

Growth Barriers in Innovative Small Businesses

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Abstract

Growth-oriented and innovative small businesses play a central role in European economies. Thus, it is not surprising that firm growth constitutes one of the key themes in SME policy and entrepreneurship research, as scholars have sought to explain why some firms grow while others do not. These enterprises are growth-oriented, have prior growth experience, and are actively engaged in research, development, and innovation (RDI) activities. However, according to Draghi's (2024) report on innovation and competitiveness, these innovative small businesses are generally failing to translate innovation into commercially viable products and to scale up in Europe, as they continue to face significant growth barriers. Understanding the barriers that inhibit the transition of small firms into medium- and large-sized enterprises has therefore become increasingly important from a policy perspective. The aim of this study is to identify the growth barriers faced by innovative small businesses. This objective can be condensed into the following research question: What are the perceived growth barriers in innovative small businesses? The data consist of 25 semi-structured retrospective interviews with owner-managers, collected in Finland in 2025. The interviews were qualitatively analysed using thematic analysis. The novelty of this study stems from its inclusion of growth-experienced, innovative micro-sized enterprises, whose growth barriers often differ from larger firms and are often overlooked or excluded from research data, and thus remain underrepresented in prior growth and innovation research. The preliminary results

indicate that these enterprises face a range of perceived internal and external barriers, many of which are industry-specific.

Keywords: growth barriers, innovative enterprises, small business, microenterprises.