

The paradox of prosperity: Why higher earnings can reduce growth aspirations

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Datasets used

Survey on Financing and Growth of Small and Medium Enterprises

General Index of Financial Information (GIFI)

Policy areas this research can inform

Business performance and ownership

Income, pensions, spending and wealth

Context

This study fills a key gap by showing that entrepreneurial growth intentions are not static, but rather shaped by prior success and recent constraints, challenging the assumption that higher income always signals future expansion. Using survey data from Canadian small firms, this study finds that financial and human resource barriers spur growth ambitions, while regulatory and competitive pressures dampen them. This dynamic perspective advances understanding of how past performance and contextual obstacles interact, offering insights for policymakers and lenders to better forecast growth potential and tailor support strategies beyond simple financial indicators.

Key finding

Higher entrepreneurial income tends to reduce growth intentions among established firms, while recent experiences with human resource and financial barriers increase growth ambitions, and competition or regulatory barriers dampen them - highlighting how past performance and constraints dynamically shape entrepreneurial growth expectations.

Policy implications

Policymakers should recognize the role of dynamic aspirations. Aspirations are socially referenced and role modeling may be an effective way of stimulating renewed ambition. Moreover, policies are likely to focus on firms facing resource constraints, as these businesses often exhibit stronger growth ambitions. Targeted support — such as easing HR and financial barriers — could unlock expansion potential, while reducing regulatory burdens may prevent discouragement. This nuanced approach can improve the effectiveness of growth-oriented programs and forecasting models by considering dynamic interactions between past performance and present obstacles, rather than relying solely on financial indicators.

Read the full article here

Freel, M., Rostamkalaei, A., & Tran, H. (2024). Growing gains and growing pains: Examining the growth intentions of established entrepreneurs. *Strategic Entrepreneurship Journal*, 19(2), 313–342. <https://doi.org/10.1002/sej.1526>

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