

Growth Determinants of Small Enterprises (SEs) in Sri Lanka: A Comparison of Sales and Employee Growth Models¹

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Abstract

Small enterprise growth is very important for the economic growth of any country. Although the factors contributing to a firm's growth have been studied by researchers in various disciplines, an integrated analysis is still lacking. This paper attempts to provide two integrated growth models: sales growth model and employee growth model. Many determinants of a firm's growth are classified according to four dimensions: social capital, human capital, access to external resources and internal capabilities. By conducting an empirical study using 97 Sri Lankan small enterprises the study identified factors contributing to growth measured by sales and employee growth. The results broadly support the theoretical model. Our findings show that entrepreneurs who have previous experience in the same field with training are more likely to grow their firms. Variables related with the social capital dimension have the most influence on a firm's growth: organizational network with network maintenance and resource sharing with SEs have a substantial impact on sales and employee growth. Access to external resources (i.e., access to inputs) is also found to be an important factor in SE growth. Finally, as an internal capability, innovation and imitation are found to have a positive impact on sales and employee growth.

Key words: SEs, firm's growth, sales growth model, employee growth model, Sri Lanka

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