

AN ANALYSIS OF THE RAPID GROWTH FACTORS PRESENTED IN THE LITERATURE OF THE FIELD

ALB MARIA

PHD STUDENT, WEST UNIVERSITY OF TIMISOARA,
e-mail: mariaalb@yahoo.com

Abstract

This paper presents the main rapid growth factors, as encountered in literature and discusses the importance and contribution of these factors in achieving the rapid growth, respectively if this growth phenomenon may be achieved in the absence of the aforesaid factors. The paper examines the factors and subfactors considered or found by scholars to have an effect on or be in connection with the rapid growth. A comparative analysis was performed on several studies concerning the rapid growth companies. Among the main factors influencing the rapid growth are those related to the human resources management, the entrepreneur characteristics and the characteristics of the business. The paper also discusses several issues related to the will of the manager or the entrepreneur, respectively the need to understand the role of the factors that intervene when the growth is not wanted and still obtained or when the growth is targeted but not achieved. The conclusion is in agreement with other scholars' findings reported in the literature. Certain factors correlated with the appropriate actions may lead to the rapid growth. The paper represents a starting point for the study of those management related aspects enabling companies to grow rapidly in the Romanian business environment.

Key words: fast-growing companies, factors, management, entrepreneurship,

JEL classification codes: M10, L21, L26, L25,

1. Introduction

The rapid growth of a company is an interesting issue, because only a small number of companies do grow rapidly. This fact, acknowledged by most of the authors interested in this subject, led us to the following question. How comes that only certain businesses grow fast in a certain period of time while others fail to do so? What are the factors and/or the management practices favorizing the rapid growth?

The factors and the management practices in the rapid growth companies have been discussed in the literature, the scholars showing interest in the factors that can clarify the prevalence of the rapid growth companies. (Coad et al. 2014; Mason, Brown, 2010; Brush et al. 2009). [12]; [19]; [11]

Mason and Brown (2010) have presented the persistence of uncertainty and a lack of consensus with regard to the factors explaining the growth of certain companies, the interaction of the factors and their importance. [19] Nichter and Goldmark (2009) have shown that knowledge of the factors associated with the rapid growth is important, but they have also warned that generalising the findings on the factors associated with small businesses' growth could be misleading. Taking into account that some factors are to be defined and measured easily, while others are complex, the authors recommend the reexamination of the findings in each country and each economic context. [20]

We identified only a small number of papers on the fast-growing companies in the Romanian literature, those of Bibu and Sala that provide references to the factors causing the fast growth in a successful Romanian firm (a gazelle firm). [8]

This paper presents a theoretical approach by means of which the authors introduce some of the main factors influencing the rapid growth, as mentioned in the literature and make an assesment of the circumstances thereof. Subsequently, the authors are able to answer the following questions: (1) what are management practices encountered in rapid growth companies as referred in the literature of the field? (2) what are the main groups of factors to be considered in the further study of the Romanian rapid growth companies? In our opinion, at this stage it is essential to identify the main factors and/or management practices in literature which will be then validated in the Romanian economic context.

Several data bases were used for the study of factors and management practices in fast-growing companies. Keywords based searches revealed a number of articles adressing this topic from which a selection was made based on relevance and the journal of publication.

The study made possible the identification of several rapid growth factors, based on the 4 groups of factors presented in the Barringer et al (2005) model, to be validated in the Romanian economic context in a further study. [7]

The paper is structured as follows: section 2 consists in a brief introduction in the literature of the field: factors and management practices, section 3 deals with an analysis of the main factors and management practices identified, and in section 4 the factors and management practices that could be applicable in the Romanian economic context are discussed. Eventually, the paper's conclusions are presented in section 5.

2. Introduction in the factors and management practices literature

The rapid growth is often a real challenge for entrepreneurs and managers who are forced to find the proper, balanced organisational formula between the business activity, the size of the company, the growth rate and the direction of development. The disturbances in the activity correlated with some external influences could be enough to ruin the rapid growth potential and to put the company in a difficult position or worse, in bankruptcy, as a consequence of being unable to apply the necessary corrections.

Many interesting papers addressing the topic of factors and management practices in fast-growing companies are to be found in literature.

The scholars hold different views when it comes about the relevance of understanding the factors and the application of so-called good practices in companies willing to grow rapidly. Sexton and Smilor (1998) for instance have argued that the environment changes so quickly that it would be impossible for an organization to overcome all these changes and remain on top so much the less to know all the management practices necessary to reach and maintain the rapid growth. [22]

The Romanian economic real context support this opinion, as the number of fast growing companies is small. [2],[9]. However, let us suppose that all companies could have access to all management practices necessary to reach and maintain the rapid growth. In this way, the number of fast-growing companies should increase. Parker, Storey și Witteloostuijn (2010) have shown that, notwithstanding the success of certain management practices, it is quite unlikely that the routine application of „the best practices” would support the company's growth in a changing economic environment. So, knowing the best practices is essential, but neither it does ensure the growth nor it guarantees an increased number of rapid growth companies. [21]

The link between the management practices and the resulting rapid growth is the manager-entrepreneur. Barringer et al. (1997) have confirmed that selecting the adequate practices is a difficult choice for the managers and it has to consider the company's age and its experience on the market. [5]. In addition, the management practices facilitating rapid growth in mature companies are somehow different from the practices encountered in emergent fast-growing companies. (Barringer et al., 1998). [6]

Using quantitative narrative analysis, Barringer et al. (2005) have compared 50 rapid-growth firms with 50 slow-growth firms and subsequently, have presented a concept model of companies rapid growth's attributes, separated in 4 categories, which other scholars have also referred to in their researches in a certain extent. The 4 categories are the founder characteristics, the firm attributes, the business practices and the human resources management practices. [7]

With regard to the founder characteristic, Barringer et al. (2005) have concluded that the founders of the rapid growth companies have a higher qualification, possess a more convincing entrepreneurial background, or a strong motivation to become entrepreneurs and have got previous experience in the field more often than the founders of the slow-growth firms do. [7]

As far as the characteristics of the business are concerned, it has been established that the fast-growing companies have a stronger commitment for growth, are more involved in the inter-organisational relations and have a more complex growth-oriented mission than the slow-growing ones. [7]

The business practices category refers to the fact that the fast-growing companies add more unique value and know the customers more deeply than the slow growth firms. [7]

As the last category is concerned, the human resources management practices have revealed that the fast-growth firms as opposed to the slow ones give more importance to the training, the professional development of the employees, financial incentives and stock options. [7]

Acs et al. (2008) have claimed that the rapid growth companies are more innovative. [1]. The study conducted by Coad et al. (2014) has reported that rapid growth companies are more likely to hire young people, unskilled or less qualified workers, immigrants or people who have experienced longer periods of unemployment. [13]

3. Analysis of the relevant rapid growth factors

Before getting into a much deeper theoretical analysis of this subject, the authors wish to present a number of cases generated by the will of the entrepreneur-manager, and therefore justify their interest in the role of the factors, respectively the management practices that could lead to a rapid growth.

One could be tempted to consider that the best way to predict the growth would be to have the growth generated by those interested in the success of their business. Starting from this, 4 cases may be encountered: an ideal one, where the entrepreneur-manager wants his business to grow rapidly and he obtains that; an imperfect case in which the entrepreneur wants the rapid growth but he does not get it; the interesting circumstance in which the entrepreneur does

not want a rapid growth but he nevertheless gets one; and finally the last case in which the rapid growth is neither wanted nor achieved. Naturally, the last one presents no interest for this study. But the rest of the cases deserve attention. In the first case, it would be interesting to establish what were the factors and actions that led to the rapid growth. Actually, this case is similar to the third one, except for the choice of the entrepreneur-manager. Understanding the factors that caused the rapid growth, independently of the will of the entrepreneur, is essential, although, in our opinion, the factors leading to rapid growth in certain circumstances could lead to very different results in different socio-economic contexts. Last, but not least, the second case presents the companies that have failed in their attempt to grow rapidly. It would be interesting to establish in this case what actions or factors conflicted each other, preventing the business to achieve its goals. Knowledge on both categories of factors, favorizing and preventing growth could provide some interesting facts and be useful to researchers and scholars concerned with the rapid growth phenomenon.

Many specific factors including those that have probably remained unidentified or not noticed are deemed to be responsible for the different performances in companies (Goedhuys și Sleuwaegen, 2010). The studies focused on rapid growth companies in developed countries show that beside the learning process, the rapid growth is influenced by a large set of variables including the entrepreneur’s specific traits and a wide range of constraining factors, positioned on the offer’s or demand’s side. [15]

In order to find out more on the factors and management practices in fast-growing companies, we examined other scholars’ papers, chosen depending on the subject relevance and the journal of publication. We drew a comparison between the factors and management practices referred in the respective papers.

The issue of rapid growth may be approached in several ways, such as resource based theory, entrepreneurial orientation or growth process approaches. Several models of rapid growth have been developed. In our opinion, these models are complementary. We have found several factor groups, trying to explain the rapid growth of companies. In the following table a synthesis of the significant factors identified in the qualitative and quantitative studies is presented. These theoretical factors contribute at the identification of the specific management features in rapid growth companies.

We mention that the information presented in the following table was collected from different studies, made for different socio-economic contexts and identified in rapid growth companies of various ages, sizes and fields of activity. The criteria on which the rapid growth groups of companies were selected also differ to some extent.

Table 1: Factors and/or management practices

Group of factors	Contents: factors/variables	Authors
<ol style="list-style-type: none"> 1. Founder characteristics 2. Firm characteristics 3. Business strategies 4. Environmental conditions 	<ol style="list-style-type: none"> 1. Gender, nationality, years of schooling, work experience, industry/ field specific experience, self-employment experience, management experience. 2. Invested capital, number of employees when company was established, legal form, associates (business partners), independent or affiliated business. 3. Specialist strategies, innovative strategies, national/local market targets, profit strategy (substitution of income/seeking profit), full-time business, planning activities, state support or government aid. 4. Regional location, market competition, market concentration, market dynamics, competition price, quality competition. 	Brüderl and Preisendörfer (2000). [10]
<ol style="list-style-type: none"> 1. Firm specific characteristics 2. Founder specific characteristics 3. External characteristics 		Considering the factors presented by Storey, (1994), Almus and Nerlinger (1999) presents these factors. [3]
<ol style="list-style-type: none"> 1. Age 2. Size (number of employees) 3. Field of activity (sector/market) 4. Legal form 		Storey (1994), Davidsson, Kirchoff, Hatemi-J and Gustavsson (2002) [14]

5. Location 6. Ownership		
1. Founder characteristics 2. Firm attributes 3. Business practices 4. Human resources management practices	1. Level of education, relevant experience in the field, entrepreneurial experience, company established by a team, entrepreneurial story, social and professional network. 2. Geographic location, growth-oriented mission, rapid growth commitment, focus on planning, participation at inter-organisational relations, high buyer concentration. 3. Add unique value, customer knowledge, quality of the product (product superiority), innovation, advanced technologies, research and development. 4. Recruitment and selection, training, employee development, financial incentives and stock option, geographical labor pool	Barringer et al (2005). [7]
1. Entrepreneur characteristics 2. Firm characteristics	1. Gender, level of education and where, area of origin. 2. Age, number of employees, export, technical licence, website, formal training provided to the employees, product innovation, process innovation generator, security, own transportation facilities, bank overdrafts.	Goedhuys and Sleuwaegen, 2010). [15]
1. Human capital (entrepreneur traits) 2. Firm 3. Barriers	1. Entrepreneur’s qualification and training employees’ training, intention of growth, entrepreneur’s age, gender. 2. Start-up’s size, company’s age, business partners, location (rural or urban), number of founders, legal form, service, manufacturing, trade 3. Formal barriers (taxes etc), informal barriers (corruption), skill barriers (employees, management).	Hoxha and Capelleras (2010). [16]
1. Control variables 2. Strategic variables 3. Performance	1. Age, size, ownership, market share, exports, growth orientation. 2. Cost-efficiency strategy, differentiating strategy, a combined strategy of the two, changed strategy. 3. Profitability, turnover increase, increase in the number of employees.	Leitner and Guldenberg (2010). [17]
1. Firm’s strategy 2. Strategic decisions-making 3. Firms characteristics 4. Entrepreneur’s motivation and qualification	1. Focus on the market area, local/ international market. product, co-operation among companies, change in ownership 2. Planning of the company’s growth process, changes in the social and professional network, management style (situational, group – by consultation). 3. Nature of startup decision, start-up financing (own investment, loan), sector. 4. Entrepreneur’s motivation when establishing the business, vocational training, work experience (employment history).	Littunen and Niittykangas (2010). [18]
1. Management strategies 2. External environment 3. Organizational performance 4. Control variables	1. Human resources management, innovation and technology, governance and administration, sales and marketing, corporate strategy. 2. Market attractiveness, bargaining power, market competitiveness. 3. Mean growth rate 4. Current sales turnover, return on capital, location, firm age, firm size, manufacturing sector, services sector	Parker, Storey and Witteloostuijn (2010). [21]
1. Entrepreneurship 2. Institutional barriers	1. tertiary education, income, independence, desired career.	Teruel and de Wit (2011). [23]

3. Growth opportunities	2. Employment protection, start-up procedures. 4. Population size, GDP growth, technological development, business opportunities, growth expectations.	
1. Human resources capabilities 2. Organisation capacities 3. Marketing abilities 4. Financial capacities	1. Recruiting and attracting tallent, efficient personell selection, proper training programmes for employees, incentives for target reaching, bonuses, efficient board. 2. Adequate organisational structure, delegating tasks, organisational culture in accordance with the company’s goals; mission and vision established and known; clear objectives established and known strong leadership, internal control mechanisms/systems of control, operatinal planning, efficient technologies. 3. Seeking new growth opportunities, developing new products, improving products, adequate strategic planning, sales force, customer knowledge, market orientation, alliances and relations, adequate strategy. 4. Budgeting and cash-flow management, financial capital available, financial reporting, financial analysis, cost management (bootstrapping).	Barbero, Casillas and Feldman (2011). [4]
1. Entrepreneurs 2. Leadership and the managing team 3. Processses, tehnologies, products 4. Existing leadership 5. External environment		Bibu, Sala (2014). [8]

4. Discussions

Having seen the scholars’ opinions on factors and management practices in rapid growth companies, a legitimate question raises, whether knowledge of such factors is essential for the growth or whether such factors ensure the future growth in the Romanian companies. Can Romanian companies grow fast or not in the absence of such factors and planned actions?

Although scholars have presented several rapid growth models that provide interesting information concerning the management practices in such companies, we nevertheless consider the Barringer et al. (2005) model of key attributes that differentiate rapid growth firms from slow growth firms a consistent one, based on which a specific model for Romanian rapid growth companies can be verified or developed. Taking into account several ideas and findings from the Barringer et al. model (2005), we present hereinafter the 4 specific groups of factors to be examined in the Romanian rapid growth companies.

As already mentioned, the entrepreneur’s traits or founder characteristics, the characteristics of the business or firm attributes, the business practices and the human resources management, as defined by various authors, are crucial or relevant for the rapid growth. We are aware that, in addition to these 4 main categories, other groups of factors may as well have a stronger or weaker impact on a company’s growth, depending on the context.

The literature review indicate various aspects that may be regarded as entrepreneur’s traits. However, in our opinion, the following factors should be examined in the Romanian economic context: the level of education and the competencies acquired during the academic years (which we consider to make the difference between a strategic approach and one oriented towards immediate profit); the experience gained and the position held (the experience is a major advantage of the entrepreneur and this may be experience as an executive, a manager or a former employer); the size of the team that founded the company and the entrepreneurship story (with a sole shareholder the risk is supported by only one person, while having a business partner, who could be a family member or a friend, will spread the risk); the entire social and professional network that is likely to facilitate the access to resources in more advantageous conditions. [7]

As the firm attributes, for the Romanian fast-growing companies, we suggest the following factors to be validated: the company’s vision and mission (the manager should be aware of these concepts, communicate and explain them to the employees because the mission and vision should render a message related to the commitment and expectations in the respective company); the annual objectives and strategic planning (indicating the consideration

given to the direction of development and recalibrating the operation so that to achieve the envisioned targets); the adopted strategy (customer oriented, product or services oriented). [7]

The most significant business practices in the Romanian companies could be the unique value and product quality (featured by products that are different from those offered by competition; special qualities that make the respective products or services to stand out; the fact that the entrepreneur knows what are the qualities that make the product unique, believes in them and has chosen to emphasize them); the knowledge of customers (customer relations, the company's flexibility in relation with the customers' needs, a certain opening towards adjusting the capacities and capabilities of the company in order to satisfy the customer needs, an orientation towards more diversified, personalized products); the use of technology for the innovation of products and services (innovative technologies are necessary for the provision of high quality products and services); the niche market (entering a promising and risky niche market indicates a both entrepreneurial and managerial approach, attacking new markets, consolidating the existing market). [7]

The human resources management practices in the Romanian economic context could include the following factors to be analyzed: the personnel recruitment and selection (recruiting based on recommendations from family, friends, acquaintances or strangers; highly qualified, young, pro-active employees); the performance stimulation and reward (incentives: bonuses, holidays, discounted products); the human resources development and professional formation (employees' professional training, introductory training, participation at courses and workshops). [7]

5. Conclusions

We intended to identify, in theory, the main rapid growth factors referred to in literature and to see which management practices have the scholars highlighted in this respect. We moved forward in the discussions section, where several main factors that could be associated with the rapid growth in Romanian fast growing companies were presented. These factors represents research questions in our further research.

As shown in this paper, there are many factors and management practices relevant for rapid growth reported by various scholars in literature. Taking into consideration their findings, we may say that every company has its particularities and develops its own management practices helping it to grow fast, depending on its market experience and field of activity. So, every company has its own growth potential which has to be activated and oriented towards the envisioned target. The proper actions and the relevant factors may support the company in achieving its growth target.

We consider that the growth model is influenced by the strategic thinking and the strategic choices of the manager or entrepreneur who leads the company together with other specific elements. The management practices may favour or prevent the rapid growth and they have to be examined depending on the company's specific context. This paper's conclusions are in agreement with other findings encountered in the literature.

Another conclusion is that most of the factors presented in literature may be grouped into several categories including issued related to the entrepreneur's traits, the characteristics of the business, the business practices and the human resources management. In addition, other groups of factors may as well be considered. Some of the factors presented herein may be relevant for the Romanian economic context as they could trigger in some extent the growth of the company. Before drawing a final conclusion in this matter, a further study is needed, in which rapid growth companies from the Romanian business environment should be examined.

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