

**International Journal of Management and Enterprise Development**

ISSN online: 1741-8127 - ISSN print: 1468-4330

<https://www.inderscience.com/ijmed>

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**DOI:** [10.1504/IJMED.2024.10062888](https://doi.org/10.1504/IJMED.2024.10062888)

**Article History:**

Received:	02 July 2023
Last revised:	16 January 2024
Accepted:	22 January 2024
Published online:	03 May 2024

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**Abstract:** Even though growth management in digital startups has been researched in developed countries, there is a relative paucity in the context of emerging economies. This study aims to bridge the above-described gap by clarifying the growth management priorities of digital service startups in Brazil by analysing the experiences of the owner-managers of and reflecting these through a thematic framework of service business growth management. A multiple-case study was conducted using the critical incident technique on nine startups. As a result, this study opens the contextual aspects of growth management in Brazilian digital service startups from the perspectives of digital service business and Brazilian startup ecosystem. The findings can be used as propositions for theory building and as a benchmark for the owner-managers, intermediaries, and policymakers. The research strategies presented in this study can be used as reference for opening new contexts.

**Keywords:** startup; digital service; startup stage; service business; Brazil; growth management; enterprise development; digitalisation; contextual characteristics; multiple case study; emerging economies.

**Reference** to this paper should be made as follows: Dib, L.d.A.L., Muhos, M., de Paula, V.F., Freitas, V. and Saarela, M. (2024) ‘Growth management of digital service startups in the Brazilian context’, *Int. J. Management and Enterprise Development*, Vol. 23, No. 1, pp.51–72.

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## **1 Introduction**

Growth management focuses on how entrepreneurial owner-managers manage a firm's growth (Merz et al., 1994; Saarela et al., 2021). It is well known that the startup stage is the most critical period in determining whether a new business can survive (Picken, 2017; Salamzadeh and Kesim, 2015). Thus, growth management is of fundamental importance for startups aiming at growth (Volkmann et al., 2010). It is essential to study how companies manage their growth processes (Gupta et al., 2013), and although large empirical research on business growth exists, theoretical development has been slow (e.g., Davidsson and Wiklund, 2006; Delmar et al., 2003; McKelvie and Wiklund, 2010; Shepherd and Wiklund, 2009). This study focuses on the configuration perspective of firm growth, which deals with growth as a process. According to Davidsson and Wiklund (2006), the configuration perspective focuses on how growth management problems appear and how they can be dealt with during a firm's typical stages of development. In the literature, the configuration perspective is also referred to as stages of growth (Scott and Bruce, 1987), stages of firm development (Leitch et al., 2010), a stages approach (Levie and Lichtenstein, 2010), and a lifecycle approach (Leitch et al., 2010).

In the configuration literature, the startup stage is the first stage of a company development – many stages of growth models have tried to describe the characteristics of growth management during this critical phase. The startup stage is the most critical period for a new company's survival because management decisions have a decisive effect on the survival and growth of the company (Bennett, 2016; Churchill and Lewis, 1983; Furlan et al., 2014; Miller et al., 1984; Salamzadeh and Kesim, 2015).

Startups are new, active, and independent businesses (Luger and Koo, 2005), with promising ideas, the willingness to take risks, and capabilities and aspirations of rapid growth (Bardazzi, 2020; Weiblen and Chesbrough, 2015). Ries (2011) defines a startup as a human institution designed to create new products and services under conditions of extreme uncertainty, while Blank and Dorf (2020) and Blank (2013) define a startup as a temporary organisation in search of a profitable, scalable, and repeatable business model. While there is no universal definition of a startup, it usually refers to enterprises that are younger than ten years, innovative and intending to grow in the number of employees, turnover or markets (Muller et al., 2021). Since startup companies are characterised by a focus on growth, the growth management approach of the configuration perspective is well suited as a theoretical reference framework for this research.

Based on an extensive meta-analysis and synthesis of previous empirical and service-business focused configuration studies, Muhos et al. (2017) condensed the reference framework of nine growth management themes, including focus, power, organisational structure, decision-making systems, strategic management, service development and delivery, marketing management, human resources management and growth management. The authors propose that, by using the self-assessment framework, the special characteristics of growth in service industry sectors and in diverse cultural and geographical contexts can be analysed. In this study, we focus on the growth management aspects experienced by Brazilian digital service businesses in their startup stage of development.

The definitions of service business found in the literature highlight such characteristics as intangibility, simultaneous consumption of services, sequential nature of services, the role of the customer as a co-producer and the added value the service generates to the customer (see, e.g., Fitzsimmons and Fitzsimmons, 2006; Grönroos, 2015; Lovelock and Patterson, 2015; Miles, 2008). According to Lovelock and Patterson (2015), in both developed and developing countries, the relative share of the service sector is constantly growing. The service sector globally represents 40% to 93% of countries' GDP, and 50% to 90% of new jobs are generated there. Therefore, there has been an ongoing shift from product-based economies to service-based economies (Kowalkowski et al., 2017). This shift has specifically appeared due to the creation of digital services (Pinto and Baracsi, 2012; Williams et al., 2008).

A digital service is an activity or benefit that one party can provide to another through a digital transaction, making it possible to provide services in new and different ways (Williams et al., 2008). Digital services, also referred to as 'smart services' or 'electronic services' (e-services), provide new opportunities to serve customers' individual and continuously changing needs (Dreyer et al., 2019). Williams et al. (2008) pointed out that the difference between traditional services and digital services is the different sense of tangible versus intangible. In Brazil, the service sector accounts for more than 70% of Brazil's GDP (SEBRAE, 2020). According to the Brazilian Institute of Geography and Statistics, in 2018, the non-financial services sector consisted of 1.3 million active companies, employing 12.6 million people in Brazil (IBGE, 2018). Within the service sector, digital services represent the most prominent growth and development potential.

Based on a review by Quinones et al. (2014), the digital startup boom opened doors for entrepreneurs to enter new markets with explosive potential for growth and provided a catalyst for a new entrepreneurial ecosystem in emerging markets. The rapid expansion of wireless data networks and the ubiquitous presence of smartphones have accelerated the number of digital startups that sell digital products and services online (Berman, 2012; Taylor and Murphy, 2004; Wall et al., 2007). However, there are still limited signs of global success outside of the USA, Israel, and Europe (see Kollmann, 2014; Quinones et al., 2014). Even though the early lifecycle of digital startups has been researched in developed countries, there is a relative paucity in the context of emerging economies (Quinones et al., 2014). Therefore, it is important to generate a contextual and more in-depth understanding of the growth management of digital service startups during the critical early stages of development. This study aims to clarify growth management during the early growth of digital service startups in the Brazilian business context.

The above-mentioned can be condensed into the following research question:

- What are the growth management priorities of digital service startups in the Brazilian business context experienced by owner-managers?

By in-depth analysis of growth management priorities within a specific industry and geographic context, this study seeks to analyse the gaps between the reality and the generic models, describe the contextual characteristics of growth management and, by doing so, explore potential pathways for increasing contextual understanding within the growth management literature.

## **2 Method**

This multiple case study is qualitative and descriptive in nature and aims to study the social phenomenon of growth management in the Brazilian business environment. Qualitative research allows for an in-depth exploration of the circumstantial-contextual differences in which the research problem is experienced (Ritchie et al., 2013). In this approach, participants freely talk about their experiences without being limited to pre-established answers (Ritchie et al., 2013; Yin, 1994).

According to Yin (1994), a case study research strategy can be applied when the objective of the study is linked to contemporary phenomena relevant to the research object in a real-life context. It is a strategy that can be used to explain, describe, illustrate, explore and meta-evaluate events in which the observed results are not simple and clear (Yin, 1994).

The data were collected and analysed using a critical incident technique (Chell, 2004, 2014; Flanagan, 1954) to clarify the growth management related events as experienced by the managers of the case companies. A critical incident is defined as extreme behaviour that is either outstandingly effective or outstandingly ineffective related to the overall objectives of an activity (Fisher and Oulton, 1999). CIT facilitates studying important occurrences identified by the interviewee, managing them, and the experienced outcomes (Chell and Pittaway, 1998). CIT is a valuable method for analysing factors that result in unsuccessful and successful performance as is the case with growth management. The data collection was organised as a semi-structured interview with open-ended questions and more detailed, predefined themes derived from the reference model.

The deductive data analysis of this study devises a self-assessment framework of service business growth management, proposed by Muhos et al. (2017) – the framework is based on an extensive meta-analytical review of the empirically-based configuration literature. It provides a useful reference framework for studies focusing on growth management processes. The framework is devised in this study as a reference framework for reflecting the managerial experiences of the owner-managers of Brazilian digital service startups. In the framework, the central growth management themes of service-based business (Muhos et al., 2017) are classified into nine categories: focus, power, structure, decision-making systems, strategic management, service development and delivery, marketing, human resources, and growth management. The themes are used in the deductive analysis as the main categories.

The researchers used semi-structured questionnaire with predefined questions and themes and adopting a similar approach in all interviews (Yin, 1994). The questionnaire

was sent to participants by e-mail so that they could familiarise themselves with the content of the project and prepare for the interview.

This multiple case study investigated digital service companies in the startup stage of growth. The study was conducted with nine companies, which are presented in Table 1. The selection criteria for the companies were as follows:

- 1 private digital service company
- 2 recent experience at the startup stage
- 3 founded in Brazil, with its current home office in Brazil.

The companies were selected based on the above-described criteria using the snowball process. Saturation (Bowen, 2008) was reached when participants started to give similar answers and did not add new information to the study – that level was reached before the ninth interview. The selection process started by contacting a couple of initial case companies fulfilling the criteria, who then worked as intermediaries to contact the other potential case companies through their network connections. From the collected data, this study identified the critical incidents related to the growth management of digital service startups and revealed the contextual characteristics of growth management in Brazil.

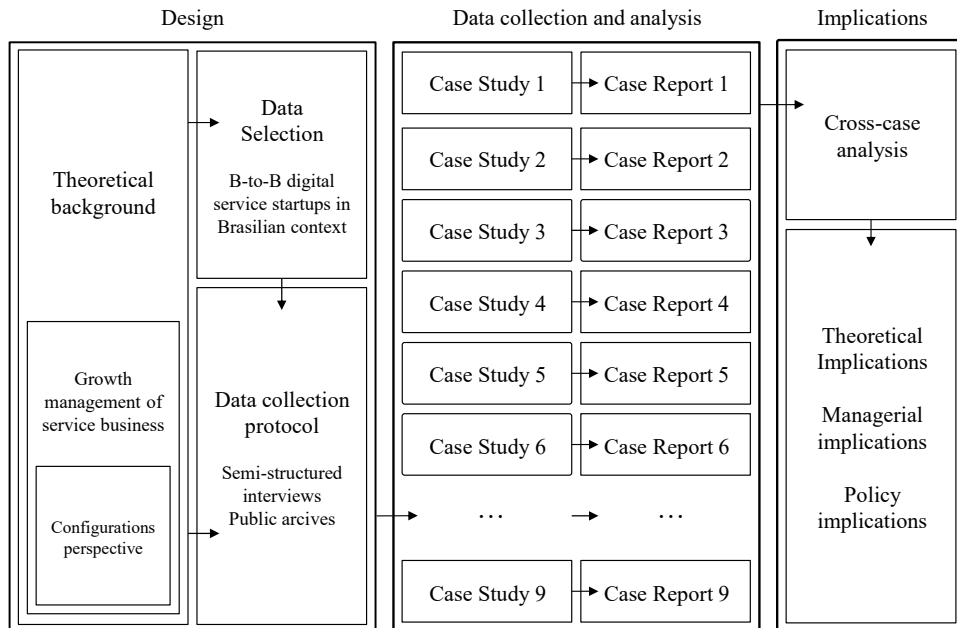
**Table 1** The case companies

<i>Case</i>	<i>Field of activity</i>	<i>Description of business activities</i>	<i>Number of employees</i>	<i>Year of establishment</i>
E1	Corporate finance	Platform for companies to automate accounting and reimbursement of employee expenses.	18	2016
E2	Digital transformation	Development of digital transformation projects for companies, in the open scope model.	39	2019
E3	Digital education	EdTech – company focused on education, oriented to continuous education for educational institutions and companies.	35	2014
E4	Corporate communication	Mobile engagement platform which develops personalised communication for companies.	06	2016
E5	Psychology	Digital management service and system for psychologists and psychology clinics.	23	2015
E6	Digital media	Performance management platform for online media and digital channels for companies.	04	2018
E7	Digital transformation	Development of digital services for companies, such as web servers, front-end and back-end systems, and websites.	09	2019
E8	Digital traffic management	Online traffic management of digital platforms for companies.	04	2020
E9	Digital agribusiness	Data and equipment management platform for agribusiness companies.	27	2015

The cases were in the state of Minas Gerais in the Southeast region of Brazil. According to IBGE (2018), in the year of the survey, the region with the highest share of gross revenue, number of companies and employed persons in the service sector was the Southeast. Minas Gerais brought together more than 139,000 service companies and was responsible for employing 1.2 million people. The Southeast has the three states with the highest number of small businesses in the country: the region represents 48.5% of such enterprises.

All the interviews were recorded, transcribed, and translated into English to ensure transparency. Figure 1 presents a graphical representation of the research design and process.

**Figure 1** Research design and process



### 3 Results and analysis

In the Brazilian context, according to Dornelas (2021) and Quinones et al. (2014), digital startups started to flourish during the ‘dot com’ movement in the beginning of the new millennium. This one-off event motivated the emergence of internet startups, founded by young entrepreneurs, and became known as the internet bubble. This provided a starting point for a digital startup movement in Brazil, as we know it. However, there is a gap in the literature concerning digital startups in the Brazilian context and, in the broader sense, emerging economies.

By conducting a cross-analysis of the nine cases studied based on the thematic areas of management developed by Muhos et al. (2017), it is possible to elaborate on a deductive synthesis of the managers’ experiences using the themes of the reference framework as categories. In this way, it was possible to understand how the experiences



of service startups in Brazil relate to the main thematic areas of service business growth management.

### *3.1 Central focus of the business*

The managers of the digital service startups identified customers as most central to the focus of the business. Customers and markets, as well as concrete customer acquisition, were at the focal point of these digital service startups, starting from Day One. According to the experiences of the owner-managers, having a clear and shared vision, creating digital services that meet real needs at the market, having early customer validation of the service proposal, and having fluent and intuitive tools and delivering quality in the services provided were important focal points of the managers and managing those well in the beginning made a positive impact.

... We knew that, for example, in the financial area, there was a lot of paper, there was a lot of bureaucracy... We wanted to find a way to automate this. I went there physically to the company. I saw a pile of coupons, of paper coupons, and I asked, 'Ah, and this pile of coupons here?' People would say, 'Oh, no, this is an expense reimbursement process...' or 'this is a headache'... we found pain. (CEO, Case E1)

Reinforcing the importance of customers for the focus of the business, the interviewees pointed out poorly defined market segments, difficulty in defining market identity, absence of the product–market fit, no value or low value service to customers, low customer interest on Day One and low scalability of customers as negative.

### *3.2 Power*

Having partners aligned and with mutual trust was pointed out to be positive. Mutual trust was based on family relations and/or long-term friendships in these cases.

... I had the opportunity to go to France. I graduated in mechatronics engineering from [university name removed]. My partner, too. And then I lived in France... My partner at the time also lived in France. His father had a little influence in agribusiness, and we understood that it was going to be our market... [His] father arranged a meeting for us with people from [company], which is a company that supplies inputs for agriculture, and we went to present this project to them. (Case E9, CEO)

I started working at [company name removed] through partners recommendation, and there I met two other people. Today, we are the partners of [Case E2]. ...Chief Technology Officer, I have known him since 2013. [Partners' names removed] were friends that I created at work. Today, we are friends—a sincere friendship. (CEO, Case E2)

The exclusive dedication and presence of the partners in the business were considered important and were cited as positive in cases where the partners were present and as negative in the opposite cases. Finding reliable, value-generating partners and investors can be difficult. It was also considered important to let go of business partners who did not bring the expected value.

Our team is a crowd that is very committed to the purpose. Having the company's leaders involved in and engaged with the same purpose, it made a significant difference. We turned the committed leaders into partners to align our business expectations. (CEO, Case E3)

We had a power problem in the beginning. One of the partners left after a year and a half of the company. This created a profoundly genuine problem because the company had to buy back his share. It was the moment I thought the company was not going to work out... with him left the whole development team, so we had a severe problem with his departure. (CEO, Case E3)

On one hand, the early definition of a power structure was described positively, as it helps speed up decision making in the definition of authority areas, defining who takes care of each responsibility area. In this sense, the importance of clear responsibilities and division of tasks was highlighted. The CEO of case E8 described the need for task division between the founders:

... my partner and I used to [both] do everything. We clashed about the tasks and executions... From that point on, we clearly divided the commercial and execution parts.

On the other hand, the informal structure was also identified as positive due to the freedom it provides to the managers. Moreover, it was pointed out that unclear roles would risk centralising the decision-making power to a single person, reducing the speed of decisions and flexibility in the startup.

In a small team of founders, joint decision making, and shared leadership, as well as diversity, were considered positive in contrast to separate, role-based or equity decision making. The positive effect of diversity of opinions within the startup team was highlighted, specifically that it decreases the risk of relying on the potentially biased view of one person only.

We have decisions that happen together, and we end up talking between partners and with our CTO, who, as I said, despite not being a partner, already has our offer in hand. (CEO, Case E6)

... Today, we can make decisions that are not biased by the opinion of the partners or by experience, so we have diversity. (CEO, Case E1)

Dealing with diverse opinions helped the whole team become aligned with the company's purpose. In one case, lack of feedback among the management team was considered negative, generating unnecessary distance, unclear responsibilities, a sense of inequality and misalignment. In a startup, a lack of feedback combined with immature processes can seriously damage decision making.

Brazil is a culturally and ethnically diverse country. One interviewee pointed out the importance of taking diversity into account, for example, in forming a startup board.

... [One] negative point that we were not so concerned about [was] diversity on the board, like the board is made up of white men... So, this is having an impact; it is bringing bias. Today, there was a woman on the board, but even so, there was no prior concern about it. (CEO, Case E3)

The importance of leadership skills was also highlighted. The experience gained in the early stages of the business was considered valuable throughout the company's growth. Moreover, earlier leadership experience was described as positive. Bringing in people with leadership experience in former companies sped up the development of the startup.

Companies with less-experienced staff members in the beginning, or limited knowledge about the market in which they operated, stated that the development of these skills through training takes a lot of time.

### *3.3 Organisational structure*

The owner-managers highlighted the importance of defining the responsibilities of the team early. As a positive aspect, the interviewees mentioned that creating an organisational structure with concrete organisational charts and functions made it possible to reduce dependency of the team on the owner-manager, made execution and division of tasks easier, and decentralised decision making. In addition, a clear structure promoted the satisfaction of ambitious talents who began to see the possibility of growth within the company. When growth was achieved, the diversification of roles was considered easier and easier for the team to receive. However, an opposite viewpoint:

People are very horizontal, right? First, there is no bureaucracy. The strategic alignment I do with my managers, well, I do the same thing with the intern; everyone is in the same meeting. We created a very innovative culture within the company. There are no positions here. We say that 'he is a director' just because I have a role to represent. (CEO, Case E9)

The negative experiences included inverse effects of lack of structure and well-defined functions, centralisation of decisions and dependence on the owner. Moreover, sudden changes in the core team or team of owner-managers (e.g., the departure of one or more of the owners) had a temporary negative impact, causing confusion from a structural perspective. In addition, one of the companies pointed out that having focused more on product creation, leaving the company structure in the background, was an obstacle to the growth and development of the business.

### *3.4 Decision-making systems*

Placing the customer at the centre of the decision-making system was seen as a core prerequisite for success by most of. According to the owner-managers, customers should be heard using both qualitative and quantitative means to understand their needs in depth. Moreover, the owner-managers of digital service startups highlighted the importance of good data management. Good data allow a knowledge-based approach – that is, an in-depth understanding of data and a better grounding of hypotheses.

No! We do not have any decision-making processes; what we have is a culture. So today, we are very data oriented... We really like to base our decisions on data. Both talking to the customer and having data is always a premise for decision-making. (CEO, Case E1)

Poor data and failure to ground the decision making on data were seen as a major source of poor decision making and even failure by the owner-managers. Moreover, one of the interviewees cited a biased analysis of the data.

This was due to a lack of deeper validation. We had the confirmation bias of trying to look at that data there, and within that data, we just looked at what was convenient for us. (CEO, Case E6)

Interviewees also pointed out that not having a management system from the start and that late monitoring of data was negative for business growth. The use of software, with

the belief that the company's problems would be solved, the need to supervise the service and not give the team autonomy to make decisions and the lack of experience and ability to interpret data had a negative impact. Furthermore, the low speed in abandoning the wrong decisions taken was also mentioned as negative.

### 3.5 *Strategic management*

According to the interviewees, having a sharp vision and readiness to pivot are the cornerstones of a resilient strategy in a digital startup.

You must test your vision a lot to be resilient. I say, two years is nothing in a company; you do not earn anything until two years. In the third year, you will start to have a little vision of what has to be done, and even then, you will have to be resilient; otherwise, you will break... so that you can execute something that has the capacity to become solid in the long run... Strategic planning is very dynamic. You will plan one thing one year; the next, it is something different, so we never plan for more than two years. (CEO, Case E9)

As described above, digital service startups face a rapidly changing business environment. Therefore, screening competitors, interesting benchmarking objects, and new market needs make it possible to keep the strategy updated and pivot early enough, if necessary. The interviewees pointed out the importance of strategy and clearly defined objectives for motivation. Moreover, systematic tools for managing the objectives, even gamification, supported the implementation of the strategy in digital startups.

According to the interviewees, strategic alignment and a focus on people make it possible to achieve a strong and sustaining culture, while a lack of strategic planning and alignment between the partners may lead to the failure of the business. Execution without a clear strategy can overload the owner-manager with operational activities.

Little of my time is focused on strategic planning. I do a lot of running still. (CEO, Case E9)

### 3.6 *Development and delivery of services*

From a service development perspective, the interviewees highlighted listening to the customer from pre-sales to post-sales to understand the customer's needs and deliver a solution that satisfies them. Constant feedback and proximity to customers were aspects presented as positive – facilitating the end user, especially in the case of a complex digital service, was found vital to the business. Not having proper customer surveys and/or structured after-sales was considered blindfolded development.

From the beginning, we were always driven by feedback, right? We had this approach, this relationship with our client. We really need to be close to them. So, there were numerous changes, removing features that were useless... putting the customer at the centre of attention was very valid and helped us to reprioritize. We always focus on developing solutions that our customers need. (CEO, Case 5)

Small mistakes are a natural part of agile customer development of digital services. However, these mistakes should be combined with rapid learning to succeed. The owner-manager of case E9 put it:

... [We] try to get it right more than wrong... Everyone makes mistakes. But if you make a bad mistake, then you may not be able to get up quickly... Mistakes were not fatal, and most of the mistakes were lessons learned.

The interviewees indicated the study of validated methodologies, through reading books and articles, market references and case studies from other companies as positive. For example, the use of the agile development methodology was mentioned as an example of such a method being widely used and easily adopted. The lack of investment in training, consulting, and mentoring for the team was identified as a negative, as well as the lack of maturity and experience of the service team and the service owners.

The challenges addressed were recurring tool bugs, lack of standards and processes at the beginning of the company, concentration of efforts in building the product while neglecting other processes and sectors that are essential for the growth of the business, making decisions biasing the data by the owners' wishes, poor service scalability, quality of service not meeting the expectations and not scaling the team to be able to make deliverables on time.

### 3.7 *Marketing*

Attracting customers early was described as positive. Positive customer experiences lead to good references and recommendations for other customers. Customers were reached, for example, through active outbound prospecting, direct contact, fairs and events, and the optimisation of search engines. In a competitive digital market, it is also important to invest in attracting new talent.

Data was considered an essential element of the marketing in these digital startups – good data allows macro-level planning based on hard facts, while a shallow validation of hypotheses only seeking to justify the pre-assumptions of the owner-manager caused setbacks and waste of effort on something the customers did not want. Development of digital marketing skills through training and qualifications had a positive impact on results, while lack of experience, qualifications and training had a negative effect.

The startups had varying approaches to resourcing marketing. Respondents described their ability to have an in-house team positively, thus increasing the alignment between the market and the product. Other cases outsourced marketing with positive results. These interviewees highlighted the importance of focusing on the core, dedicating efforts to improve these activities and contracting other services, as the CEO of E8 described:

... We need to outsource what is not our core business. So today, my social network, the arts, the things that are posted there, my LinkedIn, etc. – this is all outsourced. Marketing is not my strength. I would waste time thinking about what I am going to post on my social network.

Some others were almost not investing in marketing and trusted service-led growth.

Marketing: we did little, very little. Our marketing strategy is word of mouth. It is our client who likes it a lot and goes there and does it. Now, we are introducing the issue of digital marketing a little more. (CEO, Case E9)

The marketing, it is of indication. It is a client who is already a client and who refers, or our investor, to us and such... we still do not have the cash or priority to invest in marketing. (CEO, Case E2)

The lack of marketing resources, or resourcing too late, had a negative impact both on the team and on attracting new customers. The above-described led to e.g. investing in

low-impact actions, unclear definition of the market, and unfocused efforts. Misalignment between marketing and development occurred as well. Some interviewees pointed out that too little attention was given to the construction of the company's presence due to its heavy focus on development. One owner-manager needed to remove the partner from sales and marketing activities to assist in the operation.

### 3.8 Human resources

Having a sharp vision and investing time in creating a culture and team spirit reduces employee turnover eventually.

... [We] bring in people who buy into the business idea – the dream. Without people, it would be impossible to build what we built. So, having a culture that is focused on bringing in good people and on making them participate in this success, I think, is essential... having people who can take the hit until success arrives. (CEO, Case E9)

Startups can offer young talents with high motivation the opportunity for a first job, which increases the motivation of the whole team. In this process, despite the higher price tag, hiring competent people was considered worthwhile. A motivated team aligned with the company's culture can build concrete value. Diversity of the team (e.g., gender, experience, age) and diversity of opinions leads to thorough decision-making where diverse perspectives are considered.

The Brazilian digital startups used creative reward models for capturing human resources – the founders and employees with equity and monthly-based payment, in-house employees, contractors, and freelancers. Moreover, an innovative startup can offer a diverse set of benefits to employees, including flexible hours, a hybrid work model, non-adherence to formal dress codes, etc.

We are very keen on the culture and well-being of the team. We have an office for those who want to go to the office; we leave people free to do the home office if they see fit as the best for them. We do not control work time... What we control at the end is the result. (CEO, Case E8)

Moreover, in a young and developing startup, courses and training combined with real-time practical experience motivate and enable personal development alongside business growth. The team grows as the company grows.

... We never hired anyone from the market. 100% of our workforce today started as interns. 100%. So, all developers, all trainees. So the guys took a little longer to reach the seniority level, but they arrived at the seniority level with love for what they do. (CEO, Case E9)

Building systematic processes and human resource management tools had a positive impact on these digital startups. Some owner-managers reported applying systematic talent selection and recruitment processes. As the team grew, some startups hired an experienced person responsible for human resources. Some reported challenges caused by a lack of maturity in people management. Others had challenges with the lack of a hiring process, errors in hiring, and problems resulting from a broader underestimation of the importance of hiring.

On one hand, the development of a feedback process was presented as positive from the perspective of human resources; for example, the creation of monthly feedback processes and the collection of feedback by the team was found useful. On the other

hand, if the company lacked clear objectives, it was difficult to generate a clear feedback system.

As we did not have a clear objective, we gave feedback, but it was not clear.  
(CEO, Case E3)

The other negative incidents recalled by the owner-managers related to a lack of people on the team with previous human resource management experience, a team formed by younger people with little experience and performance in the market, lack of experience in hiring, difficulty in hiring experienced people, lack of a system to manage the entire company and make processes traceable and high investment required to hire experienced people.

### 3.9 *Growth management*

From the perspective of financial resources, companies with clearly defined scalable business models were able to raise external funds and secure resources for the development of a service platform. A trusted network of family and friends was helpful in some cases in gaining traction from the beginning. According to the CEO of Case E9:

... The people from [company A name removed] invited us to an event. The event called TV Globo to film us there... [company B name removed] decided to join as a partner and invested R\$600,000.00. And then, [after a short cash crisis] at the end of 2019, we found our second investor, a venture capital fund from São Paulo with a group of angel investors. The two together put R\$1,000,000 at the beginning of last year, 2020... We were pioneering in everything... bringing an innovation that did not exist, and today we are the market leader in Brazil and in Latin American countries. (CEO, Case E9)

So, year after year, we always had growth. And growth at that startup pace, right? Of course, doubling the size of a company when you are very small is easy. So over time, it becomes more difficult, but we had an average growth rate of 250% per year until last year. So, we grew more in the number of customers and revenue than in the number of employees themselves. This is because the company is scalable. (CEO, Case E1)

A scalable business model enables growth without increasing the number of employees, while growth using project-based or subcontracting business models is highly dependent on the availability of human resources. The cases with less scalable projects based on subcontracting business models grew organically, struggling more with the generation of adequate financial and human resources for growth. For these companies, it was more central to maintain constant organic cash flow, keep part of the revenue as a cash reserve and avoid unnecessary spending.

And we, as we only provide services, it is difficult to get investment for a service company. If you do not have a scalable model [e.g., software as a service], that is, even if it is in your minimum viable product already with some customers running, you cannot get an investment. (CTO, Case E7)

... We are looking for an alternative to pivot the company to so that it is more scalable and has more recurring revenue. It is difficult for the service to have a contract that ends in six months, and then every six months you must resell. (CEO, Case E2)

The startup teams lacked people with experience in financial aspects. Therefore, having qualified accounting services and software helped startups in the management and

operationalisation of financial data. Some owner-managers highlighted the importance of recording all the company's transactions, improving the traceability of expenses, and controlling expenses. Other challenges related to financial growth included lack of objectivity and planning in financial growth management, lack of cash flow management and planning, lack of resources and cash flow and not investing in sales growth early enough.

### 3.10 Pandemic

The interviews were conducted in Brazil during the COVID-19 pandemic. For some of these digital startups, the pandemic offered new business opportunities and rapid growth when Brazilian society was taking an externally forced digital leap to function in 'safety mode':

... In this pandemic period, we grew fast, and growing fast meant having to deliver fast, as everyone was in a hurry. Everyone wanted everything yesterday. (CTO, Case E7)

Others suffered the negative effects of the pandemic at critical moments for business survival:

Coronavirus started, and we had a significant impact on our part of revenue generation, so the little revenue that we were getting at the time was still cut, and we began to redefine very well what we were going to do. (CEO, Case E6)

... The pandemic was difficult, and we have not completely recovered yet. All the prospects we had were frozen, some paying customers that we had cancelled the contract, and we were left with the revenue of only one customer. (CEO, Case E1)

## 4 Discussion

This study aimed to shed light on the growth management priorities of digital service startups in the Brazilian business context experienced by owner-managers. Based on the multiple-case study, it was possible to elaborate on a synthesis of the managers' experiences of positive and negative critical incidents related to the nine management priority areas derived from the meta-analysis of the stages of growth literature (Muhos et al., 2017).

To answer the research question, *what are the growth management priorities of digital service startups in the Brazilian business context as experienced by the owner-managers?* This study conducted an in-depth critical incident analysis of the managerial experiences in nine Brazilian digital service startups. The critical incidents experienced by the owner-managers were mostly in line with the nine management priority areas of more generic service business growth derived from the stages-of-growth literature. Moreover, the study revealed interesting context-specific aspects related to both digital business models and Brazilian business culture and context. Detailed analyses are provided, priority area by priority area, in Section 3. The findings were further analysed and condensed into Table 2.



**Table 2** The growth management priorities of digital service startups in the Brazilian business context

<i>Priority area</i>	<i>Growth management priorities of the digital service startups in Brazil</i>
1 Focus	The focus of the owner-managers was on customer development. This included finding and validating the customers, clarifying their pains and gains, customer acquisition, development with the customer and growing the business with customer. Together with the customers, the vision was further clarified and validated. Parallel to the above-mentioned, the focus was on the development of a minimum viable digital service to generate value for the customer(s) and to grow.
2 Power and ownership	Development of mutual trust was considered important and was built on strong family ties or sincere friendships developed over time. Time was invested in ensuring partners' commitment and alignment. Defined roles provide clarity but should not reduce speed and flexibility. Joint decision making, shared leadership and diversity reduce the risk of individual biases in decision making. The importance of leadership skills was highlighted.
3 Organisational structure	On one hand, a clear structure was considered to reduce dependency of the team on the owner-manager, made execution and division of tasks easier, and decentralised decision making. On the other hand, the owner-managers did not want to limit innovative startup culture, flexibility, or openness with bureaucratic practises.
4 Decision-making systems	Placing the customer at the centre of decision-making systems was seen as a core prerequisite for success. Good data enables a knowledge-based culture and process in decision making. Poor data and failure to ground decision making on data were seen as major sources of poor decisions and startup failures. Systems should scale with startup growth.
5 Strategic management	Having a sharp vision and readiness to pivot were described as the cornerstones of developing resilient strategy in a digital startup. Screening the market makes it possible to keep the strategy updated, and to pivot if necessary. Clear objectives with systematic tools to follow the progress motivate the whole team. Strategic alignment and a focus on people make it possible to achieve a strong and sustaining culture.
6 Service development and delivery	The service developed with a customer focus starting from minimum viable services – listening to the customer from pre-sales to post-sales enables building the service solutions and features that customers want. Validated methodologies, such as agile development, were studied, trained, and used. Small mistakes and learning from them were seen as a natural part of agile development.
7 Marketing	Attracting customers early led to valuable reference customers, recommendations, and feedback. Customers were reached, for example, through direct contacts, fairs and events, and the optimisation of search engines. Capturing digital marketing skills through training boosted marketing. Data allowed planning based on hard facts. Resourcing varied from inhouse/contractors to no marketing – lack of resources/late resourcing had a negative impact.

**Table 2** The growth management priorities of digital service startups in the Brazilian business context (continued)

Priority area	Growth management priorities of the digital service startups in Brazil
8 Human resource management	Sharp vision, strong culture and team spirit reduces employee turnover eventually. Offering young talents with high motivation the opportunity to grow with the company was found to be positive. Creative reward models were used, including equity and salary-based payment, as well as in-house employees, contractors, and freelancers. Startups offer flexible hours, a hybrid work model and informal dress codes.
9 Growth management	Companies with defined scalable business models were able to raise external funds and secure resources for the development of a service platform. A trusted network of family and friends was also found helpful in some cases in gaining traction. The cases with less scalable projects based on subcontracting business models grew organically, struggling more with the generation of adequate financial and human resources for growth. The startup teams lacked people with experience in financial aspects.

Digital service startups were able to speed up their growth in many ways compared to more conventional services. As condensed in the table, the focus of the owner-managers of these digital startups was on parallel customer and service development, finding and validating the customers, knowing their pains and gains, agile development of minimum viable service with the customer, pivoting and finally growing the business with the proven customers. In addition, digital service startups were extremely data driven, used systematic methods, and were able to base their decisions on hard facts. By doing so, the digital startups ensured the development of what their customers needed. Companies with scalable digital services and business models supported with scalable systems raise external funds and secure resources for the development of a service platform.

The study highlighted some aspects related to Brazilian business culture and context. In new startups, the development of mutual trust was considered important and was built on strong family ties or sincere friendships developed over time, rather than written agreements only. Some of the founders highlighted the importance of *sincere friendship*. Time was also invested in ensuring partners' commitment to the business and alignment with the shared vision in the long run. A trusted network of family and friends was also helpful in some cases in gaining traction and speeding up growth, for example, in a specific field of industry where the family or network of friends has connections.

Loyalty to family and friends and providing a good life to them are strong cultural values in the Brazilian cultural fabric. These aspects are discussed in a seminal book on Brazilian history by De Holanda (2012). In a country with challenges related to security and corruption, a loyal network of family and friends may also offer security and trust. On the positive side, in a company characterised by strong alignment, a feeling of belongingness may enable joint decision making, shared leadership and diversity, which were considered to reduce the risk of individual biases in decision making in these startups. On the negative side, generating deep friendship and trust can take a long time. Finally, it was interesting to note that within a diverse societal fabric of Brazil, with a history of inequality that is still dealt with today, young entrepreneurs highlighted diversity as a strength among the founders, board and within the team.

From the theoretical perspective, the findings of this study can be used in theory building as propositions for complementing the current theory focused on the growth

management of service business with contextual and more in-depth aspects provided in this study. It complements the current theory by adding two layers, the layer of digital service business characteristics and the cultural-contextual layer of the Brazilian startup ecosystem. By doing so, this study bridges the gap of growth management studies in emerging economies by clarifying the growth management priorities of digital service startups in the Brazilian business context. The reference framework devised in this study functioned as a useful frame of reference for analysing the early development of service businesses in different contexts. Furthermore, this study provides an example of how this framework can be used deductively to deepen contextual understanding. However, as presented in this study, there are many unique and/or contextual aspects that managers need to deal with during the startup stage, and the extent to which they affect startups differs (see, e.g., Salamzadeh and Kesim, 2015). The findings provide partial support for the key assumptions of the broad configuration literature (see, e.g., Phelps et al., 2007; Muhos et al., 2010); these digital service startups have many shared experiences related to managerial opportunities and challenges described by configuration scholars.

From the pragmatic perspective, by clarifying the growth management priorities and condensing the contextual aspects of digital service startups (Table 2), this study provides a useful reference for the owner-managers of digital service startups as well as for those considering starting up a digital service business. The experiences of the owner-managers opened in this study uncovered contextual layers of management choices (positive and negative) typical to digital service business. These aspects, not captured by the earlier generic studies, reveal the impact of digitalisation on the service business development and can be used as a benchmarking object e.g. to prepare for startup growth or to reflect experiences. Moreover, this study provides a window into the Brazilian business context and culture from the perspective of a new digital service startup useful for everyone interested in starting up in Brazil. Further, the policymakers and intermediaries seeking to provide better support for the digital service businesses in Brazil may find this study a useful benchmark. Digitalisation of the service business context brings in the perspectives that are not considered in the more generic service growth management frameworks and changes the rules of the game e.g. concerning the strategies for scaling the service business.

In a multiple-case study with a limited number of cases, the results presented cannot be directly generalised to other cases, as they reflect the reality of the case companies studied. Case studies, considered as experiments, are generalisable to theoretical propositions. Therefore, in this multiple-case study, our goal is to expand and generalise towards the theory through analytic generalisation (Yin, 1994). Another limiting factor refers to the geographic issue in which the companies studied reflect only the results of Minas Gerais and cannot be extrapolated directly to the whole of Brazil, with many states and diverse societal fabrics. Both the first contacts with the companies and the interviews were conducted remotely, as throughout the research there were periods when the target region was in isolation due to the COVID-19 pandemic.

The universal growth management frameworks are useful to an extent but are not enough, as they can capture only the outer layers of the growth management reality experienced by startup founders and owner-managers. In future studies, it is important to provide contextual and more in-depth understanding of startup growth management in e.g. different industries and culturally, economically, developmentally, and geographically distinct business environments. In future research, the research strategies presented in this study can be used as a reference for opening new contexts. To start with

the context studied, replicating the research strategies used in this study in growing digital service companies at later developmental stages would enable capturing the changes within management priorities as scale. It would also be interesting to study differences in the management priorities in different regions in Brazil, the metropolitan areas, second and third-tier cities, and the remote and sparsely populated areas. Moreover, it could also be beneficial to replicate this research strategy in other developing business contexts of South America and beyond. By implementing the selected reference framework (Muhos et al., 2017) and research strategies in different contexts, it is possible to increase contextual understanding of growth management priorities experienced by the founders and owner-managers globally. From these analyses, it will be possible to identify best practices and propose improvements for the Brazilian startup ecosystem as well.

## 5 Conclusions

As described at the beginning of this study, there is a relative paucity of studies focused on the growth management in digital startups in the context of emerging economies. This study bridged the above-described gap by clarifying the growth management priorities of digital service startups in the Brazilian business context. This was done by analysing the experiences of the owner-managers of digital service startups and reflecting these through a thematic framework of service business growth management derived from the growth configurations literature. A multiple-case study was conducted in nine startups to clarify the growth management priorities of digital service startups in the Brazilian business context, as experienced by owner-managers.

As a result, the contextual aspects of growth management in Brazilian digital service startups were opened. New viewpoints on the contextual characteristics of digital service business and the contextual-cultural characteristics of Brazilian startup ecosystem were provided and condensed into Table 2 which provides a condensed answer to the research question: *what are the growth management priorities of digital service startups in the Brazilian business context experienced by owner-managers?* From the digital service business perspective, agile and customer-focused service development combined with a data-driven, fact-based approach, enabled some of the studied startups to introduce scalable digital service businesses capable of attracting external funding and scale. From a cultural-contextual perspective, in Brazil startups can be seen as a vehicle to reach good life, prosperity and sustainable change – mutual trust, necessary for the journey, was built in these startups on reliable family ties or sincere friendships, rather than on written agreements only.

From the theoretical perspective, the findings of this study can be used in theory building as propositions for complementing the current theory focused on the growth management of service business with contextual and more in-depth aspects. From the pragmatic perspective, by clarifying the growth management priorities and condensing the contextual aspects of digital service startups, this study provides a useful benchmark both for the owner-managers of the digital service startups as well as for policymakers and intermediaries seeking to promote growth within the digital service startups. In future research, the research strategies presented in this study can be used reference for opening new contexts.

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