
<tr>
<td>20</td>
<td>2009</td>
<td>Consulting activity</td>
<td>To grow, middle size firm</td>
<td>Business structure, time</td>
<td>Tax system, regulations</td>
</tr>
<tr>
<td>21</td>
<td>2006</td>
<td>Household services</td>
<td>Make a living</td>
<td>Business structure</td>
<td>Time</td>
</tr>
<tr>
<td>22</td>
<td>2008</td>
<td>IT</td>
<td>Turnover goal of 10million SEK</td>
<td>Slow selling process, geographical limitations</td>
<td>Recession, increase competition, geographical limitations</td>
</tr>
<tr>
<td>23</td>
<td>2000</td>
<td>Clothes</td>
<td>Make a living, double sales</td>
<td>Business structure, time</td>
<td>Competition, tax and regulations</td>
</tr>
<tr>
<td>24</td>
<td>2008</td>
<td>Arts</td>
<td>Make a living</td>
<td>Marketing</td>
<td>Competition, small market</td>
</tr>
<tr>
<td>25</td>
<td>2010</td>
<td>Retailor</td>
<td>Yes, expansion plans</td>
<td>Marketing activities and product selection</td>
<td>Product Selection, time and qualified labor.</td>
</tr>
<tr>
<td>26</td>
<td>2010</td>
<td>Consulting activity</td>
<td>Yes, make a living</td>
<td>Marketing, competition, time</td>
<td>Regulations!</td>
</tr>
<tr>
<td>27</td>
<td>2007</td>
<td>Beauty Saloon</td>
<td>15 branches</td>
<td>Competition, law enforcement</td>
<td>Competition, law enforcement</td>
</tr>
<tr>
<td>28</td>
<td>2008</td>
<td>Beauty Saloon</td>
<td>Make a living</td>
<td>Marketing</td>
<td>Competition</td>
</tr>
<tr>
<td>29</td>
<td>2011</td>
<td>Sport equipment</td>
<td>“Make a living”</td>
<td>Competition, time</td>
<td>Time, marketing</td>
</tr>
<tr>
<td>30</td>
<td>2007</td>
<td>Health</td>
<td>Profit goal of 1million SEK</td>
<td>Marketing</td>
<td>Bureaucratic Institutions, laws and regulations.</td>
</tr>
</tbody>
</table>
## Appendix F- Literature Review

<table>
<thead>
<tr>
<th>Author/Yr</th>
<th>Journal/ Book</th>
<th>Purpose/ RQ</th>
<th>Sample/ Setting</th>
<th>Methods</th>
<th>Conclusions</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laurence G. Weinzimmer (1997)</td>
<td>Journal of Small Business Management</td>
<td>Determine whether relationships between TMT variables and growth behavior were consistent with large-firms studies in a small-firm context.</td>
<td>74 companies with a mean size of 54 employees (ranged from 5-98 employees)</td>
<td>Correlation analysis</td>
<td>Functional heterogeneity is positively related to small-firm growth. TMT size is positively related to small business growth (larger is better in regards to decision making)</td>
<td>To confirm reliability of the relationship between TMT variables and growth to compare results of the small-firm sample with large firms, a sample of larger firms was also identified and interviewed.</td>
</tr>
<tr>
<td>Kathleen M. Eisenhart &amp; Claudia Bird Schoonhoven (1990)</td>
<td>Cornell University</td>
<td>To link organizational growth with founding conditions, including TMT, technical strategy, and competitive environment.</td>
<td>The US semiconductor industry, companies founded between 1978-1988. Population was 98.</td>
<td>Regression model using 4-year lags. Event-history analysis Success regression Pooled cross-section regression</td>
<td>Technology-based firms founded in growth stage markets are more likely to become large than those founded in emergent or mature markets. TMT influence growth of new firms.</td>
<td></td>
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<tr>
<td>Authors</td>
<td>Source</td>
<td>Title</td>
<td>Methodology</td>
<td>Sample</td>
<td>Findings</td>
<td>Notes</td>
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<tr>
<td>Laurence G. Weinzimer, Paul C. Nystrom, Sarah J. Freeman</td>
<td>Journal of Management</td>
<td>A critical review of the literature to identify issues regarding the measurement of growth.</td>
<td>Comparative regression analysis, correlation</td>
<td>193 firms in 48 industries</td>
<td>Evidence that several measurements issues must be addressed in order for researchers to arrive at better agreement about what causes organizational growth. (Are sales the best determinant for growth?)</td>
<td>Secondary data, objective measures rather than perceptual measures.</td>
</tr>
<tr>
<td>David E. Terpstra &amp; Philip D. Olson</td>
<td>Entrepreneurship; theory and Practice, Baylor University</td>
<td>To develop a classification scheme for the types of problems encountered by emerging entrepreneurial firms. Also, to see if the problems change as the company grows.</td>
<td>CEOs in 500 firms in the US, from Inc. Magazine in 1987.</td>
<td>CEOs were asked to state the most significant problem during the first year and at later growth stage (open-end questions) Few problem classifications schemas have been developed with open-end questions.</td>
<td>Problems in the first year; Obtaining external financing, internal financial management, sales/marketing, product development, production/operation management, general management, human resource management, economic environment, and regulatory environment. Problems in 1988: Obtaining external financing, internal financial management, sales/marketing, product development, production/operation management, organizational structure/design, general management, human resource management, economic environment, and regulatory environment. Few existing problem frameworks found in literature are focused on the type of problems encountered by emerging entrepreneurial firms.</td>
<td>Theoretically and practically useful for problems with new and rapidly growing firms.</td>
</tr>
<tr>
<td>Donald L. Sexton &amp; Forrest I Seale</td>
<td>National Center for Entrepreneurship Research</td>
<td>To identify the leading practices of fast growing firms.</td>
<td>Surveys</td>
<td>906 entrepreneurs in the US.</td>
<td>The leading practices of fast growth in 4 sections; Marketing, finance, Management, and Planning. These areas represent the most significant opportunities for firms desiring to achieve high performance.</td>
<td></td>
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<tr>
<td>Gimeno, Folta, Cooper &amp; Woo</td>
<td>Cornell University</td>
<td>To develop a model that explains why some firms survive while others do not, even</td>
<td>Sample from National Federation of Independent</td>
<td>13000 surveys were sent out (37% response rate). A pilot</td>
<td>The importance to consider the human capital characteristics of the entrepreneur in the survival of new ventures. The effects of these entrepreneurial</td>
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<tr>
<td>Author(s)</td>
<td>Journal/Institution</td>
<td>Title</td>
<td>Methodology</td>
<td>Findings</td>
<td>Sample Size/Specifics</td>
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<td>Almas Heshmati (2001)</td>
<td>Small Business Economics</td>
<td>An exploration of growth patterns of micro and small firms.</td>
<td>Business in the US study was performed initially. Analyzed through correlation analysis and grouped data regression. Characteristic (strategist, decision maker, networker etc.) on thresholds are important for survival and can explain prior inconsistent findings.</td>
<td>Rejection of Gibrat's Law. The effects of the variables differ in terms of what definition of growth that is used (employees, sale, etc.). Various institutional factors for very small firms, start-ups, less capital-intensive, and family owned businesses, and therefore reducing their growth potentials.</td>
<td>The relationship between firms size, age and growth rates are examined for a large sample of micro and small firms in Gävleborg, Sweden. Definition of growth is used in terms of number of employees, sales, and assets.</td>
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<tr>
<td>Thornhill and Amit, University of British Columbia</td>
<td>Stratified sampling design</td>
<td>Multiple regression</td>
<td>The study shed light on the underlying factors for growth in young forms in Canada. Innovation and growth is present in the same firms. High growth firms in goods producing industries feel that their management systems have improved growth but in service industries technology capability improvement is related to growth.</td>
<td>7-10 year old enterprises</td>
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<tr>
<td>Siegel R. Siegel E. Macmillan I. (1993)</td>
<td>Journal of Business Venturing</td>
<td>To define characteristics that distinguishes high-growth form low-growth companies.</td>
<td>Two pools, numbers unknown Comprehensive questionnaire and longitudinal data. That in high-growth ventures management have substantial industry experience and balanced management teams</td>
<td>That in high-growth ventures management have substantial industry experience and balanced management teams</td>
<td></td>
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<tr>
<td>Andersson S.</td>
<td>Journal of Small</td>
<td>To analyze growth</td>
<td>Three firms Case study No single theory can explain growth, a</td>
<td>No generalization</td>
<td></td>
<td></td>
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<tr>
<td>Year</td>
<td>Business and Enterprise Development</td>
<td>Patterns in Three High Growth Swedish Firms</td>
<td>Multi Theoretical Framework is Developed Involving: Entrepreneurial Characteristics, Firm Levels, Sector/ Industry, Macro Environment, and Financiers.</td>
<td>Can be Made on Three Firms.</td>
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<tr>
<td>Author(s)</td>
<td>Journal/Blog/Book Title</td>
<td>Description</td>
<td>Page Number</td>
<td>Methodology/Findings</td>
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<tr>
<td>Steimetz L. (1969)</td>
<td>Business Horizon</td>
<td>Present the critical stages of SME growth: when they occur and how to survive them</td>
<td></td>
<td>Only reviews from other publications. SME’s are enforced to go through three critical phases of growth if they want to stay alive: Phase 1: direct supervision stage; phase 2: supervised supervision stage; and phase 3: indirect control stage. No Empirical data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wiklund Et al. (2003)</td>
<td>Entrepreneurship of theory and practice</td>
<td>Investigate manager’s beliefs concerning consequences of growth.</td>
<td>1248</td>
<td>Three Independent studies with phone interview. Concerns consisting of non-economic factors such as well-being of the employees are more important than personal economic gain or loss.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roper S. (1997)</td>
<td>Small Business Economics</td>
<td>See if there is a correlation between innovation and growth in the UK, Germany and Ireland.</td>
<td>Development surveys</td>
<td>Confirms that there is an association linking innovation to turnover growth. In the meantime, the link between innovation and employment growth is less.</td>
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<tr>
<td>Davidsson et al. (2002b)</td>
<td>Journal of Small Business Management</td>
<td>Analyze different growth factors from a Swedish perspective.</td>
<td>Census of all businesses with 20+ employees</td>
<td>Shows that the business age, beginning size, independence of ownership, and type of business activities are the most important factors to distinguish growth.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donckels R., Lambrecht J. (1995)</td>
<td>Small Business Economics</td>
<td>Find the correlations between small business networks and growth.</td>
<td>Phone Interviews</td>
<td>The research shows that contacts through a network with national and international entrepreneurs are the single most important network for growth.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upton et al. (2001)</td>
<td>Journal of Small Business Management</td>
<td>Identify the business practices for fast growing family firms</td>
<td>Sample of winners of the Ernst &amp; Young entrepreneurs of the year program in the USA</td>
<td>A majority of the researched firms that performed high growth had prepared written plans, strong focus on high quality products, and emphasized information sharing with their employees.</td>
<td></td>
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</tr>
</tbody>
</table>
Appendix G- Perceived Challenges in accordance to the Age of the Firm

- **0-2 years (12 firms)**
  - Time: 5
  - Qualified Labor: 3
  - Capital: 2
  - Complex Business Structure: 2
  - Marketing: 2
  - Competition: 2
  - Regulations: 1
  - Geographical Limitations: 1
  - Find Production: 1
  - Be alone: 1
  - Cost control: 1
  - Technological Challenges: 1
  - Product selection: 1

- **3-7 years (14 firms)**
  - Marketing: 6
  - Qualified Labor: 2
  - Capital: 2
  - Complex Business Structure: 2
  - Technological Challenges: 1
  - Competition: 2
  - Regulations: 1
  - Geographical Limitations: 1
  - Saturated Market: 1
  - Grow with profits: 1
  - Product selection: 1

- **8 years or older (4 firms)**
  - Competition: 5
  - Time: 3
  - Regulations: 3
  - Geographical Limitations: 3
  - Risks (hiring): 3
  - Industrial acceptance: 2
  - Capital: 1
  - Knowledge management: 1
  - Recession: 1

- **Time: 1**
  - Qualified Labor: 1
  - Capital: 1
  - Complex Business Structure: 1
  - Geographical Limitations: 1
  - Find Production: 1
  - Be alone: 1
  - Cost control: 1