Spotlight
by CeFEO

# What growth strategies do medium-sized firms actually use over time?

*A longitudinal study of Swedish firms identifies eight distinct growth modes beyond the organic-acquisition binary*

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The standard growth playbook offers two options: grow organically or grow through acquisitions. Textbooks present this as the fundamental strategic choice. Consultants build frameworks around it. But for medium-sized firms—particularly family-owned ones—this binary is not just simplistic. It is misleading. Real companies combine, sequence, and switch between multiple growth strategies over time, adapting to market shifts, leadership transitions, and changing ownership dynamics.

This longitudinal study tracked **eleven Swedish medium-sized firms** over more than two decades, using 88 interviews with founders, CEOs, managers, and board members alongside company reports, media coverage, and historical records. The result is a typology of **eight distinct growth modes** and an empirical account of how firms move between them.

## WHAT WE STUDIED

The firms studied had fewer than 500 employees and came from diverse industries—manufacturing, IT, consumer goods, professional services. Most were family-owned. The research used qualitative, process-based methods to track how growth actually unfolded over time, rather than measuring growth at a single point. This longitudinal approach revealed patterns invisible to cross-sectional studies: firms did not simply choose a growth mode and stick with it. They evolved through sequences of modes, each shaped by the previous one.

## KEY INSIGHTS

***Eight growth modes, not two***

The study identifies eight distinct pathways. **Organic growth** (reinvesting profits and developing internal capabilities) and **growth through acquisitions** (a steady stream of acquisitions as the primary engine) sit at opposite ends. Between them lie six hybrid and relational modes: **network-based growth** (scaling through partnerships with distributors, suppliers, or franchisees), **organic acquisitions** (acquiring partners with whom the firm already has established relationships), **internalizing** (bringing previously external functions in-house), **organic growth with selective strategic acquisitions** (primarily organic, with occasional targeted acquisitions), **combined growth** (organic and acquisitive in parallel), and **exit** (selling or merging as a deliberate strategic move rather than a last resort). The practical value of this taxonomy is that it makes visible a set of options that most firms already use but rarely name or discuss explicitly.

***Growth is sequential and adaptive, not fixed***

Most firms in the sample did not commit to a single growth mode. They shifted between modes as circumstances changed. One IT company began with organic growth, moved into network-based expansion through local partners, then acquired those same partners to consolidate control, before ultimately being acquired itself. A family-owned manufacturer used organic growth for two decades, then made a few highly targeted acquisitions to expand its product line. The pattern was consistent across industries: growth strategies evolve, and the ability to shift modes is itself a strategic capability.

### *Family firms show distinctive growth creativity*

Family-owned firms in the sample tended to favor growth modes that preserved control and cultural coherence. One luxury brand manufacturer relied almost entirely on organic growth and partnerships, deliberately avoiding acquisitions to protect its premium identity. Another combined decades of internal development with a small number of culturally compatible acquisitions. These choices reflect a governance logic—not just a market logic—where ownership values constrain and shape the growth path in ways that non-family firms rarely experience to the same degree.

## TAKEAWAYS

### *Expand the strategic vocabulary*

Boards and leadership teams should discuss growth in terms of eight modes, not two. The taxonomy provides a shared language for evaluating options, comparing historical patterns, and planning transitions between modes. Most firms are already using hybrid strategies; naming them makes deliberate management possible.

### *Use partnerships as stepping stones*

Several firms in the study began with network-based growth—collaborating with distributors or agents—before acquiring those partners once trust and performance were established. This staged approach reduces acquisition risk and builds relational capital that eases integration.

### *Assess cultural fit alongside strategic fit in acquisitions*

The most successful acquirers in the sample developed due diligence processes that explicitly evaluated cultural alignment. For family firms, where organizational values and ownership identity are tightly coupled, cultural mismatch in an acquisition can be more destructive than financial underperformance.

### *Treat exit as a strategic option, not a failure*

One firm sold to a global corporation, enabling its innovations to scale under a larger brand. Exit, when deliberate and well-timed, can be a legacy-leveraging move rather than a concession. Family firms should include exit scenarios in strategic planning without treating them as taboo.

## IMPACT

This study shifts the growth conversation from “how much?” to “how?” By offering an empirically grounded taxonomy of growth modes and documenting how firms move between them over time, it provides a practical framework for strategic planning in medium-sized firms. The contribution is especially relevant for family businesses, where growth decisions carry implications not just for market positioning but for ownership control, cultural identity, and generational continuity. The eight-mode typology equips family leaders with a richer set of options—and the recognition that strategic flexibility is as valuable as any single growth strategy.

## RECOMMENDATIONS

1. **Audit your growth history.** Map which modes your firm has used over time. Identify patterns, successful transitions, and modes you have not yet explored.
2. **Discuss growth modes in governance forums.** Different modes carry different implications for control, culture, and risk. Align growth strategy with ownership values and long-term family goals.
3. **Build acquisition readiness before you need it.** If acquisitions are a potential mode, invest early in cultural assessment tools, integration capabilities, and financial evaluation processes.
4. **Leverage your network deliberately.** Map partnerships that could evolve into acquisition targets or new distribution channels. Network-based growth is often the least risky entry point.

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