DETERMINANTS OF START UP SIZE AND POST ENTRY GROWTH: EVIDENCE FROM MARGINALIZED CONTEXT (SUMMARY)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol28/iss10/1

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SUMMARY

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Principal Topic

Large body of empirical literature has been published, investigating determinants of entry (Audretsch and Acs, 1994; Mata, 1993) and life duration of new entrants (Audretsch and Mahmood, 1995; Weiss, 1998). A topic that has received much less attention is the start-up size of firms although it has been proved as a significant determinant of survival and growth. A few exceptions are studies by Mata and Machado (1996), Gorg et al (2002), Resende (2007), Capelleras (forthcoming). But none of them took into account the transitional and marginalized context. Departing from the limited supply of the empirical evidence deriving from transition countries, the purpose of this paper is to identify, and compare the determinants of start up size and post entry growth. In addition we analyze the behavior change of firms, with a special focus upon the main job contributors – fast growing firms.

Method

Data are gathered in 2006 by Riinvest Institute based in Kosova. Interviews were conducted face to face with 590 owner/managers (firms). We employ regression analyses for identifying main determinants of start up size. For identifying different patterns of firm behavior we divide firms in four groups: declining firms, static firms, slow growing and fast growing firms. Then we run ordinal logit regression for determining the factors that influence the post entry growth of the firm. The explanatory variables are separated in three groups: Pre start up, at the start up and post start up group.

Results and Implications

Results indicate that larger start ups are owned by entrepreneurs with lower level of education however these firms experience a negative post entry growth. Firms in urban areas start larger compared to firms in rural areas. The fast growing firms demonstrate a rather distinctive pattern of behavior. They start bellow average start up size, and can be found mainly in production and trade sector in contrary to declining firms that can be found frequently in the service sector. This paper brings striking evidence on the role of barriers to entrepreneurship. Fast growing firms and declining firms suffer mostly from formal and informal barriers to entrepreneurship. This situation, clearly calls for immediate acting in improving rapidly the overall business environment

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