

Growing Pains in Scale-ups

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Scaling new ventures is often seen as a beacon of success. It promises growth, expansion, and prosperity for various stakeholders. However, this study takes a different angle by focusing on the well-being of employees within these ventures. We delve into the impact of scaling on employee well-being, particularly examining burnout and job satisfaction. In doing so, we aim to shed light on the potential downsides of scaling, which are often overlooked. Our inquiry stems from the recognition that attracting and retaining talent is a critical challenge for growing young ventures. Hence, we ask the pivotal question: How does scaling affect employees in terms of burnout and job satisfaction?

Are There Growing Pains in Scale-ups? What Makes Scaling Less of a Problem?

Taking an employee perspective, we integrate scaling and growth with the job strain and job satisfaction literature to develop and test a theoretical framework of scaling, employee burnout, and job satisfaction. In line with the employee perspective, we view scaling ventures as ventures that undergo profound changes across various organizational dimensions. In other words, we define scaling as a notable and positive shift from a venture's prior growth path. Accordingly, to measure scaling, we employ a novel methodology: a dynamic panel data model to detect the predicted growth trajectory and thus identify the positive growth shifts used to measure scaling. Using a sample of 10,908 new venture employees in Sweden, our findings reveal that employees working at scaling new ventures experience burnout and have less job satisfaction. However, having a managerial position or prior new venture experience reduces the negative consequences of scaling. But *what makes them feel so?* Drawing on the job demands and control (JDC) theory, we find that as new ventures scale, employees perceive increased job demands, making them more prone to burnout and less satisfied with their jobs. However, this is not the case for employees who possess greater job control over their work environments.

Why Should Entrepreneurs Care About the Growing Pains in Their Scale-ups?

Understanding the implications of scaling on employee well-being is critical for practitioners in general and entrepreneurs in specific. First, it highlights the hidden “social” costs associated with scaling (i.e., employee ill-being), which could hamper the market position, growth and success these new ventures aim to achieve if ignored. Second and relatedly, focusing on employee well-being not only reflects the entrepreneur's commitment to ethical practices but also enhances their young venture's ability to attract highly talented individuals—a common challenge for growing young ventures.

Our Advice to Entrepreneurs and Their Followers

Our research indicates that in scaling ventures, where HR practices tend to be less structured and developed than in larger corporations, there is a pressing need to focus on developing effective HRM practices. When it comes to non-managerial roles, having prior experience in startups proves to be a valuable advantage. Conversely, when it comes to managerial roles, a focus on job-specific skills and expertise is often more critical than prior startup experience. Moreover, employees in non-managerial roles with limited prior startup exposure may benefit from tailored HRM support to effectively adapt and thrive within the dynamic environment of scaling ventures.

How to Make Effective Policies for Scaling?

Our paper emphasizes a critical contradiction between policies advocating for scaling up businesses and those aimed at promoting employee well-being (SDG 3) and a decent work environment (SDG 8). While scaling is often encouraged for its economic benefits, such as job creation and growth, we show that it can also lead to increased employee burnout and reduced job satisfaction. In other words, we question “the more scaling, the better” assumptions, partly responsible for OECD policies that, alongside promoting scaling, also focus on enhancing employee well-being. Our findings indicate that while scaling may align with one policy (i.e., prioritizing scaling), the effects on employees may run counter to another. Hence, our research highlights the need for a more *balanced* approach and policies that consider both the economic and human (social) aspects of scaling.

Did We Really Need to Know About Growing Pains in Scale-ups?

Probably YES! In an additional analysis, we show that it is scaling, and not growth per se, that has these adverse effects on employee well-being. This finding also supports the notion that scaling is *different* from growth. This research invites a discussion to rethink the impact of scaling new ventures, acknowledging the potential challenges it poses to employees. By shining a light on the intricacies of scaling and its effects on well-being, we provide a more holistic understanding of the entrepreneurial journey and offer actionable insights for those involved in the scaling process.

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