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# Growth aspirations in SMEs: managerial determinants and organizational outcomes

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## Abstract

**Purpose** – The main purpose of this study is to increase the scholarly understanding of managerial growth aspirations in small firms. Research has shown that managers' aspirations are important to ensure firms' growth, but researchers know less of where their aspirations come from and how variation in these aspirations shapes organizational outcomes. By focusing on two growth strategies of particular importance for small firms – innovation and internationalization – the authors map out how managers' ambitious aspirations may create negative organizational effects and also how they may counteract such effects.

**Design/methodology/approach** – The study employs structural equation modeling (SEM) on a sample of 249 Norwegian small- and medium-sized enterprises (SMEs).

**Findings** – The findings of this study suggest that managerial experience is associated with high aspirations as well as high change effectiveness on the managerial team. The authors find that ambitious growth aspirations are associated with exploration in the form of radical innovation but also lead to reduced employee well-being. Managers' level of perceived change effectiveness, on the other hand, is positively associated with radical innovation and also raises employee well-being.

**Research limitations/implications** – This study highlights the positive and negative effects of managerial aspirations on different organizational outcomes. Further, it shows that managerial teams working effectively together in the face of change is important for the well-being of employees. Results confirm the positive relationship between aspirations for growth and applied growth strategies in organizations. The data sample is, however, extracted from one country only, and the authors cannot exclude the possibility that findings will be different elsewhere.

**Practical implications** – To ensure successful growth, managers should combine ambitious aspirations with attention to the top management team's (TMT) experience levels and change effectiveness. Assessment of possible needs for development and adjustments could ensure growth processes with limited negative effects for employee well-being.

**Originality/value** – By distinguishing between growth through international sales (exploitation) and growth through a more change-intensive strategy of radical innovation (exploration), the authors investigate how variations in managerial aspirations and perceptions influence organizational growth processes. This paper paints a unique picture of how managers can be both the cause and cure of employee well-being in change-demanding situations.

**Keywords** Growth aspirations, Internationalization, Radical innovation, Managerial characteristics, Change effectiveness, Employee well-being, SEM

**Paper type** Research paper

## 1. Introduction

Firm growth can be viewed as a foundational topic in management research (Nason and Wiklund, 2018), and studies have pointed out that managerial growth aspirations are needed if firms are to realize increased growth of their organizations (e.g. Davidsson, 1991; Wiklund and Shepherd, 2003). Coad (2009), however, observed that “the majority of small firms do not experience fast growth” (p. 135) and two decades ago, scholars started realizing that not all managers are growth oriented, instead many avoid taking advantage of opportunities – as they do not aspire to maximize profit or expand their firms (Cassar, 2006; Gundry and Welsch, 2001; Liao and Welsch, 2003; Wiklund *et al.*, 2003). As Wiklund *et al.* (2009, p. 357) put it: “Growth implies radical changes to the characteristics of the business. These changes may run counter to the founder’s initial goals of, for instance, personal independence.”

Since these findings, there have been surprisingly few studies investigating the growth willingness of managers and the resulting organizational outcomes (Kolvereid and Isaksen, 2017). This is paradoxical, given the realization of managers’ role as an important microfoundation of resources and strategy in general (Felin and Foss, 2005; Felin *et al.*, 2015) and of small business growth in particular (Wiklund *et al.*, 2009). In other words, we know that managers are essential to ensure firms’ growth (Azari *et al.*, 2017; Levie and Autio, 2013; Wiklund *et al.*, 2003), but we know little of where their aspirations come from and how variation in these aspirations shapes organizational outcomes.

In general, there is a need for a greater understanding of the microfoundations of small business performance (Vanderstraeten *et al.*, 2020; Coff and Kryscynski, 2011). This study’s objective is to look closer into what determines different managerial growth aspirations and what consequences they have on the organizational level. More specifically, we study the degree to which managers inhabit aspirations of international expansion with their current product solutions or if they sport more ambitious aspirations of overall growth of their product portfolio. Further, we investigate the degree to which change effectiveness at the managerial team influences organizational outcomes. As these organizational outcomes, we look closer at employee well-being and firms’ routines in the form of knowledge integration, as well as firms’ growth strategies related to innovation and exporting.

Knowledge integration is an important factor contributing to different aspects of firms’ performance (Azari *et al.*, 2020) and growth strategies, including innovation (Ju *et al.*, 2006; Pateli and Liouka, 2019; Tell, 2011) and internationalization (Casillas *et al.*, 2009; Marques *et al.*, 2017). Internationalizing firms enter into foreign markets, not only to increase sales but also to obtain knowledge from a wider, richer and more diverse market setting (Esteve-Pérez and Rodriguez, 2013; Golovko and Valentini, 2011). However, unlike their larger counterparts, internationalizing small- and medium-sized enterprises (SMEs) have limited time and resources to execute knowledge management practices (Villar *et al.*, 2014). Knowledge integration activities provide the firms with the opportunities to identify required knowledge from internal or external sources, utilize it into new or existing business practices and eventually turn it into competitiveness (Bengoa and Kaufmann, 2016; Danis and Shipilov, 2012). The case is the same for innovation. Theoretical (Grant, 1996a, b; Tell, 2011) and empirical studies (for example, Azar and Ciabuschi, 2017; Jones, 2017; Marques *et al.*, 2017; Park *et al.*, 2015) provide evidence of the reinforcing impact of knowledge integration on firm’s innovation performance.

This is because through knowledge integration, companies may be able to successfully turn their resources into innovation (Morone and Taylor, 2012).

The inclusion of employee well-being is inspired by an interesting but neglected empirical result from Sweden. Wiklund *et al.* (2003, p. 264) concluded: “Our most important finding is that expectations concerning the effect of growth on employee well-being is the single most important determinant of overall attitude toward growth. This result stands out with impressive consistency across samples, industries, size classes, and age groups.” This paper’s approach is different as we focus on the degree to which variations in growth aspirations impact employee well-being. Using this approach, we are able to discuss the effects of variation in growth aspirations and deepen our understanding of the complexity of growth processes in organizations.

Even though firms can and do grow in a multitude of ways (McKelvie and Wiklund, 2010; Shepherd and Wiklund, 2009), innovation and internationalization are often viewed as two of the most common strategies pursued by SMEs to achieve growth (Azari *et al.*, 2017; Kyläheiko *et al.*, 2011; Mort and Weerawardena, 2006). Love and Roper (2015, p. 34) explain that research has made advances in our knowledge of the enablers of innovation and export, but there has been more limited progress regarding these processes in SMEs. In their review, they further highlight that when it comes to export and innovation, the research on the management and engagement of people and employees “remains either inconsistent or limited.” In the following, innovation and internationalization are both seen as growth strategies – and this concept will be examined as we develop our hypotheses.

The two types of growth strategies – innovation and internationalization – will impose different pressures on an organization in the form of distinct demands for human, financial, technological and physical resources. Distinguishing between managerial aspirations according to executives’ willingness and identified need to grow in output (internationalization) or through a developmental process of the organization (innovation) reflects the strength of the managerial willingness to take on organizational change. It also differentiates between the will (and need) to extend the customer base geographically or change the more fundamental value creation of the firm. We study the contrasts between these two types of growth strategies when it comes to organizational consequences and, as part of the process, the role of managers in forming and executing these distinct aspirations for growth.

Within the literature on SME internationalization, Nummela *et al.* (2005) state that the growth concept has mostly been overlooked. In addition, most literature on firm growth do not distinguish between aspirations in general and international aspirations, as argued by Moen *et al.* (2016). In this study, we differentiate between a will and need to grow in general (named growth aspirations) and a will and need to expand the customer base of the firm to locations abroad (named international aspirations).

Border-crossing activities allow for the pursuit of arbitrage opportunities due to differences in knowledge across countries (Esteve-Pérez and Rodriguez, 2013). Exporting may be less demanding than radical innovation when it comes to organizational change because of its more exploitative nature (see March, 1991). Exploration and exploitation are often characterized as opposing forces that “create conflicting demands on an organization” (Koryak *et al.*, 2018, p. 413). More specifically, in exploiting already developed products through internationalization of markets, impacts from such aspects as uncertainty and ambiguity may be less than if managers aspire to develop a radically new product

solution for which there are increased amounts of unknown variables (Voss and Voss, 2013). In the exploitation of firms' known product solutions in new markets, employees may rely more heavily on prior experience and established knowledge structures. In contrast, exploration of new business opportunities through innovative efforts may put increased pressure on employees and other organizational resources (Andersén, 2017). This is particularly relevant for smaller firms such as SMEs due to their relative restricted access to resources compared to larger organizations.

Penrose (1959/2009, p. 2) emphasized the importance of the human aspect in firm growth, especially through motivation, managers' steadily increasing experience and in decision-making as "the growth of a firm is connected with attempts of a particular group of human beings to do something." We investigate the degree to which managerial background and top team composition can help explain the presence of distinct growth aspirations. We further develop our approach by adding managerial change effectiveness to study how these perceptions and various aspiration types affect organizational knowledge integration, employee well-being and the roles they play in the growth processes of organizations. In investigating these aspects, we may uncover ways that firms can balance organizational growth and employee well-being.

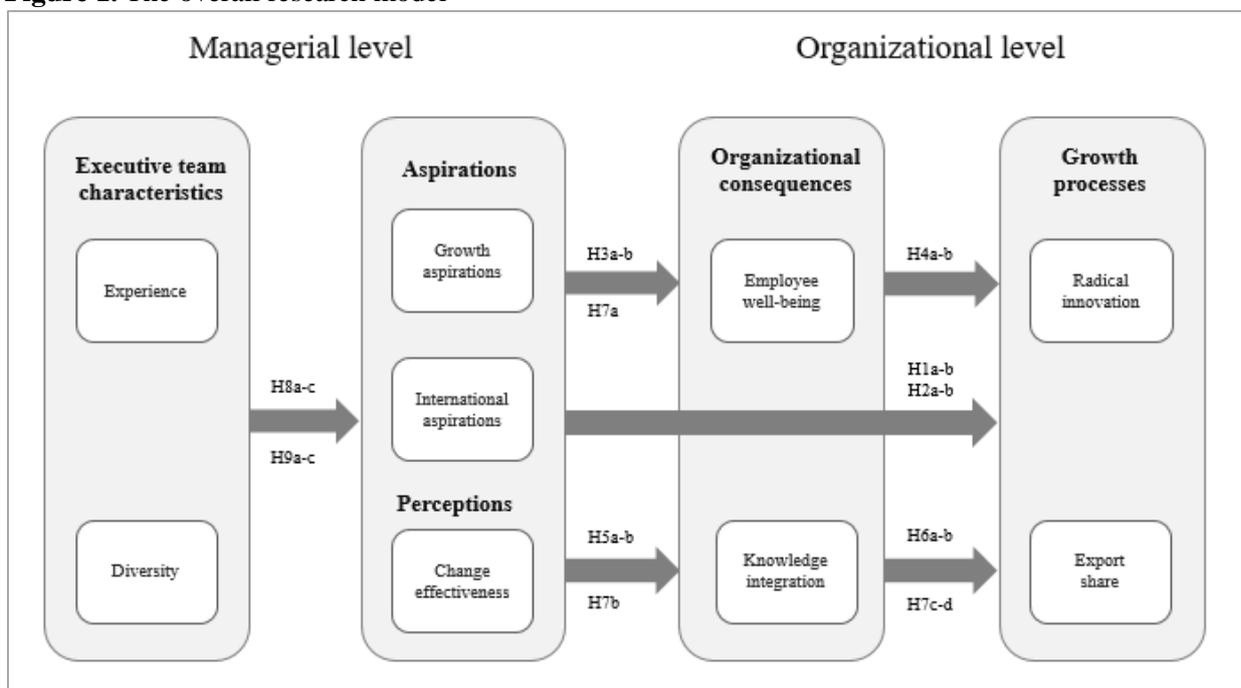
The main purpose of this paper is to increase our understanding of managerial aspirations – what shapes them and which organizational consequences they have. In an effort to answer the research question, we utilize a quantitative approach to facilitate theory testing. Our approach includes four important elements: (1) we differentiate between growth aspirations and international aspirations, (2) we make a distinction between the growth strategy of innovation and that of internationalization, (3) we look at characteristics of the top management team (TMT) as a possible antecedent of growth aspirations and (4) we include employee well-being and knowledge integration as organizational consequences and analyze their role in the growth process. The overall research model is illustrated in Figure 1. The paper proceeds as follows: we first outline the theoretical framework and develop nine main hypotheses and 22 sub-hypotheses. We build on an empirical sample of exporting SMEs from Norway, and the methodology and the accompanying results will be described before we discuss our findings in more detail, along with their implications for scholars, practitioners and policy makers.

## **2. Hypotheses development**

The resource-based view has been described as "the dominant theoretical approach to understanding firm growth" (Nason and Wiklund, 2008, p. 32). In their bibliometric analysis of the firm growth literature, Zupic and Drnovsek (2014) found that Penrose (2009) and Barney (1991) were the most cited references. In this paper, we will use Penrose's theory of the growth of the firm and RBV as our theoretical frameworks. Penrose's growth perspective is often considered as a founding force of RBV; however, these theoretical viewpoints can also be considered to be different (Foss, 1999; Nason and Wiklund, 2018). RBV focus on the degree to which resources are valuable, rare, inimitable and non-substitutable to ensure sustainable competitive advantage, whilst Penrose emphasize the firm-specific variations of productive services. She argue that the development of these resources depend on what managers are able to perceive as possible uses of said resources. Still these two theoretical perspectives share a common element in their central classification of resources as vitally important for firm

performance, and in this study, they will together be utilized as the overarching theoretical framework. In their effort to develop an integrated, “big picture” model of small firm growth, Wiklund et al. (2009) organize a research framework which includes the resource perspective, also encompassing human capital and dynamic capabilities and growth aspirations. Building on this, we will here regard TMT experience and diversity as firms’ human capital resources, whilst change effectiveness and knowledge integration processes can be characterized as organizations’ intangible resources. In line with Andersén (2017), who discovered a negative effect between entrepreneurial orientation and employee well-being, we explore the intangible resources of managerial perceptions’ and aspirations’ influence on the well-being of workers. Further, we hypothesize these aspects to influence the organization’s ability to succeed with innovation processes and prosper in international markets.

**Figure 1.** The overall research model



In her work, Penrose (2009) noted that there are two ways to look at growth – growth in output (for example, increase in amount) and growth as output (that is, development of the organization). Growth can be pursued in a multitude of ways (Delmar et al., 2003). SMEs, in essence, may grow by launching new products (innovation) or they may seek additional customers in new markets (internationalization) or they may try to combine these growth strategies, as described by Azari et al. (2017) and Kyläheiko et al. (2011). In this paper, we conceptualize the motivation to grow as (1) growth aspirations aimed at increasing the number of customers, understood as “exploitation of old certainties” through export, or (2) development of new products, understood as “exploration of new possibilities” through radical innovation (March, 1991, p. 71). Even though exploration and exploitation can be complementary activities, mutually reinforcing each other over time (Raisch et al., 2009), they are often also characterized as contradictory activities and viewed as forming a “paradoxical relationship” (Koryak et al., 2018, p. 413, see also, Andriopoulos and Lewis, 2010; Raisch et al., 2009). International market exploitation as a way of growth will entail different tasks and even a distinct way of thinking, than the

demands and logic required to ensure innovative exploration as a growth strategy. This is in line with Naldi and Davidsson (2014, p. 5) who state that “we recognize that each form of entrepreneurial growth places distinct demands on the firm,” where “the notion of entrepreneurial growth refers to growth through the launch of new products or services and/or through expansion into new geographic markets, domestically and abroad” (2014, p. 2). In this paper, we, therefore, distinguish between growth aspirations reflecting a will and need to grow through explorative activities and international aspirations indicating a will and need to expand the customer base through exploitation to locations abroad.

Below we develop the study’s hypotheses. Overall, we expect similar effects of both types of aspirations, and this is also tested in the hypothesized model (Figure 1).

### *2.1 Growth aspirations are expected to positively influence growth strategies*

In her theory on the growth of firms, Penrose (2009) argues that managers’ motivation and conscious decision-making have a significant role in the process of growth. Executive decisions determine how resources are applied to serve specific purposes, and this application is in turn shaped by what the manager perceives to be possible uses of the resources. Empirical research has indeed found a positive relationship between executives’ growth aspirations and firms’ realized growth (Davidsson, 1991; Delmar and Wiklund, 2008; Kolvereid, 1992; Wiklund and Shepherd, 2003). Summed up by Wright et al. (2015, p. 9), “the motivation to grow, reflected in the growth intentions of leaders and their goal setting, is an important determinant of growth.” Even though growth often includes elements of a random walk (Coad, 2009), it is both theoretically sound and empirically found that aspirations to grow are necessary for the growth process to happen in the first place (Delmar and Wiklund, 2008; Moen et al., 2016).

Innovation is often seen as either novel (re-)combinations of resources or incremental improvements of existing ones. Radical innovations have the potential to disrupt markets and current means – ends relationships (Di Gregorio et al., 2008; Schumpeter, 1934). Meaning that through innovation, and especially the radical kind, organizations may explore entirely new markets. In the Kirznerian view, entrepreneurs may profit from market imperfections and arbitrage opportunities due to an uneven distribution of knowledge (Di Gregorio et al., 2008; Kirzner, 1973; Shane, 2003). This means that internationalization – and export, in particular – is a way for firms to exploit existing product solutions in new markets abroad where there could be less competition.

Internationalization of an organization’s activities could happen across the value chain, but it has mainly been viewed as an export-related phenomenon (Leonidou et al., 2010). The internationalization process model, also known as the Uppsala model (Johanson and Vahlne, 1977; Vahlne and Johanson, 2017, 2020), describes export as the very first action in approaching international markets, which generates substantial experiential knowledge and “learning by doing” (Welch et al., 2016). Due to its more exploitative nature, exporting may be less demanding than radical innovation when it comes to organizational change. In exploitation of firms’ known product solutions in new markets, employees may rely more heavily on prior experience and established knowledge structures than they are able to in entirely new markets. To measure internationalization as a firm outcome, we calculate firms’ export share in percentage of overall sales as this is widely used in order to measure the international involvement of firms (Madsen and Moen, 2018). Our first set of hypotheses reads:

*H1a-b.* Higher growth aspirations will increase firms' (a) *explorative growth* (radical innovation) and (b) *exploitative growth* (export share).

*H2a-b.* Higher international aspirations will increase the firms' (a) *explorative growth* (radical innovation) and (b) *exploitative growth* (export share).

## *2.2 Growth aspirations are expected to negatively influence employee well-being*

Even though growth processes can be positive in the sense that they invite personal development opportunities to managers and employees, organizational change will still heighten demands on the firm's resources, including what is required of employees. Although firm growth might entail promotion, higher salary and status, such processes are often accompanied by increased uncertainty as well as more complex and challenging tasks (Andersén, 2017). Particularly, when growth is part of the developmental process of an organization, it may involve changes that can be demanding for both employees and managers (Raisch and Birkinshaw, 2008; Tushman and O'Reilly, 1996).

Penrose (2009) emphasized the vital importance of planning in relation to growth and highlighted the interconnectedness between previous and current growth in that managers' past experiences shape the opportunities for productive services they see their current resources can render. However, growth also requires an increase in the number of "people on deck" and taking the time to teach new human talent the ways of the organization. As managers and employees become more familiar with and effective in doing their tasks over time, managerial slack and other unused resources become available and the organization is better positioned to undertake growth activities. This two-sided perspective is pinpointed in the so-called "Penrose effect," in which firms that experience rapid growth in one period are expected to generate less growth in the next, due to the growth process itself and the time required to hire and train new talent (Foss, 1999; Lin et al., 2020).

Building on this, if managerial planning in relation to growth is inadequate or if the growth process is not understood or seen as meaningful and beneficial to the employees, there are likely to be periods where employees experience great time pressure, increased uncertainty, as well as role ambiguity, in which they lack information of their responsibilities, tasks and what is expected of them (Andersén, 2017; Yun et al., 2007, p. 746).

This may lead to stress and frustration within the organization (Andersén, 2017; Kotter, 2012) and, thus, reduce employee well-being (Cooper et al., 2001). Karasek and Theorell (1990) explain that work-related stress is connected to situations where the employees' job demands are high and their perceived decision power, or autonomy, is low. Ryan and Deci (2000, 2001) describe the basic foundations of psychological well-being to be connected to autonomy, relatedness and competence. Indeed, increased employee well-being has been shown to contribute to better employee performance (Wright and Cropanzano, 2000), while reduced well-being and perceived stress are found to be linked to stress-related illnesses (Cooper et al., 2001) and to employee turnover due to job dissatisfaction (Wright and Bonett, 2007).

According to Bass and Bass (2008, p. 812), "stress occurs to individuals, groups and organizations when their situation is overly complex, ambiguous, unclear and demanding in relation to

the competence, resources or structural adequacy available to deal with the demands.” High aspirations may imply that employees are suddenly faced with organizational bureaucracy and resources that are not flexible enough for the adaptive demands from the growth process itself; therefore, managerial aspirations in themselves can be a source of considerable resistance from employees. In addition, we may expect different effects on employees depending on the type of growth strategies that managers aspire to. In Mishina et al.’s (2004, p. 1180) words, “growth involving the replication or extension of existing routines is less disruptive to the normal order than growth that involves building new routines, or the creative recombination of old routines.”

In general, reduced well-being among employees in a firm that seeks to pursue growth opportunities is not optimal as it may limit creative thinking (Byron et al., 2010; Lazarus, 1966) and, thus, decrease the organizational ability to identify new solutions to growth challenges (Bass and Bass, 2008). Early on, Amabile (1996, p. 254) summed up by stating that “although a concern over the outcome of a project can motivate effort, stress and pressure that are unrelated to the project itself will most likely undermine creative performance.” Overworked, stressed and tired employees are more likely to make mistakes as decision-making under stress is more prone to errors (Bass and Bass, 2008). Frustrated employees are also more likely to engage in affective conflicts as opposed to more productive cognitive discussions (Eisenhardt, 2013). Wiklund et al. (2003, p. 252) explain, “some managers fear that growth would force formalization and destroy the family-like atmosphere of the small organization, where every member is indispensable.” Therefore, aspiring to and achieving growth, even if it entails exciting new challenges, must be viewed as a resource-consuming, and possibly detrimental, activity. This activity may have negative consequences on the organization in that employees’ diminished well-being also reduces the organizations’ capability for growth related to either radical innovation or internationalization.

*H3a-b.* Higher (a) *growth aspirations* and (b) *international aspirations* will reduce employee well-being.

*H4a-b.* Reduced employee well-being will reduce the (a) *explorative growth* (radical innovation) and (b) *exploitative growth* (export share).

### *2.3 Growth aspirations are expected to positively influence knowledge integration*

Growing and internationalizing SMEs acquire new knowledge from numerous internal and external sources (Branzei and Vertinsky, 2006; Esteve-Pérez and Rodrigues, 2013; Marques et al., 2017). Such firms are often open-minded in their effort to explore and exploit market opportunities and thus are able to compete effectively (Azari et al., 2020; Kumar et al., 2012). In order to ensure competitiveness, SMEs have to integrate such knowledge and make it useful for product or process innovation (Morone and Taylor, 2012).

Knowledge integration is therefore a source for innovation and competitiveness (Tzabbar et al., 2013; Tell, 2011). Knowledge integration is understood in this paper as formalized routines that capture experiential knowledge from employees in an effort to make that knowledge more explicit and attainable to other individuals in the firm (Zahra et al., 2000). Experiential knowledge is often tacit and can be

obtained by any person in the organization, be it a sales person, an engineer or the chief executive officer (CEO). Organizational attempts to transfer persons' tacit knowing into more explicit knowledge elements are central in organizations' knowledge creation (Nonaka, 1994; Nonaka and Takeuchi, 1995). Grant (1996b, p. 111, emphasis in original) states that we "identify knowing how with tacit knowledge, and knowing about facts and theories with explicit knowledge" and further posits that "if new knowledge is explicit, or if tacit knowledge can be articulated in explicit form, then integrating new knowledge does not pose major difficulties" (1996a, p. 382).

In Penrose's (2009) view, administrative decisions define how firms' resources are applied to create productive services. These productive services are initially shaped by the productive opportunities that managers are able to see based on their current knowledge. As firms grow, and managers extend both their tacit and explicit knowledge, they are able to identify and exploit a wider set of productive opportunities (Foss, 1999). A larger knowledge pool in the organization allows for more analogous reasoning (Holyoak and Thagard, 1996), and firms may be able to identify more windows of opportunities and evaluate more effectively, which opportunities will be most beneficial to them.

Organizational knowledge creation and integration is likely to differ depending on whether it is associated with the processes of exploring new opportunities through innovation or with exploiting old certainties through internationalization. Internationalization may involve entry into multiple foreign markets and a perceived need to capture and integrate more knowledge. Therefore, international aspirations should be followed by higher degree of knowledge integration related primarily to knowledge about market forces and customer preferences. Aspirations to grow, in general, may involve a greater degree of experimentation and tacitness related to new product development that could be more difficult to capture with formal routines. Therefore, we expect a stronger effect from international aspirations on knowledge integration than from growth aspirations to the same. If capabilities to formally integrate knowledge become well implemented in the organization, we expect this to have positive effects on innovation (Morone and Taylor, 2012) as well as further internationalization (Azari et al., 2020). If more tacit knowledge is involved, however, we expect that the effect of formalized routines will be less strong. This indicates that the effect on innovation may be quite weak since innovation processes typically have high contents of tacit knowledge and such knowledge may be harder to integrate through formal processes.

In general, however, we hypothesize that both growth aspirations and international aspirations will be associated with increased efforts of knowledge integration and that knowledge integration will have a positive impact on the actual growth efforts related to innovation and internationalization:

*H5a-b.* Higher (a) *growth aspirations* and (b) *international aspirations* will increase organizational knowledge integration.

*H6a-b.* Higher organizational knowledge integration will increase the level of (a) *explorative growth* (radical innovation) and (b) *exploitative growth* (export share).

#### *2.4 Change effectiveness is expected to positively influence well-being, knowledge integration and growth strategies*

The change effectiveness concept utilized in this study inhabits elements of team effectiveness related to performance, and collective efficacy, defined as “a group’s shared belief in its conjoint capabilities to organize and execute the courses of action required to produce given levels of attainment” (Bandura 1997, p. 477). Team effectiveness may be understood as the collective beliefs about the teams’ combined capabilities in achieving performance. In this paper, we focus on the belief in the collective self in changing situations. In other words, change effectiveness reflects managers’ view of their executive teams’ ability to adapt to dynamic demands and work effectively together, even in challenging situations. Managers’ perceptions of their executive teams’ collective ability to handle changing environments, together with the overall perception of its effectiveness, can in line with RBV be viewed as an intangible resource, which will influence the teams’ persistence in overcoming challenges and, thus, impact the growth strategies employed.

Based on social cognitive theory, management teams who feel they are capable of handling new challenges and changing their behavior according to demands from the environment are more likely to seek out such activities. In Bandura’s (2000, p. 75) words, “unless people believe they can produce desired effects and forestall undesired ones by their actions, they have little incentive to act.” Such efficacy beliefs are highly related to the intention to perform a behavior at the individual level (Ajzen, 1991; Krueger, 2017; Krueger et al., 2000) and “perceived collective efficacy fosters groups’ motivational commitment to their missions, resilience to adversity, and performance accomplishments” (Bandura 2000, p. 75).

Even though we in this paper argue that change, to a large degree, is characteristic of an innovation-related growth strategy, it will also be present in growth through internationalization. When a management team exhibits change effectiveness, the executives perceive their teams to be effective in handling change and, therefore, these managerial teams will be more likely to seek out change in the form of either innovation or internationalization. In addition, being able to handle change implies a more conscious view of firms’ environments as dynamic and, thus, a greater emphasis on the benefits of creating a learning organization in the form of formal knowledge integrating routines.

Change-effective teams may perceive themselves as being better at communicating the need and “urgency” of change and the visionary outcome of the growth process to employees (Kotter, 2012). Management teams who consider themselves capable of working together effectively in the face of change may also have a more positive affect in the group, which is beneficial in stressful situations (Folkman and Moskowitz, 2000). These aspects of the change effectiveness concept could lead to reduced stress levels for the employees and, in turn, have a positive impact on their well-being. Consequently, employees who understand what the growth process is about may perceive themselves as having more control over the process, and this may help them handle growth-related stress (Andersén, 2017).

*H7a-d. Higher levels of change effectiveness will increase (a) employee well-being, (b) knowledge integration, (c) explorative growth (radical innovation) and (d) exploitative growth (export share).*

## 2.5 The role of the top management teams in growth strategies

Penrosean growth suggests that firms' prior use of resources generates distinct learning and limitations, which influences the productive opportunities that managers are able to see for their firms. Furthermore, experienced managers are more likely to have a deeper understanding of the "way things work" and may be better able to make sense of their context and resources. In RBV, human capital is seen as "assets and competencies owned or controlled by the firm that generate value for the business in achieving competitive advantage" (Fenech et al., 2019). Prior knowledge and experience are an essential part of human capital (OECD, 2001, p. 18). In their comparison of personal factors in small firm internationalization, Manolova et al. (2002) found that managerial perceptions of the environment play a key role. Familiarity with growth strategies can reduce the perceived risks associated with the strategic efforts because managers have learned how they can overcome challenging periods. Experience can also make managers more attentive to the signals in the business environment that call for necessary change – to be able to survive and thrive.

Diversity is known to influence social interaction in teams, including TMTs. More diverse teams are found to produce innovative solutions to tricky problems and, thus, potentially exhibit greater performance (Nielsen, 2010). March (1991) upholds that diversity in organizations allows for more explorative efforts and organizational learning, and it is also found that diversity may assist managerial team members in effectively handling both strategies of explorative and exploitative growth (Smith and Tushman, 2005). However, high diversity may also lead to more emotional conflict and challenge productive interaction among team members (Milliken and Martins, 1996; Nielsen, 2010). In other words, diverse teams may be more creative in identifying opportunities, but if communication fails, the team's collective ability to pursue such aspirations, decreases.

Decision-makers' experience and diversity, who they are, what they know and how they interact affect which growth ambitions they form for their firms and how they perceive their performance in processes of organizational change. An experienced team with a diverse composition has a larger aggregated knowledge pool that may heighten the teams' perceived effectiveness in handling change and also raise their growth aspirations. Sources of efficacy beliefs include mastery and vicarious experiences, both of which are also present in a team setting. We hypothesize

*H8a-c.* More experience in the TMT will result in higher levels of (a) *growth aspirations*, (b) *international aspirations* and (c) *change effectiveness*.

*H9a-c.* More diversity in the TMT will result in higher levels of (a) *growth aspirations*, (b) *international aspirations* and (c) *change effectiveness*.

Figure 1 illustrates the hypothesized research model. To ensure readability and limit the use of arrows, we have separated the model into four blocks depending on their unit of analysis and the logic in the path diagram. Note that the two blocks on the left represent managerial aspects, whilst the two to the right capture organizational outcomes. The block to the far left includes what is hypothesized to be antecedents of growth aspirations. Moving from left to right, the next block consists of managerial

aspirations and perceptions. The third block from the left is hypothesized as organizational consequences, and the block to the far right represents firms' growth strategies. An arrow between blocks signals that all constructs within a block have a hypothesized relationship with the constructs in the receiving block.

### 3. Methodology

#### 3.1 Data collection

The data for this study was collected from small- and medium-sized firms, with fewer than 250 employees, in Norway. We identified the firms through the Kompass database which holds registry data and information such as export degree and the number of employees of Norwegian firms. A questionnaire was in the year 2014 sent to the 2,262 firms meeting the selection criteria of being small or medium sized and internationally exposed firms. The respondents could choose between answering by paper (using a prepaid return envelope) or online. The questionnaire built on previously used measures and was pretested in ten companies. We received 249 fully completed responses, resulting in a response rate of 11%. Acknowledging the value creating importance of every employee in any particular organization, the questionnaire was addressed to the general manager of firms, and no other individual, as this person was viewed to be most likely to have an overview of the growth strategies of firms and hold a stronger influence on its formation (Hambrick and Mason, 1984; Hambrick 2007). Only a handful of responses were completed by someone not likely on the executive team but who still had an overview of the firms' operations (for example, the controller). Responding firms had an average of 38 employees, the average operating income was €15m and the vast majority of firms characterized their major offering to be a physical product.

#### 3.2 Measures

As the focus for this study, we chose the TMT and no other work teams as this is in line with Hambrick and Mason's original work (1984) and builds upon the notion that there are some individuals in an organization who are more influential than others. Questions on top team characteristics, meaning the teams' *experience* and *diversity*, were based on Hambrick and Mason's (1984) study as well as other later examinations of upper echelons (Carpenter et al., 2004; Hambrick, 2007). Items related to TMT diversity include international and educational background, educational degree and type of personality. Items related to experience include previous entrepreneurial, industry and executive experience. The construct of *change effectiveness* was based on Pearce and Sims's (2002) measures relating to change effectiveness and overall team effectiveness. Indicators include questions on how the management team handles change, meets new challenges, if they change behavior to meet external requirements and if they work well and effectively together. The level of formal *knowledge integration* in the organization was based on work by Zahra et al. (2000) and concerns the extent to which companies use different activities to capture, interpret, synthesize and integrate learning experiences from their international endeavors. Examples of items are the degree to which information is summed up and discussed at meetings and whether or not the firm analyzes both failed and successful projects. Employee *well-being* has often been measured in three dimensions (health, happiness, relational well-being) as described by

Grant et al. (2007). We choose to build on the literature on stress and leadership and construct the measure using items that focus on frustration due to conflicts, bureaucracy and lack of resources (Bass and Bass, 2008). The *radical innovation* construct builds on the large innovation study by Statistics Canada (2002), while the measure of *internationalization* is the widely used export share (Madsen and Moen, 2018). All of the constructs were measured on seven-point Likert scales.

### 3.3 Measurement model

To be able to test our hypothesized model, we used structural equation modeling (SEM) and statistical software Stata IC/15. This method allows for the testing of multiple paths simultaneously while potentially accounting for measurement error in items. Following Anderson and Gerbing (1988), we separated the estimation of the measurement model from the structural model and studied the first before executing the latter. We performed a confirmative factor analysis (CFA), with maximum likelihood estimation and robust standard errors to be able to assess the validity and structure of our constructs. All items loaded significantly onto their respective factors, with all loadings above 0.5. For the measurement model, we allowed an error covariation across the two constructs of growth aspirations (from need to grow in general to need to grow internationally).

To assess how well the estimated measurement models' variance–covariance matrix fits with the empirical data's variance–covariance matrix, we calculated several goodness-of-fit measures. The overall goodness of fit of the measurement model to our data was satisfactory, meaning that the model fits the data well (standardized root mean squared residual [SRMR] 5 0.056; root mean square error of approximation [RMSEA] 5 0.060; comparative fit index [CFI] 5 0.922; Tucker–Lewis index [TLI] 5 0.908). In addition, we executed the Harman single-factor test and did not observe common method bias issues as the percentage of variance explained less than 33%. Assessing the measurement model and scales, we noticed that the TMT experience construct had the lowest Cronbach alpha and an average variance extracted (AVE) score of less than 0.50. The item “experience from working in the same industry” seemed to be causing these problems. We conducted all analyses with and without this item in the scale and leaving it out had no influence on the interpretation of the findings, except for diversity showing a significant association with growth aspirations (0.18\*) and change effectiveness (0.15\*). As we regard experience from the same industry as a relevant part of managerial experience in general, we chose to include this item in the final scale. Please see Table 1 for more information on factor descriptives.

**Table 1.** Factor Means, Standard Deviations, Average Variance Extracted and Squared Factor Correlations

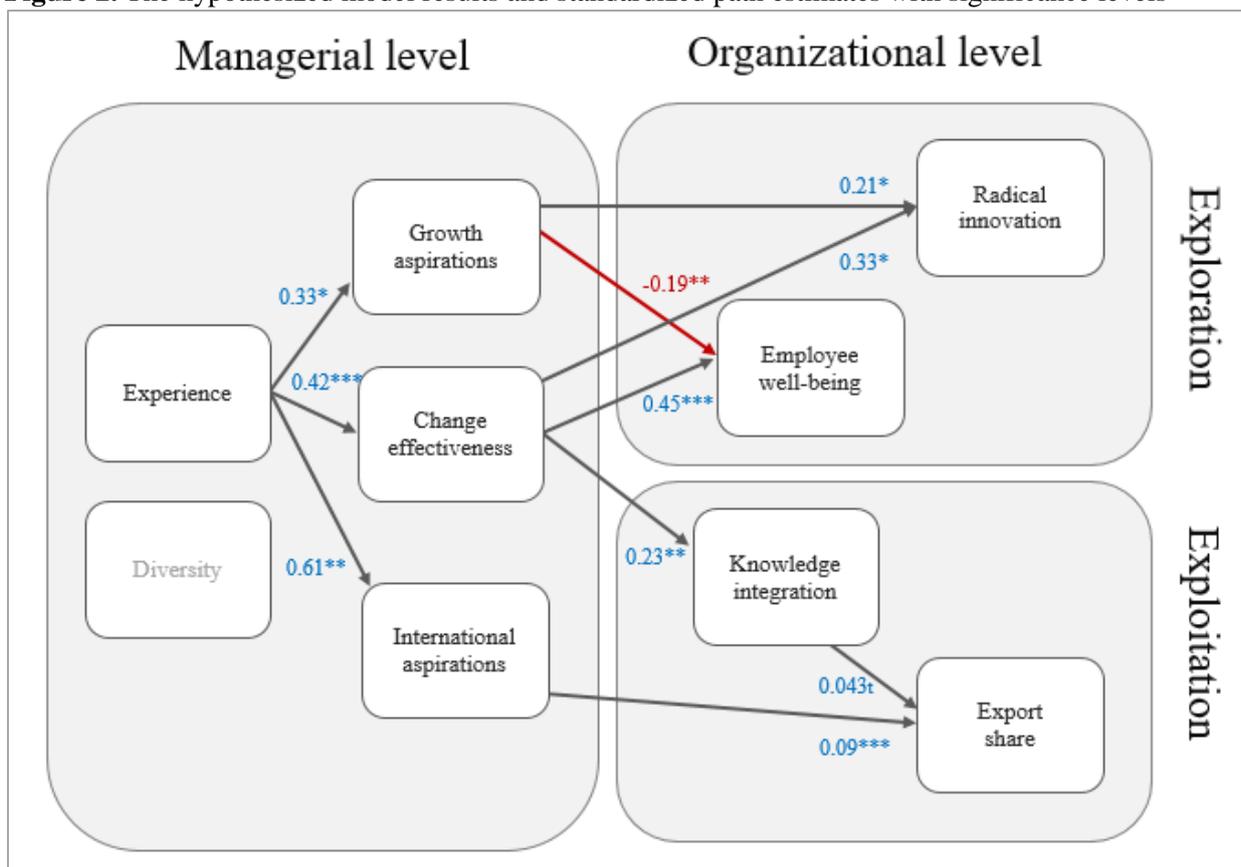
Factor	Mean	Sd	AVE	1	2	3	4	5	6	7	8
1 Experience	4.781	0.094	0.399	1.000							
2 Diversity	4.780	0.090	0.554	0.060	1.000						
3 Growth aspirations	5.270	0.090	0.689	0.049	0.020	1.000					
4 Int. aspirations	4.213	0.111	0.788	0.052	0.005	0.367	1.000				
5 Change-eff.	5.000	0.063	0.648	0.209	0.026	0.011	0.055	1.000			
6 Well-being	5.899	0.072	0.523	0.007	0.025	0.047	0.007	0.212	1.000		
7 Knowledge int.	2.950	0.096	0.533	0.007	0.011	0.033	0.067	0.069	0.005	1.000	
8 Radical innovation	4.241	0.115	0.595	0.002	0.003	0.063	0.068	0.053	0.002	0.013	1.000

## 4. Results

### 4.1 Analysis of the structural model

Having determined the validity of our measurement model (point 3.3 above), we moved on to testing our hypothesized path model. We allowed some measurement error covariations within and across constructs in the structural model. These covariations were across the constructs growth aspirations and international aspirations (specifically need to and desire to grow), within change effectiveness (between the team works effectively and does a good job), as well as within the knowledge integration construct (between use of formal reports and formal analysis of successful projects). Due to listwise deletion of missing observations, the path model was run with 249 firms with complete data and used maximum likelihood estimation. Testing the hypothesized relationships, the structural model showed satisfactory model fit indices (SRMR = 0.085; RMSEA = 0.060; CFI = 0.915; TLI = 0.902). To be able to evaluate the support for our hypotheses, we went on to assess the statistical significance, size and direction of our estimated path coefficients. Results from the structural model are included in Figure 2, and the tests of the hypotheses with standardized path coefficients are reported in Table 2.

**Figure 2.** The hypothesized model results and standardized path estimates with significance levels



### 4.2 Findings

Results from the structural path model indicate that growth aspirations, are indeed associated with more radical innovation and that international aspirations are related to increases in the export share. Ambitious growth aspirations have a strong and significant link with innovation, whilst international aspirations exhibit a weaker but highly significant relationship with internationalization (please see

Figure 2 for estimated path values). Contrary to our hypotheses, growth aspirations also exhibit a small but negative influence on export share, while there is no statistically significant link between international aspirations and innovation. This demonstrates that the explorative nature of radical innovation and the more exploitative characteristic of exporting are significantly linked with their own distinct type of aspirations, as illustrated in Figure 2.

As hypothesized, growth aspirations do negatively affect well-being among employees, reducing it. This indicates that managers' positive attitudes toward change and development are associated with more frustration and less well-being among employees. Interestingly, international aspirations did not show the same negative effect on well-being as growth aspirations did. The relationship between international aspirations and well-being was insignificant, meaning that in our dataset, managers' aspirations to venture abroad have no significant influence on well-being among employees, either in a positive or negative way. In line with our argumentation in the theoretical framework, this could indicate that international aspirations impose less strain on the employees' working conditions in the organization.

When it comes to formal knowledge integration, we found it to be explained neither by growth aspirations nor by international aspirations – the latter was especially surprising. While international aspirations had a small but significantly strong association with export share, it seems that SME managers with international aspirations are no more engaged with developing formal knowledge-integrating routines than are other managers in our dataset. This could mean that the experiences from growth processes in SMEs are especially tacit and, thus, difficult to transfer to explicit knowledge. It may further signify that more face-to-face efforts at transferring idiosyncratic knowledge between individuals may be at play. Further, we see that formal knowledge integration showed no impact on radical innovation, but it had a small and statistically weak relation with export share. This strengthens the assumption above that formal knowledge integration is less relevant in SMEs' growth processes.

Change effectiveness shows a strong and positive relation to employee well-being, indicating that managers can be both the cause (through high growth aspirations) and the cure of stress and frustration in relation to challenging growth processes (through change effectiveness). This means that managers who perceive their teams to be flexible and work effectively in the face of change may avoid the adverse effects of reduced well-being among their employees.

The concept of change effectiveness also relates significantly and positively to knowledge integration, in addition to radical innovation. This means that change-effective teams generate more formal organizational learning, as well as more radical innovation. Moreover, it implies that such management teams aim at balancing the creation of new knowledge through radical innovation and the capturing of current knowledge through formal knowledge integration. Interestingly, change effectiveness shows no association with export share, indicating that the organizational change associated with exporting behooves less flexibility from managers.

When it comes to the effects of experience and diversity on the aspirations and perceptions developed by managers, it is clear that, in this dataset, experience matters. However, we observe surprising nonsignificant findings in relation to the path estimates of diversity. Experience, on the other hand, shows a strong relationship with growth aspirations and an even stronger link to international aspirations. More experienced management teams also demonstrate a strong and positive association

with change effectiveness, suggesting that managers on more experienced executive teams also perceive their teams to exhibit higher change effectiveness. These findings will be further discussed in the next section.

**Table 2.** Test of Hypotheses with Standardized Path Coefficients

H	Model parameters	Standardized estimate	Critical ratio	Result
H1a	Growth aspirations □ Innovation	0.214	2.10*	Supported
H1b	Growth aspirations □ Export share	-0.044	-2.27*	Not supported
H2a	International aspirations □ Innovation	0.094	1.32	Not supported
H2b	International aspirations □ Export share	0.093	7.03***	Supported
H3a	Growth aspirations □ Well-being	-0.192	-3.19**	Supported
H3b	International aspirations □ Well-being	-0.022	-0.47	Not supported
H4a	Well-being □ Innovation	0.062	0.44	Not supported
H4b	Well-being □ Export share	-0.031	-0.99	Not supported
H5a	Growth aspirations □ Knowledge int.	0.052	0.87	Not supported
H5b	International aspirations □ Knowledge int.	0.064	1.38	Not supported
H6a	Knowledge integration □ Innovation	-0.041	-0.35	Not supported
H6b	Knowledge integration □ Export share	0.043	1.83 <sup>t</sup>	Supported
H7a	Change effectiveness □ Well-being	0.450	4.81***	Supported
H7b	Change effectiveness □ Knowledge int.	0.230	2.99**	Supported
H7c	Change effectiveness □ Innovation	0.326	2.49*	Supported
H7d	Change effectiveness □ Export share	-0.003	-0.11	Not supported
H8a	Experience □ Growth aspirations	0.332	2.19*	Supported
H8b	Experience □ International aspirations	0.610	2.91**	Supported
H8c	Experience □ Change effectiveness	0.419	4.21***	Supported
H9a	Diversity □ Growth aspirations	0.116	1.13	Not supported
H9b	Diversity □ International aspirations	0.027	0.19	Not supported
H9c	Diversity □ Change effectiveness	0.046	0.79	Not supported

\*\*\* $p < 0.001$ , \*\* $p < 0.01$ , \* $p < 0.05$ ,  $t < 0.10$

## 5. Discussion

This study uses the theoretical perspectives of Penrose's growth theory and the RBV to bring together managerial and organizational aspects of firms' growth processes. In this discussion, we focus on four distinct issues: (1) the impact of growth aspirations and change effectiveness on employee well-being; (2) the influence of the TMT's experience and diversity on managerial aspirations and perceptions; (3) explorative versus exploitative growth strategies and (4) the weak explanatory power of knowledge integration.

### 5.1 Managerial aspirations' and perceptions' impact on employee well-being

In line with the results obtained in Wiklund et al. (2003), we found a negative association between ambitious growth aspirations and employee well-being. However, whilst Wiklund et al. (2003) observed the expected consequences of well-being to be important in the development of aspirations, our model focused on how aspirations actually influenced employee well-being at the time. Our results found that high aspirations were associated with reduced well-being; however, this was only true for growth aspirations, in general, and not for aspirations to venture abroad. Further, if the management team perceived themselves to be change effective, this seemed to mitigate the negative effects of change-intensive aspirations by reducing bureaucracy, conflict levels and resource limitations. Change effectiveness actually increased well-being by more than double compared to the adverse effects caused by ambitious growth aspirations. In line with Andersén (2017), we find that employee well-being seems

to be closely related to the managerial level in that managers have the potential to put significant strain on their employees through change-intensive growth aspirations; however, we also find that managers can relieve such detrimental effects by employing flexible, supportive and competent leadership when it comes to organizational change. Our findings highlight the subjective dimension of stress (Cooper et al., 2001) in that its impact on wellbeing is dependent upon the context and the individuals' responses to the stressors.

Penrose (2009) emphasize the need for freeing or acquiring resources when organizations aspire to grow – and for planning for the time it takes to teach managerial talent and other human resources the ropes of the firm before the organization is ready to grow. As our results indicate, leaders may well cause stress and reduce well-being through ambitious growth aspirations, which may be due to lack of planning or in not hiring and teaching new employees (Penrose, 2009). Ambitious aspirations are found to predict actual growth (Wiklund et al., 2003) and are seen as advantageous on a societal level due to its inherent provision of new jobs and value creation. However, in demanding extensive change to one or several of the organizations' core business areas through exploration of new opportunities, managers are adding uncertainty to employees' everyday work (Andersén, 2017) and instilling a broad range of new tasks that need to be fulfilled within the firm. Without influx of new knowledgeable employees and efficient managers, the human capital already within the organization will end up under increased strain with more tasks in a possibly more complex context. As such, our findings elaborate on the Penrose effect in that aspirations to grow reduce well-being among employees, partly explaining why unlimited firm growth is not possible (Penrose, 2009). However, our findings also point to leaders' ability to relieve stress through effective managerial handling of change. Our results further highlight the importance of considering change effectiveness when addressing growth aspirations and employee well-being as managerial teams that perceive themselves to be more effective in the face of change are better equipped to pursue ambitious growth strategies together with their firms. Change-effective teams are flexible and handle unforeseen events in an adaptable manner, this dynamic approach to firm development could also mean that managers are better at communication – at instilling a “sense of urgency” in employees to account for the need for changing the organizations' strategic growth efforts (Kotter, 2012) and at getting the employees on board in the growth vision (Bass and Bass, 2008).

Interestingly, our empirical evidence did not provide any support for an association between change effectiveness and internationalization. It seems that, in explaining internationalization as an organizational growth strategy, the teams' perception of their working ability in the face of change is irrelevant. This indirectly supports our argument that ambitious growth aspirations that are highly connected with change in the organization will demand executive teams that are more dynamic and better able to handle such change, while exporting as a growth strategy demands less organizational development.

Surprisingly, our results indicated no significant relationship between well-being and the growth strategies employed by firms. One interpretation could be that managers correctly expect reduced well-being to be a consequence of growth aspirations but that there are other factors influencing realized organizational growth through internationalization and innovation. Among such factors should be change effectiveness, which strongly and significantly relates to radical innovation. As this concept includes elements of collective efficacy (Bandura, 1997) and perceived behavioral control (Ajzen,

1991), its strong effect on behavior is in accordance with theory. Being effective in handling change and flexible in stressful situations means that executives are more likely to seek opportunities for growth and to start change processes. The management team will, through their belief in their own effectiveness, invite more novel innovations at the organizational level. Therefore, the organizational effects of having executive teams believing themselves capable of handling changing environments have a twofold benefit: it increases the likelihood of engaging in radical innovation strategies as a way to grow the organization, and it heightens employees' levels of well-being in the growth processes.

### *5.2 Top management experience is important*

In our structural model, we expected the human capital component of managerial experience and TMT diversity to have positive influences on managers' growth aspirations. Our findings did indicate that prior experience related to leadership, entrepreneurship and industrial familiarity was a strong predictor of explorative growth aspirations, and it was even stronger when it came to the exploitative aspirations to venture abroad. The latter may indicate that more experienced executives realize that internationalization through export is a less change-intensive growth strategy than more radical innovation efforts, thus posing as "lower hanging fruit." March (1991, p. 83) argued that "increased knowledge seems often to reduce the variability of performance rather than to increase it." This seems also to be relevant at the level of managerial aspirations. More experience makes managers drawn to the safer option of a greater market for a known product, rather than encouraging them to explore uncertain new products. Internationalization, and especially export, also implies relatively rapid experience gains and potentially the development of useful heuristics in the often multiple entries into foreign countries. This knowledge could be systematized, either formally or informally, and more easily used again in the next entry. Radical innovation, on the other hand, often involves the creation of new knowledge through risk-taking and experimentation. Such knowledge is harder to generate in the first place and also more difficult to utilize directly in the firm's next endeavor.

In Penrose's view, managerial experience in general is essential in the process of firms' growth (1959). As executives become familiarized with their administrative tasks, these executive functions increasingly become routine for the individual manager, thus freeing up time to focus on productive opportunities. Increased experience on the executive level implies greater insight into firms' contexts and ways of doing business. Richer deposits of business experiences expand the number of productive opportunities a manager is able to see; this may help in associative reasoning (Holyoak and Thagard, 1996) and in performing "mental leaps" when solving complex problems and in identifying opportunities (Grégoire et al., 2010). More capacity to focus on productive opportunities and deeper reasoning around such opportunities may explain why more experienced managers develop aspirations to grow.

In addition to being a major explanation for growth aspirations, experience was also significantly related to perceptions of the managerial team's ability to effectively handle change. In other words, when there is more experience present on the managerial team, the executives feel they are better at being flexible, dynamically changing their behavior to new contexts and working together in challenging circumstances. Experience can lead to change effectiveness due to managers' prior knowledge of handling challenging situations in the past. Experiencing and persisting through the effects

of change help increase managers' direct and vicarious mastery and foster positive attitudes toward their own and their teams' abilities to endure during challenging times.

We also hypothesized that team diversity would be positively related to the development of aspirations and perceptions of effectiveness. However, our results did not indicate any significant relationships associated with managerial diversity, meaning that we cannot draw any conclusions regarding the effects of diversity in this dataset. Diversity is often argued to increase creativity and innovation, but research has also reported inconclusive results, and studies have found both negative and insignificant relationships between diversity and performance (see Nielsen, 2010 for a review of the literature). Several authors have noted the peculiarities of heterogenous management teams, for whilst diversity enables them to create more innovative solutions to tricky problems, it also leads to a greater likelihood of communication breaking down due to conflict (Milliken and Martins, 1996) – unless debate practices are implemented (Simons et al., 1999). The insignificance seen in our study could be related to the particular environment from which the sample was drawn as the Scandinavian societies emphasize equality and opportunities for all, resulting in high attendance at public schools and a free health-care system. These Northern societies are also often known for their focus on social compliance, an aspect which could in fact lead to greater focus on implementing debate practices. However, substantially more research is needed to investigate the effects of diverse TMTs further (Nielsen, 2010; Cannella et al., 2008).

### *5.3 The differentiation between explorative and exploitative growth makes sense*

In this paper, we have had a central focus on managers' growth aspirations as the conceptual hub of our study, and our key objective has been to investigate its managerial determinants and organizational outcomes. By looking closer at variations in aspirations regarding the change the aspired growth process would demand from the organization, we have been able to identify different firm-level consequences. In other words, our analysis showed that separating managerial aspirations according to the level of organizational change the aspirations will demand makes sense. Internationalization and radical innovation are strategies that relate to distinct types of growth – either through the development of new markets or new offerings. Internationalization in the form of market expansion is a border-crossing process that enables firms to broaden their already existing customer base to selected foreign markets. Innovation in the form of novel resource combinations, be it products, processes or business models, has the potential to create new offerings to customers and to provide better production methods and revenue streams.

The ambidextrous view argues for balance between exploration and exploitation, between novel opportunities and proved solutions. Organizations that are able to continuously stay ahead and develop meaningful new products, while also making a living from that which has been developed already, have the recipe for long-term success (Raisch and Birkinshaw, 2008). However, due to path dependency and feedback effects, such balance of organizational learning is difficult to accomplish in practice (March, 1991; Koryak et al., 2018). We get better at what we know; therefore, an initial focus on exploitation often fosters more exploitation over time because, in our study, managers increase their knowledge of exporting with experience - and likewise for exploration. This can, however, lead to suboptimization and satisficing at lower levels than the firm's true potential (March, 1991). Based on the simplified dual

categorization of ways to grow that is employed in this study – through increase in the amount of output or through development of new output – we have argued that the managerial willingness and ability to embrace change and uncertainty is essential and that there are differences between these two growth processes which should be acknowledged by researchers. This study found that aspirations aimed at exploration heightened radical innovation activities but also reduced well-being among employees. Aspirations related to exploitation were associated with a higher export degree. The unique nature of growth trajectories implies that there are numerous ways for firms to grow (Delmar et al., 2003), and this study has shown that nuances in the aspirations themselves are important predictors of which productive opportunities managers choose to follow (Penrose, 2009).

#### *5.4 The weak explanatory value of formal knowledge integration*

Change effectiveness did show a strong and significant relation to knowledge integration, meaning that teams that work effectively together in challenging contexts are also better at formal knowledge integration. In light of the positive impact that change effectiveness has on radical innovation, this managerial competence could mean that such teams have developed what Grant (1996b) describes as flexible capabilities and that they are better at achieving balance between their explorative and exploitative learning efforts (Levinthal and March, 1993). Our results indicate that formalized knowledge integration processes do not play a significant path through which growth and knowledge aspirations are mediated into the organization. The reason may be that SMEs generally rely more on informal ways when knowledge has to be shared and made useful in order to achieve growth. Similarly, we see that formal knowledge integration does not play a role in connection with innovation processes where tacit knowledge and experimentation are important. As discussed earlier, this is less surprising since tacit knowledge in SMEs is probably best integrated through personal and less formal relationships. Only the link from knowledge integration to export share is significant. This may be explained by the fact that market knowledge is much more easily codifiable, holding information about actual consumption and the number or size of customers on B2B markets.

## **6. Conclusions, limitations and implications**

In this paper, we have looked closer at what determines differences in managerial growth aspirations and which consequences variations in aspirations have for employee well-being, firms' knowledge integration and growth strategies. We applied the quantitative technique of structural equations methodology to enable theory testing. The growth of small firms is a scholarly field where multiple theoretical frameworks have been applied in the past (Wiklund et al., 2009); thus, we consider hypotheses testing to be valuable to ensure the development of the research field.

This study has distinguished between aspirations to exploit current product solutions through international sales and aspirations to explore the development of new products through a more change-intensive growth strategy of radical innovation. The distinction between variations in growth aspirations provided insight into very different growth processes and organizational outcomes and revealed that not all aspirations are equal. International aspirations and growth aspirations in general will generate distinct organizational outcomes as a result of the changes they demand of the organizational members. This

paper has focused on the role of managers in firm-level growth processes, and we have shown that this is a fruitful avenue for future research to follow. Since managers can be both the cause and cure of growth-related stress and uncertainty in organizations, they should hold an important place in the literature. Our results strongly confirm that managers matter when examining firm-level growth processes.

Through an empirical analysis on Norwegian SMEs, we found that a managerial willingness to explore change-intensive growth increased the radical innovation levels of the firm but also reduced employees' well-being. Managers have previously been shown to be essential in the growth processes of firms due to the importance of their growth aspirations (Wiklund et al., 2003). In so far, our findings are in line with previous research; however, they also indicate that the implications for managers could be considerably more complex than the simple aspirations equal growth equation. Our study clarifies these previous findings by confirming a positive relationship between aspirations and realized growth processes but also extends them and concludes that ambitious growth aspirations additionally have the potential to lead to negative organizational outcomes in the form of frustrated employees. The link between ambitious aspirations and employee well-being may well explain the puzzling finding touched upon in the introduction, why many small firms lack aspirations to grow. Acknowledging that it leads to difficult working environments, managers may withdraw from aspiring to grow. Executives' perceived change effectiveness showed a strong and positive relationship with radical innovation and increased employees' well-being in this study. This indicates that leadership can be both the cause and cure of stress in organizations. International aspirations were, as expected, found to relate to increased export share of total sales. Therefore, managerial attitudes toward growth and their perceived change effectiveness directly impact which opportunities the firm will explore and exploit – or avoid altogether.

Our results do have important practical implications, and managers could use the findings of this study as a foundation for analyzing their own aspirations and ways of handling change. High levels of growth aspirations should be combined with attention to the top manager team's experience levels and change effectiveness. As the results indicate, high levels of experience increase change effectiveness, and change effectiveness does have a positive effect on employee well-being. Analysis of the TMTs' experience as well as change effectiveness and assessment of possible needs for development and adjustments could ensure growth processes with limited negative effects for employee well-being. Knowing about these relationships will help managers to make better decisions regarding the development of their own firms.

On the other hand, we found no significant relationship between change effectiveness and internationalization as an organizational growth strategy, indicating that flexible and dynamic managerial teams are not a precondition for export growth. As the perceived effectiveness of the managerial team has no influence on firms' exporting activities, international exposure could rather be seen as a springboard for management teams to acquire experience in overcoming unanticipated challenges in unknown environments abroad. Such experience, combined with other types of skills, would then increase the change effectiveness of the management team. The strong relationship between experience and international aspirations could be interpreted as internationalization requiring greater levels of experience, but it could also be understood as more experienced managers' preferences toward exporting activities and their view of it as "lower hanging fruit," where success is more easily attainable.

Interestingly, we found no significant relationship between employee well-being and either internationalization or innovation. This indicates that immediate reductions in wellbeing might not have instantaneous effects on growth outcomes but rather that this over time can lead unsatisfied workers to look for alternate employment. This is also in line with prior findings regarding employee well-being, showing that reduced well-being increases the likelihood of turnover (Andersén, 2017; Wright and Bonett, 2007).

Our findings concerning formalized knowledge integration indicate that management in SMEs should be very mindful of such systems' practical value when implementing and testing them. We find that knowledge integrating processes have a positive and significant impact on export growth which implies that management should encourage and install incentives that favor sharing and integrating explicit knowledge about market forces in the organization. This could, for example, be knowledge about customers that reside in sales, marketing, logistics and accounting departments. This is knowledge that could be shared via a customer relationship management (CRM) system. However, this study found the effect of knowledge integration on export share to be relatively small, and except for such codifiable knowledge as mentioned above, our results indicate that more informal channels for knowledge integration should be intergrated - and even preferred.

From the perspective of public policy, our results underline the importance of experience in TMTs. Such teams will have higher growth aspirations, which can result in increased employment and value creation in the society and contribute with change effectiveness competence, which can also lead to radical innovation. Public initiatives in the form of support for hiring experienced export managers (Koabel, 2018; Nothdurft, 2010) could lead to greater managerial growth aspirations and more successful growth processes. Mentor systems, sharing of experience and top manager network development are other elements where the government may stimulate and establish mechanisms that will have positive effects from the company perspective through management team experience development.

We note four important limitations of this study. First, the data sample is drawn from the Norwegian context only. Elements such as aspirations, the role of top managements' change effectiveness, knowledge integration and employee well-being may be different in other countries. Second, all data and information are based on the perceptions of managers. It is possible that employees' well-being actually is different from well-being as perceived by managers. Third, growth aspirations may explain behavior, but behavior may influence and change growth aspirations as well, as discussed by Krueger (2017). As this study builds on a cross-sectional dataset, we cannot establish causality from the statistical findings alone. Finally, there are numerous ways for firms to grow, and the innovation/internationalization paths we have investigated are a simplification of reality. Each of these limitations should be addressed in further research in order to advance our insight in the real-life complexity of firm-level growth processes.

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## Appendix A

**Table A1**

<b>Measurement model</b>		
<i>Factors and items</i>	<i>loadings</i>	<i>sd</i>
<b>Diversity, top management team (<math>\alpha = 0.800</math>)</b>		
<i>To which degree do the members of the management team have a diverse composition in terms of:</i>		
... educational background (education type)	0.839	0.045
... educational intensity (degree, number of years of study)	0.756	0.048
... personality	0.621	0.060
<b>Experience, top management team (<math>\alpha = 0.653</math>)</b>		
<i>The management team members have:</i>		
... experience from previous work with entrepreneurship	0.586	0.069
... experience from working in the same industry	0.514	0.084
... previous management experience	0.768	0.066
<b>Growth aspirations (<math>\alpha = 0.855</math>)</b>		
Growth is a strong desire for the company's management	0.924	0.022
Growth is a strong desire for the company's owners	0.923	0.021
Growth is necessary for company survival	0.602	0.050
<b>International aspirations (<math>\alpha = 0.918</math>)</b>		
International expansion is a strong desire for the company' management	0.942	0.017
International expansion is a strong desire for the company' owners	0.956	0.016
International expansion is necessary for company survival	0.751	0.037
<b>Change effectiveness (<math>\alpha = 0.895</math>)</b>		
The management team handles change very well	0.822	0.029
The management team meets new challenges in an efficient manner	0.880	0.022
The management team changes behavior to meet external requirements	0.702	0.056
The management team works very efficiently	0.788	0.041
The management team does a very good job	0.822	0.033
<b>Employee wellbeing, reverse coded (<math>\alpha = 0.755</math>)</b>		
<i>Employees find it frustrating to work in this business:</i>		
... because of conflict situations	0.721	0.046
... because of "bureaucracy"	0.809	0.054
... because of lack of resources or competencies	0.627	0.065
<b>Knowledge integration (<math>\alpha = 0.811</math>)</b>		
<i>To which degree does the firm use the following activities to collect, interpret and integrate knowledge:</i>		
... use of formal reports and memos to summarize learning	0.513	0.058
... formal analysis of failing international projects	0.758	0.038
... formal analysis of successful projects	0.857	0.034
... formal discussions of the best ways to use what has been learned in the development of new products/services	0.749	0.045
<b>Radical innovation (<math>\alpha = 0.832</math>)</b>		
<i>Based on the firm's main product launched in the past five years, is this item:</i>		
... new in your company?	0.749	0.047
... new to the company's home market?	0.907	0.030
... new to the international market?	0.785	0.040
... a radical improvement/new solution compared to existing solutions in your company's sector?	0.616	0.052