



Will growth bring more good than harm to my business? The role of regulatory focus in small business growth beliefs

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Abstract

The two studies presented in this paper investigated the psychological processes underlying small business growth beliefs (SBGBs) (i.e., expected consequences of small business growth) by focusing on the role of regulatory focus and perceived competence as predictors of SBGBs. We assessed participants' (students and small business owners) cognitive and emotional responses to anticipated business growth by means of online questionnaires. As predicted, individuals with a strong promotion focus expected predominantly positive consequences of small business growth, whereas individuals with a strong prevention focus expected predominantly negative consequences of small business growth. In addition, regardless of their regulatory focus, individuals who perceived themselves as competent to grow a business had positive growth beliefs, particularly growth beliefs concerning emotional consequences of business growth. These findings illuminate the importance of acknowledging individual differences in SBGBs. They also shed more light on the critical role of perceived competence, suggesting that empowerment is a key factor in promoting small business growth.

1 | INTRODUCTION

Small businesses play an important role in national economies (e.g., Ayyagari, Beck, and Demircuc-Kunt, 2007). The growth of small and medium-sized enterprises (SMEs) is considered an important engine for the economy as it provides considerable contributions toward job creation, economic growth, and innovation (OECD, 2000). For example, in France, Italy, and the Netherlands, between 50% and 60% of new employment opportunities can be associated with growing SMEs (OECD, 2000). Unfortunately, many small business owners deliberately refrain themselves from exploiting opportunities to expand their firms (Wiklund, Davidsson, & Delmar, 2003), despite the fact that business growth can benefit them because it provides a better protection against economic fluctuations. In fact, the Panel Study of Entrepreneurial Dynamics II found that only about 24.3% of 1,214 new small firms in the United States in 2006 desired to grow into bigger firms (Hurst & Pugsley, 2011). The fact that many small business owners are not willing to pursue business growth underscores the importance of investigating factors that can increase or reduce levels of growth motivation. Moreover, our knowledge regarding why there are differences in individuals' levels of growth motivation is still limited (Wiklund et al., 2003). Therefore, the two studies in the present paper focused on investigating an important precursor of growth motivation: Small

business growth beliefs (SBGBs). Specifically, we examined the psychological mechanisms underlying SBGBs by focusing on the roles of promotion and prevention orientations.

We argue that an important part of growth motivation is rooted in beliefs about consequences of small business growth. Based on Wiklund et al. (2003), we define SBGBs as individuals' evaluations of expected consequences of small business growth (i.e., whether or not small business growth is expected to lead to certain consequences). The consequences of small business growth can be either positive or negative. If predominantly positive consequences are expected, such as increased private finances or increased ability to control and survey the business, business growth will be evaluated positively and is more likely to be pursued. In contrast, if predominantly negative consequences are expected, such as reduced positive work atmosphere or reduced sense of independence in running the business, business growth will be evaluated negatively and is less likely to be pursued. Therefore, in order for individuals to be motivated, and thus decide to grow a business, they need to be optimistic about potential consequences of their business growth—that is, they need to believe that the growth of their business will have positive outcomes.

Previous research on SBGBs focused mostly on its consequences for other growth motivation variables. For instance, Davidsson (1989) found that individuals' willingness to pursue business growth was

affected by their beliefs about the consequences of such growth, for example, their private finances, employee well-being, their sense of independence in running their business, and their ability to control and survey the firm operations. Another study by Wiklund et al. (2003) suggests that beliefs about consequences of business growth play a relatively important role in explaining differences in attitudes toward business growth, which are considered to be an important element in growth motivation.

However, to the best of our knowledge, little is known about the individual characteristics that account for SBGBs. Since we still know very little about why levels of growth motivation vary greatly between small business owners (Wiklund et al., 2003), acquiring more insight into individual predictors of SBGBs is imperative. As such, the primary purpose of the two studies reported in the present paper was to investigate the individual characteristics underlying the heterogeneity in SBGBs. Specifically, across two studies we aimed to examine why some people are predominantly positive when it comes to their beliefs about business growth, whereas other people are far more skeptical in their beliefs. Regulatory focus theory, proposed by Higgins (1997, 1998), was used as the main theoretical framework. In addition, we examined the mediating mechanism through which these individual characteristics affect SBGBs by focusing on the role of perceived competence with respect to the pursuit of business growth. Unpacking mediating mechanisms through which individual traits influence business decision-making is indeed important as it can help advance our understanding of how and when personality matters for entrepreneurship (Gorgievski & Stephan, 2016).

1.1 | Regulatory focus theory

Regulatory focus theory (Higgins, 1997, 1998) posits that there are two different motivational orientations that guide our actions and thoughts, namely promotion focus and prevention focus. The two self-regulatory foci can be chronic (Higgins, 1997; Lockwood, Jordan, & Kunda, 2002) or situationally induced (Gino & Margolis, 2011; Trudel, Murray, & Cotte, 2012), and they are fundamentally associated with two different types of concerns. A promotion focus is associated with a concern with aspirations and accomplishments. This concern with aspirations and accomplishments prompts individuals to be specifically sensitive to the presence or absence of positive outcomes. Conversely, a prevention focus is associated with a concern with safety and responsibilities. Due to this concern with safety and responsibilities, individuals with a strong prevention focus tend to be more sensitive to the presence or absence of negative outcomes (Higgins, 1997, 1998, 2000).

The two self-regulatory foci have implications for individuals' strategic tendencies in their actions. Higgins (1997) argued that a promotion focus prompts individuals to adopt a promotion strategic inclination (i.e., eagerness) where the focus is on approaching gains. This strategy involves inclinations to both ensure the presence of gains and ensure against omissions of potential gains in pursuit of gains and accomplishments. Conversely, a prevention focus prompts individuals to adopt a prevention strategic inclination (i.e., vigilance) where the

focus is on avoiding losses. This strategy involves inclinations to both ensure correct rejections of losses and ensure against commissions of mistakes that may undermine safety and responsibility. For example, Crowe and Higgins (1997) found that individuals with a promotion focus were driven to recognize as many gains as possible and ensure against omissions of potential gains at the expense of increased commissions of mistakes in recognizing potential losses. This produces a tendency to be risky and lenient (i.e., risky bias) in evaluations and decision-making. Individuals with a prevention focus, conversely, were driven to recognize errors correctly and ensure against commissions of mistakes (e.g., failing to avoid errors) at the expense of increased omissions of potential gains. This produces a tendency to be cautious and strict (i.e., conservative bias) in evaluations and decision-making.

The notion that promotion-focused individuals possess an inclination for eagerness and that prevention-focused individuals possess an inclination for vigilance is also supported by Boldero and Higgins (2011). They discovered that being chronically promotion-focused was associated with eagerness, which caused individuals to focus on the possible benefits of an economic reform. This, in turn, prompted the decision to vote for the reform. In contrast, being chronically prevention-focused was associated with the use of vigilance, causing individuals to mainly focus on the negative aspects of an economic reform. This, in turn, led to the decision to vote against it (maintaining status quo). Moreover, Förster, Higgins, and Bianco (2003) found that, in a proofreading task, a promotion focus prompted individuals to be eager in their performance by maximizing gains through faster performance and focus on seeking easy errors that they could easily find. Conversely, a prevention focus prompted individuals to be vigilant in their performance by attempting to be accurate in finding difficult errors at the expense of their speed and a number of errors they could find. In the context of entrepreneurship, Brockner, Higgins, and Low (2004) found that greater promotion focus is necessary in the process of generating business ideas to be successful due to its association with an eagerness orientation, whereas greater prevention focus is necessary in the process of screening business ideas due to its association with a vigilance orientation.

Building on the aforementioned framework and findings, we argued that the two self-regulatory foci can predict individuals' SBGBs. As a promotion focus induces a desire to approach and aim for gains, as well as a sensitivity to the presence and absence of positive outcomes, we believed that it renders a special attention to potential positive consequences of small business growth. Furthermore, it drives individuals to adopt eagerness where they focus mainly on ensuring potential gains (Crowe & Higgins, 1997; Higgins, 2000). A promotion focus will increase the inclination to be highly tolerant and lenient (risky bias) in assessing and determining whether or not business growth leads to predominantly positive consequences, such as increased independence or increased private finances. Thus, we proposed that a stronger promotion focus will be associated with more positive SBGBs (*Hypothesis 1a*). In contrast, a prevention focus induces a desire to maintain safety and avoid losses, as well as a sensitivity to the presence and absence of negative outcomes. It renders a special attention to potential negative consequences of small business growth, such as a

diminished ability to control and survey the firm operations or reduced positive work atmosphere. Furthermore, a prevention focus drives individuals to adopt vigilance where they focus mainly on ensuring correct rejections of potential losses and ensuring against commissions of errors in their evaluations. This will increase their inclination to be cautious and strict (conservative bias) in assessing and determining whether or not business growth leads to predominantly positive consequences. Therefore, we proposed that a stronger prevention focus will be associated with less positive (more negative) SBGBs (*Hypothesis 1b*).

1.2 | Emotion-related SBGBs

Previous research mostly focused on beliefs about finance and business-related consequences of small business growth, such as private finances and work atmosphere, in determining small business owners' levels of willingness to grow a small firm, as well as their attitudes toward business growth (e.g., Davidsson, 1989; Wiklund et al., 2003). However, the role of anticipated emotional consequences of small business growth has received far less attention in previous research. This is unfortunate given that expected emotional consequences are also an important predictor of motivation and action tendencies. For example, in a study by Wolff, Nordin, Brun, Berglund, and Kvale (2011), anticipated emotional experiences were part of the anticipated consequences that could predict people's decision to take a genetic test. Hosany and Prayag (2013) found that people's emotional consequences of visiting a tourism destination were powerful predictors of their satisfaction and intention to recommend the destination to others. Furthermore, Perrin (2011) suggested that emotions that result from information about current and potential future environmental problems could affect individuals' decision to engage in environmentally responsible behavior.

Given the pivotal role that anticipated emotional consequences play in motivation and action tendencies, it is likely that small business owners' beliefs that the growth of their firms leads to predominantly positive or negative emotional experiences also affects their motivation or willingness to pursue business growth. Thus, we believed that investigating the individual characteristics (i.e., regulatory focus) that account for emotion-related SBGBs could provide important insights into why small business owners' levels of growth motivation vary greatly. As promotion-focused individuals view growth as a desirable goal (e.g., Winterheld & Simpson, 2011), we argued that they would likely anticipate predominantly positive emotional experiences when thinking about business growth. Indeed, Higgins (1997) found that promotion-focused individuals experienced positive emotions, especially cheerfulness-related emotions, when their desirable goals (e.g., advancement, growth) were successfully attained. Conversely, prevention-focused individuals would anticipate predominantly negative emotional experiences when thinking about business growth as business growth involves risky activities (e.g., investing in a new market), which they may view as a threat to their sense of security. When their need for security is not met, prevention-focused individuals would likely experience negative emotions, especially agitation-related emotions (Higgins, 1997).

We expected that all of the aforementioned hypotheses would also be applicable in the context of emotion-related SBGBs. Specifically, in terms of the associations between the two foci and emotion-related SBGBs, we expected that: (a) the stronger promotion focus, the more positive emotion-related SBGBs (*Hypothesis 1c*), and (b) the stronger prevention focus, the less positive (more negative) emotion-related SBGBs (*Hypothesis 1d*).

1.3 | Perceived competence with respect to the pursuit of business growth

According to self-determination theory (Ryan & Deci, 2000), a feeling of competence is a basic psychological need that affects well-being. When engaging in an activity, perceiving ourselves as competent or able to perform the activity may result in the belief that successful outcomes of the activity will be achieved. In other words, as pointed out by Williams, McGregor, King, Nelson, and Glasgow (2005), perceived competence assumes that a contingency between behavior and outcomes exists. Previous research has shown that perceived competence plays an important role in facilitating our decision to engage in various activities, such as tobacco abstinence (Williams, Niemiec, Patrick, Ryan, & Deci, 2009), physical activity (Overdorf, Coker, & Kollia, 2016), or adaptive learning strategies (Cho, Weinstein, & Wicker, 2011). In the context of small business growth, it is important for small business owners not only to possess the ability to grow a business, but also to believe that they have this ability. For instance, Davidsson (1991) showed that, along with perceived need and perceived opportunity, small business owners' perceived ability to realize business growth had a positive effect on their growth motivation.

In this study, three hypotheses regarding the role of perceived competence in the association between regulatory focus and SBGBs were examined: (a) perceived competence would mediate the positive association between promotion focus and finance and business-related SBGBs (*Hypothesis 2a*), (b) perceived competence would mediate the negative association between prevention focus and finance and business-related SBGBs (*Hypothesis 2b*), and (c) perceived competence would mediate the associations between the two regulatory foci and emotion-related SBGBs (*Hypothesis 2c*). These hypotheses were based on several considerations. First, we reasoned that growing a business is more in line with a promotion mindset than with a prevention mindset. Growth is regarded as a promotion-oriented goal that promotion-focused individuals strive toward (e.g., Steidle, Gockel, & Werth, 2013; Winterheld & Simpson, 2011). Business growth is usually viewed as a complex process that involves and requires such activities as innovating, risk-taking, and exploring new business activities, which are oriented toward advancement and gain opportunities (e.g., Kammerlander, Burger, Fust, & Fueglistaller, 2015; Soininen, Martikainen, Puumalainen, & Kyläheiko, 2012; Wiklund, Patzelt, & Shepherd, 2009).

Previous research has shown that a promotion focus, more than a prevention focus, is associated with characteristics that can facilitate successful performance of such activities. For example, Friedman and Förster (2001) found that people with a promotion mindset tended to

use a risky exploratory processing style, which can facilitate creative and innovative performance. Brockner et al. (2004) argued that promotion-focused individuals are more likely than prevention-focused individuals to generate creative and innovative ideas with the potential to be successful. A promotion focus also makes individuals more willing to take risks (Hamstra, Bolderdijk, & Veldstra, 2011).

Furthermore, in a business context, Hamstra, Rietzschel, and Groeneveld (2015) found that promotion-focused sales agents were inclined to approach opportunities by making contacts with potential customers more quickly and frequently, while prevention-focused sales agents were more hesitant to approach and make contacts with potential customers. As a result, promotion-focused sales agents' actual sales performance was more successful than prevention-focused sales agents' performance. Another study by Pollack, Forster, Johnson, Coy, and Molden (2015) showed that promotion-focused entrepreneurs actively pursued new opportunities by contacting members of their business network group more frequently than prevention-focused entrepreneurs did, which positively predicted their revenue generated from their network group.

Given their possession of characteristics that can support performance with respect to business growth, promotion-focused individuals may be more likely to perceive themselves as competent to grow a business than prevention-focused individuals. After all, a promotion focus is positively linked with a general sense of optimism (Grant & Higgins, 2003), which may also include an optimistic view of one's ability to achieve success in their performance. Indeed, a strong promotion focus is associated with strong beliefs in one's personal ability to perform successfully (Lanaj, Chang, & Johnson, 2012). Furthermore, people who believe that they possess the competence to grow their business will likely believe that business growth will produce positive consequences. Indeed, perceived competence includes a belief that positive outcomes will occur (Fernández-Castro, Rovira, Doval, & Edo, 2009). For example, students who know that they are good at math should be more likely to believe that they will perform well in their math exam and receive a good grade.

Contrary to a promotion focus, a prevention focus is associated with a state of mind that may hinder business growth performance. For instance, a prevention focus prompts individuals to be averse to risks (Hamstra et al., 2011). Liberman, Idson, Camacho, and Higgins (1999) found that a prevention focus is associated with low openness to change. As a result, people with a prevention mindset tend to prefer stability, which may cause stagnancy instead of growth. Prevention-focused individuals were also found to be less likely to engage in exploratory behaviors necessary to grow and learn (Wallace, Butts, Johnson, Stevens, & Smith, 2013) and less likely to form social ties (Pollack et al., 2015). Given their possession of characteristics that may hinder performance with respect to business growth, prevention-focused individuals may then be less likely to perceive themselves as competent to grow a business. Furthermore, since perceiving oneself as competent to grow a business is related to possessing a belief that positive outcomes will occur (Fernández-Castro et al., 2009), people perceiving themselves as less competent to grow a business are less

likely to believe that positive consequences of business growth will occur.

2 | OVERVIEW OF STUDIES

The general notion that self-regulatory foci are important predictors of SBGBs was examined in two studies. In Study 1, students (who had been or had not been business owners at that time) were asked to envision themselves as owners of a small business and anticipate the growth of their business. In this study, the question of *whether* promotion and prevention focus could indeed predict individuals' SBGBs was addressed. Study 2 was conducted among a sample of current small business owners to replicate the previous findings among a student sample. In this study, SBGBs were divided into finance and business-related SBGBs (SBGBs examined in Study 1) and emotion-related SBGBs. Emotion-related SBGBs refer to anticipated emotional consequences of small business growth (e.g., happy, anxious). Study 2 also addressed the question of *how* self-regulatory foci could predict SBGBs by examining the mediating role of individuals' perceived competence with respect to the pursuit of business growth in the associations between the two foci and both types of SBGBs.

3 | STUDY 1

The aim of the first study was to test Hypothesis 1a (i.e., a stronger promotion focus will be associated with more positive SBGBs) and Hypothesis 1b (i.e., a stronger prevention focus will be associated with less positive (more negative) SBGBs).

3.1 | Method

3.1.1 | Participants and design

One hundred twenty-one Indonesian university students (67 female and 50 male, four participants did not specify their gender; $M_{\text{age}} = 28.08$, $SD_{\text{age}} = 4.59$, five participants did not specify their age) completed a questionnaire on a voluntary basis. Thirty-eight (31.40%) participants reported that they were, or had been an entrepreneur. Four participants did not specify their history of entrepreneurship.

3.1.2 | Procedure and measures

The study was conducted online. Participants were recruited through several online platforms, such as a mailing list and social media platforms. They were informed that this study was about entrepreneurial decisions. After providing informed consent, they were instructed to visualize themselves as the owner of a small web shop specializing in male and female sportswear, which they had been running for a year.¹ They were then asked to complete a brief questionnaire.

The General Regulatory Focus Measure (Lockwood et al., 2002) was used to assess participants' chronic regulatory focus. The context

¹We tested the effect of motives of entrepreneurship on SBGBs for exploratory reasons. No significant effect of motives of entrepreneurship on SBGBs was observed, $F(1,119) = .08$, $p = .77$.

of the scale was modified to fit the entrepreneurial context (e.g., promotion-focus: "I would frequently imagine how I would achieve my hopes and aspirations in regards to my business"; prevention-focus: "In general, I would be focused on preventing negative outcomes while running my business"). Participants were asked to indicate the extent to which each statement described them using a 7-point Likert scale, ranging from 1 = *not at all true of me* to 7 = *very true of me*. Items relating to promotion focus and those relating to prevention focus were summed up separately and averaged to form the promotion subscale score ($M = 5.64$, $SD = .80$; $\alpha = .83$) and prevention subscale score ($M = 4.52$, $SD = .99$; $\alpha = .80$). The subscales correlated negatively with each other, albeit weakly ($r = -.19$, $p = .05$).

SBGBs were assessed by asking participants to imagine that their small web shop would grow twice as big in number of employees and production in the next 5 years. Participants were then presented with a list consisting of four possible consequences of this growth in some key finance and business-related areas, such as private finances, work atmosphere, independence in running the business, and ability to control and survey the firm operations (e.g., "the growth will improve my private finances", "the growth will reduce my well-being as well as the well-being of my employees" (recoded); Davidsson, 1989; Wiklund et al., 2003).² Participants were asked to indicate their agreement with each item on a 5-point Likert scale, ranging from 1 = *very disagree* to 5 = *very agree*. All of the items were summed up and averaged to obtain a score representing the overall SBGB ($M = 3.76$, $SD = .58$).³ A higher score indicated more positive overall SBGB. Upon finishing some demographic questions, participants were debriefed about the real purpose of the study and thanked.⁴

3.2 | Results

A multiple regression analysis was conducted to test Hypothesis 1a and Hypothesis 1b. The overall SBGB was regressed on promotion and prevention focus simultaneously. Promotion and prevention focus were included in the analysis simultaneously as the two foci were originally conceptualized as two independent dimensions rather than opposing poles of a single spectrum (Higgins, 1997, 1998). By including both dimensions in the analysis simultaneously, we could control for shared variance between the two foci (cf., Pfattheicher & Sassenrath,

²Participants were also presented with additional four items concerning growth consequences related to workload, ability to survive a crisis, ability to control quality of products and services, and preferred task for exploratory reasons. However, only beliefs concerning four key areas (i.e., private finances, work atmosphere, independence, ability to control and survey the business) were included in the analysis as these beliefs were consistently found to be significant predictors of growth motivation variables in previous research (Davidsson, 1989; Wiklund et al., 2003). If items related to the other four beliefs were included in the analysis, results were similar.

³Belief items are causal indicators which are essentially heterogeneous and inconsistent, allowing the internal consistency not to be reported (de Leeuw, Valois, Ajzen, & Schmidt, 2015; Hennessy, Bleakley, & Fishbein, 2012).

⁴Affective attitude toward growth, several open-ended questions were also examined in Study 1 for exploratory purposes. Results are available upon request.

2014). The results showed that promotion focus positively predicted SBGBs, $\beta = .27$, $t(118) = 3.06$, $p < .01$, and prevention focus negatively predicted SBGBs, $\beta = -.23$, $t(118) = -2.69$, $p < .01$. Thus, Hypothesis 1a and Hypothesis 1b were supported.⁵

3.3 | Conclusion

Study 1 provides preliminary evidence for our prediction that the two regulatory foci are indeed important predictors of SBGBs. These findings suggest that promotion-focused individuals tend to believe that small business growth leads to more positive consequences, whereas prevention-focused individuals tend to believe that small business growth leads to less positive (more negative) consequences.

3.3.1 | Limitations

This study had two limitations. First, by adapting an existing regulatory focus measure to an entrepreneurial context, we may have created a scale that was less accurate in tapping into participants' real chronic regulatory focus. It made it difficult to accurately conclude whether participants' responses to the modified items were based on their real chronic regulatory focus or business-related factors, such as participants' personal knowledge about a running a web shop. For example, some participants may have scored highly on the prevention item "In general, I would be focused on preventing negative outcomes while running my business" because they had specific knowledge of the importance of focusing on preventing negative outcomes while running a web shop, rather than because they were strongly prevention-focused.

Second, participants were asked to imagine that their web shop would grow twice as big in number of employees and production in the next 5 years before responding to a list of consequences of business growth used to measure SBGBs. As a result, beliefs in this study were based on the assumption of business growth that takes place in very specific domains (i.e., number of employees and production level) instead of business growth in a more general sense.

4 | STUDY 2

In Study 1, we found preliminary evidence showing that the two foci predicted SBGBs. However, note that the sample of this study was very specific—predominantly young, students, and many people had never been an entrepreneur. Moreover, given the fact that many participants were not actual small business owners, we presented participants in Study 1 with a task in which they were asked to position themselves in a situation where they were a small business owner who has a small firm with certain business characteristics instead of envisioning the growth of real firms. Thus, although the findings were in line with our theoretical predictions, it is nonetheless important to see if these findings replicate among a sample of all small business owners

⁵An analysis of variance was conducted to examine whether or not there was a significant difference in SBGBs between participants who were, or had been an entrepreneur ($N = 38$) and participants who had not ($N = 79$). No significant difference was observed, $F(1,115) = 1.04$, $p = .31$.

who can envision the growth of their *actual* small firms. This is why, in addition to testing Hypothesis 1c, 1d, 2a, 2b, and 2c, Study 2 also aimed to examine whether the findings in Study 1 replicate among a sample of all actual small business owners. Additionally, this study included two methodological improvements in order to tackle the limitations as outlined in the previous study. The first improvement was that the context of the General Regulatory focus measure was not modified to the entrepreneurial context. The second improvement was that specific information on the domains where growth occurs was not included.

4.1 | Method

4.1.1 | Participants and design

One hundred fourteen small business owners (61 female and 53 male, $M_{\text{age}} = 37.96$, $SD_{\text{age}} = 10.47$) recruited from Prolific Academic, an online crowdsourcing platform for scientific research, completed a questionnaire in return for monetary compensation. About 70.2% of the entire sample had zero or only one employee ($M = 3.00$, $SD = 7.80$) and, in average, participants had run their firms for 4.85 years ($SD = 4.22$).

4.1.2 | Procedure

Similar to Study 1, this study was conducted online. After providing informed consent, participants were asked to complete the general regulatory focus measure that was not modified to the entrepreneurial context. Participants were subsequently asked to complete several measures (i.e., Perceived Competence with Respect to the Pursuit of Business growth Scale, a list of finance and business-related consequences of small business growth, a list of emotional consequences of small business growth) and demographic questions. Upon completion, participants were debriefed and given their reward.

4.1.3 | Measures

Regulatory focus

The General Regulatory Focus Measure (Lockwood et al., 2002) was used to assess participants' regulatory focus. The way participants responded to each item and the way the promotion subscale score and prevention subscale score were computed were similar to those of Study 1. Both promotion ($M = 6.68$, $SD = 1.29$) and prevention ($M = 5.70$, $SD = 1.46$) subscales showed good internal consistency (Cronbach's $\alpha_{\text{promotion}} = .90$; Cronbach's $\alpha_{\text{prevention}} = .86$), and a positive correlation ($r = .25$, $p < .01$).⁶

Emotion-related SBGBs

To assess emotion-related SBGBs, participants were presented with a list consisting of positive emotional consequences (i.e., excited, happy, challenged, relaxed) and negative emotional consequences (i.e.,

stressed, threatened, anxious, sad). They were then asked to indicate how much business growth would make them experience each emotional consequence on a 7-point Likert scale, ranging from 1 = not at all to 7 = very much. Positive and negative emotional consequences were summed and averaged separately to create an overall positive emotion-related SBGB score ($M = 5.09$, $SD = 1.00$; $\alpha = .67$) and an overall negative emotion-related SBGB score ($M = 3.50$, $SD = 1.40$; $\alpha = .84$). The negative emotion-related SBGB score was then subtracted from the positive emotion-related SBGB score in order to create an overall emotion-related SBGB score on which higher (positive) scores denote more positive emotions, and lower (negative) scores denote negative emotions ($M = 1.59$, $SD = 1.91$).

Finance and business-related SBGBs

The list of consequences of small business growth from Study 1 was used to assess participants' finance and business-related SBGBs ($M = 5.20$, $SD = 1.03$), with a few changes. First, small business growth was described in a more general sense and participants were not told about the domains where growth occurs. Second, we changed the sentence in an item concerning work atmosphere from "the growth will reduce my well-being and the well-being of my employees" to "the growth will reduce the positive work atmosphere" in order to make it more straightforward.

Perceived competence with respect to the pursuit of business growth

A modified version of the 4-item Perceived Competence Scale (Williams et al., 2005; Williams, Freedman, & Deci, 1998) was used to assess participants' perceived competence with respect to the pursuit of business growth. Since the original scale was used to assess perceived competence of patients with diabetes, the items were modified to fit the entrepreneurial context (e.g., "I feel confident in my ability to make my business grow"). In this scale, participants were asked to indicate how true each item was for them on a 7-point Likert scale, ranging from 1 = *not at all true of me* to 7 = *very true of me*. All of the items were summed and averaged to create a perceived competence score ($M = 5.11$, $SD = 1.14$). The scale showed good internal consistency (Cronbach's $\alpha = .89$).

4.2 | Results

4.2.1 | Finance and business-related SBGBs

The overall finance and business-related SBGB was regressed on promotion and prevention focus simultaneously. Replicating the findings in Study 1, promotion focus positively predicted finance and business-related SBGBs, $\beta = .23$, $t(111) = 2.57$, $p < .05$, and prevention focus negatively predicted finance and business-related SBGBs, $\beta = -.35$, $t(111) = -3.90$, $p < .01$.⁷

4.2.2 | Emotion-related SBGBs

The overall emotion-related SBGB was regressed on promotion and prevention focus simultaneously. Supporting Hypothesis 1c and 1d,

⁶Some items in this scale are related to an academic context (e.g., "I frequently think about how I will achieve academic success."). Thus, we modified these items to fit the purpose of this study (e.g., "I often think about how I will achieve success in life"). Other items that are not related to an academic context were not modified.

⁷If the period of entrepreneurship ("how long have you been an entrepreneur?") and a number of employees were included in the model, results were similar.

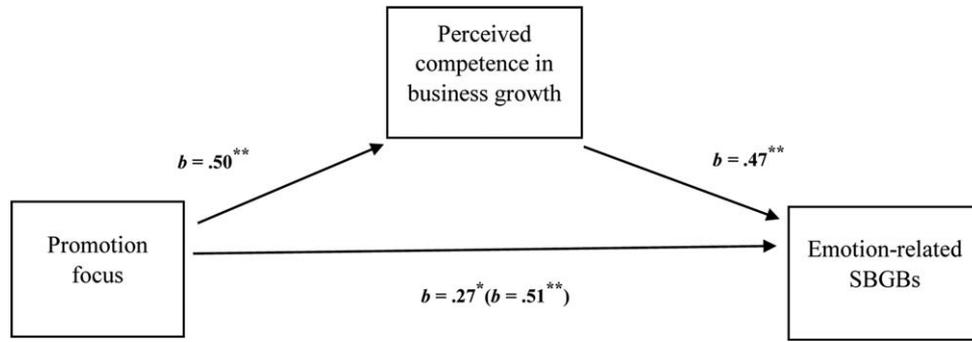


FIGURE 1 Promotion focus and emotion-related SBGBs via perceived competence with respect to pursuit of business growth

promotion focus positively predicted emotion-related SBGBs, $\beta = .34$, $t(111) = 4.32$, $p < .01$, and prevention focus negatively predicted emotion-related SBGBs, $\beta = -.58$, $t(111) = -7.32$, $p < .01$. Additionally, the relationships between promotion and prevention focus and positive and negative emotions were analyzed separately for exploratory reasons. The results revealed that, while controlling for prevention focus, promotion focus positively predicted positive emotions, $\beta = .49$, $t(111) = 5.77$, $p < .01$, whereas prevention focus, while controlling for promotion focus, negatively predicted positive emotions, $\beta = -.20$, $t(111) = -2.32$, $p < .05$. Moreover, prevention focus significantly predicted negative emotions while controlling for promotion focus, $\beta = .65$, $t(111) = 8.45$, $p < .01$, whereas promotion focus, while controlling for prevention focus, did not, $\beta = -.11$, $t(111) = -1.45$, $p = .15$.

4.2.3 | Perceived competence and finance and business-related SBGBs

A mediation analysis using PROCESS (5,000 samples) was conducted to examine the mediating role of perceived competence with respect to the pursuit of business growth in the associations between the two foci and finance and business-related SBGBs. The results showed that perceived competence mediated neither the positive association between promotion focus and finance and business-related SBGBs while controlling for prevention focus, boot indirect effect = $-.01$, $SE = .05$, 95% CI = $-.1238, .0869$, nor the negative association between prevention focus and finance and business-related SBGBs while controlling for promotion focus, boot indirect effect = $.00$, $SE = .02$, 95% CI = $-.0315, .0408$. These findings thus failed to provide support for Hypothesis 2a and 2b.

4.2.4 | Perceived competence and emotion-related SBGBs

The same mediation analysis (5,000 samples) was conducted to test the mediating role of perceived competence with respect to the pursuit of business growth in the associations between the two foci and emotion-related SBGBs. The results showed that perceived competence mediated the positive association between promotion focus and emotion-related SBGBs, while controlling for prevention focus, boot indirect effect = $.24$, $SE = .09$, 95% CI = $.0855, .4184$ (see Figure 1), and the negative association between prevention focus and emotion-related SBGBs, while controlling for promotion focus, boot indirect effect = $-.07$, $SE = .04$, 95% CI = $-.1737, -.0127$ (see Figure 2). Thus, these findings provided support for Hypothesis 2c.

4.3 | Conclusions

Study 2 demonstrated that promotion-focused small business owners believed that small business growth leads to predominantly positive finance and business-related as well as emotional consequences, whereas prevention-focused small business owners believed that small business growth leads to predominantly negative finance and business-related as well as emotional consequences. In addition, Study 2 provided evidence showing that small business owners' perceived competence with respect to the pursuit of business growth played a mediating role in the associations between the two foci and emotion-related SBGBs. Thus, small business owners who perceived themselves as competent to grow their small firms believed that business growth would make them experience predominantly positive emotions regardless of whether they were promotion-focused or prevention-focused. However, the mediating role of perceived competence with respect to

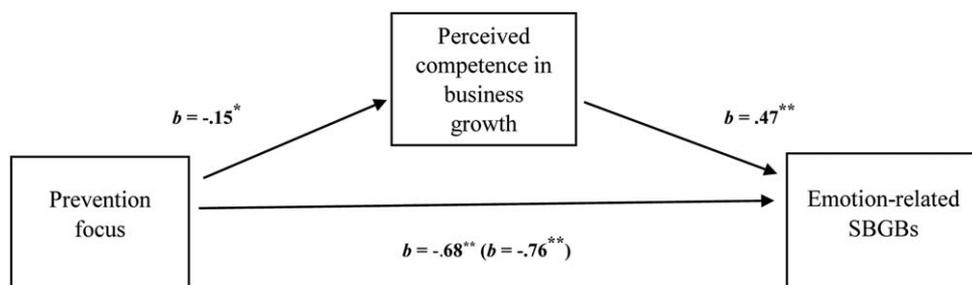


FIGURE 2 Prevention focus and emotion-related SBGBs via perceived competence with respect to pursuit of business growth

the pursuit of business growth was not supported in the associations between the two foci and finance and business-related SBGBs.

5 | GENERAL DISCUSSION

Previous research has shown that beliefs about consequences of small business growth (SBGBs) could explain differences in the willingness to grow a business as well as in attitudes toward business growth (Davidsson, 1989; Wiklund et al., 2003). However, to the best of our knowledge, little was known about the individual characteristics underlying the tendency to have more positive or more negative SBGBs. What makes some people excited about the prospect of growing their business, believing that it will generate all sorts of desirable outcomes, whereas other people are distinctly averse about business growth? The results of our two studies indicated that promotion and prevention focus are important individual characteristics that can predict SBGBs.

Specifically, results from our studies revealed that promotion focus positively predicted finance and business-related SBGBs as well as emotion-related SBGBs. This is indeed reflective of an approach strategy (i.e., eagerness), which is a strategic inclination prompting an individual to focus mainly on approaching and identifying potential positive outcomes, due to a concern with gains and accomplishment (Higgins, 1997). Therefore, it is no surprise that promotion-focused individuals are particularly sensitive and attentive to the presence and absence of positive consequences (Higgins, 1997), which increases the tendency to believe that small business growth leads to predominantly positive consequences. A state of eagerness can also lead to a risky bias (e.g., Crowe & Higgins, 1997; Friedman & Förster, 2001) such that promotion-focused individuals are more lenient in identifying opportunities for gains in efforts to insure gains and insure against omissions of gains. This may have resulted in an inclination to respond positively when asked to evaluate whether or not potential positive consequences will occur.

Regarding prevention focus and SBGBs, the results supported our predictions that prevention focus negatively predicted finance and business-related SBGBs as well as emotion-related SBGBs. Due to a concern with safety and security, prevention-focused individuals tend to exhibit vigilance in their behavior (Higgins, 1997). This produces a sensitivity and a special attention to the presence and absence of negative outcomes (Higgins, 1997), which increases the tendency to believe that small business growth leads to predominantly negative consequences. Prevention focus is also associated with conservative bias (e.g., Crowe & Higgins, 1997) such that prevention-focused individuals are strict and cautious in identifying opportunities for gains in efforts to insure safety and insure against commissions of errors in their evaluations. This may have resulted in an inclination to respond less positively when asked to evaluate whether or not potential positive consequences will occur.

As for perceived competence with respect to the pursuit of business growth, it was found to be an important mediator in the associations between the two foci and emotion-related SBGBs. Regardless of whether one is predominantly promotion-focused or prevention-

focused, the perception that one is competent enough to pursue business growth determined the positivity of emotion-related SBGBs. This clearly lends support to the notion that when people perceive themselves as competent, they also believe or even expect that positive outcomes will occur (Fernández-Castro et al., 2009). However, our prediction concerning its mediating role in the associations between the two foci and finance and business-related SBGBs was not supported in Study 2. This may have been caused by the fact that all participants in Study 2 were actual small business owners who possessed real experience of running a small firm. This experience may have increased their familiarity with other important finance and business-related factors that affect finance and business-related SBGBs, in addition to their own competence in pursuing business growth. These external factors could include market competitiveness, economic conditions, or types of products that small business owners sell. For instance, small business owners who perceive themselves as competent to grow their firms would not necessarily believe that business growth leads to an increase in their private finances if they have previously experienced that a highly competitive market can undermine business growth, or if they are aware that their products are only consumed by a small segment in the market. Therefore, the influence of perceived competence with respect to the pursuit of business growth may have been overshadowed by considerations of other, external influences on business growth.

5.1 | Limitations and suggestions for future research

Across two studies, we measured participants' SBGBs without taking into account individual differences in the perceived importance of each belief. Some people may value control over their own working lives more than others, and the belief that a growing business would limit this control may have a stronger impact on their growth motivation. Indeed, the importance of each belief can be relative (Wiklund et al., 2003) and the value people attach to each belief may be influenced by economic status, cultural backgrounds, or other factors. There may also be important beliefs in certain cultural or economic contexts that were not mentioned in the SBGBs scale. Future research could take into account the relative importance of growth beliefs for participants. That way, we will be able to gain more insight into whether this relative importance indeed influences participants' responses to SBGBs items and even whether it moderates the association between regulatory focus and SBGBs.

In the work presented in this paper, we did not examine possible moderators in the associations between the two foci and SBGBs. The question as to whether the direction and the strength of the associations are generally stable or dependent on contexts still remains unanswered. Future research should try to focus on examining potential factors, such as cultural differences or business knowledge that can moderate the associations. Investigating these factors can expand our knowledge regarding the relationship between regulatory focus and SBGBs. For example, the positive association between promotion focus and SBGBs may be stronger in individualistic societies that emphasize

a promotion goal than it is in collectivistic societies that emphasize a prevention goal.

Furthermore, given the fact that perceived competence with respect to the pursuit of business growth did not mediate the associations between the two types of regulatory focus and finance and business-related SBGBs, further investigation is necessary. In addition to perceived competence with respect to the pursuit of business growth, future research could focus on examining the effects of external finance and business-related factors on finance and business-related SBGBs, particularly among small business owners. That way, we can obtain more information on the extent to which perceived competence with respect to the pursuit of business growth mediates the association between regulatory focus and SBGBs.

Last but not least, Summerville and Roese (2008) suggest that the General Regulatory Focus Measure by Lockwood et al. (2002) functions more like a measure of approach and avoidance, which is orthogonal to the conceptualization of ideals and obligations in regulatory focus theory. Moreover, this measure may also involve measurement of affectivity, whereas promotion focus and prevention focus were originally conceptualized to be independent of affective valence (Idson, Liberman, & Higgins, 2000). Thus, researchers concerned by this issue may use Regulatory Focus Questionnaire (Higgins et al., 2001) that instead taps into self-guide definition of regulatory focus, which is more consistent with the original conceptualization of regulatory focus theory.

5.2 | Implications

The results of the two studies reported in this paper have both theoretical and practical implications. In terms of theoretical implications, the results yield novel insights into individual characteristics that can explain why and how some people tend to believe that business growth brings more good (i.e., positive consequences) than harm while others tend to believe that it brings more harm (i.e., negative consequences) than good to their firms. Since SBGBs are an important precursor for growth motivation, these novel insights could also further our understanding regarding the cause of variations in individuals' levels of growth motivation. In addition, the results provide novel insights into the important role of perceived competence in determining whether a promotion-focused or prevention-focused small business owner would anticipate more positive or negative consequences of business growth, especially when it comes to emotional consequences of business growth. It can enrich the existing understanding of the relationship between regulatory focus and optimism or pessimism in predicting personal outcomes (e.g., Hazlett, Molden, and Sackett, 2011).

In terms of practical implications, the results offer policy makers and practitioners novel information that could help them identify which type of small business owners possess the tendency to expect more negative or positive consequences of business growth. Since beliefs can change when individuals who hold them are provided with new information that counter those beliefs (Ajzen & Fishbein, 2000), these results can help them determine for whom persuasive information on positive consequences of business growth should be provided more

frequently. For instance, previous research has shown that individuals in a collectivistic culture tend to be prevention-focused rather than promotion-focused (Lee, Aaker, & Gardner, 2000; Uskul, Sherman, & Fitzgibbon, 2009). Thus, information concerning positive consequences of small business growth should be provided for small business owners in such culture more aggressively in order to counterbalance their tendency to expect more negative consequences of business growth resulting from the inclination to be prevention-focused. Furthermore, the results regarding the role of perceived competence with respect to pursuit of business growth suggest that policy makers and practitioners should pay more attention to small business owners' perceived competence with respect to pursuit of business growth. In small business empowerment programs (e.g., training), equipping small business owners with the skills required to grow their businesses and enhancing their perception that they are competent to grow their businesses are indeed crucial. Of course, that should be done without overlooking external factors that can also affect small business owners' SBGBs.

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