FAST GROWING BUSINESSES: ON THE ENTREPRENEUR’S SKILL DIVERSITY AND FIRM’S BREADTH AND DEPTH OF INNOVATION (SUMMARY)

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Introduction

In this study, we attempt to enhance understanding of the key factors that enable some entrepreneurial companies to grow fast like ‘gazelles’. We extend nascent work on this topic in two key ways. First, we invoke an inclusive conceptualization of innovation by studying a firm’s “innovation breadth”, i.e., different domains in which a venture can be innovative (such as product, process, market and organizational) and “innovation depth”, i.e., different degrees of innovation novelty (such as new-to-firm versus new-to-market and incremental versus radical). Second, we suggest that differences in the scope and depth of innovation exhibited by entrepreneurial and/or small firms can partially be explained by key differences in the skill diversity of the individuals heading such firms. Specifically, we call attention to differences in the extent to which business owner-managers are likely to possess skills indicative of being “jacks of all trades”.

Data and Methods

We analyze a large sample of 900 new and/or small firms in Germany, collected through a random sampling of individual households in Germany. To determine the fast-growing firms, we use a combination of both relative and absolute employment growth rates. We employ multilevel mediation analyses to test our hypotheses.

Contributions

Our findings offer new answers to the question of why some newly founded and/or small firms grow more rapidly than others. Our analyses reveal that the most dynamic and rapidly growing firms are those which innovate in breadth and depth and led by entrepreneurs with diverse skills characteristic of a ‘jack-of-all-trades’. An entrepreneur’s skill diversity exerts both a direct influence on fast growth and an indirect effect, through the mediating role of the firm’s innovativeness. Our analysis further suggests that the relationship between such skill diversity and firm innovativeness is inverted U-shaped, i.e., being a jack-of-all-trades appears to be beneficial up to a certain point but then becomes detrimental. Furthermore, the relationship between firm innovativeness and fast-paced growth is moderated by the venture’s age: whereas younger firms tend to grow faster innovating in depth, their older counterparts exhibit faster growth innovating in breadth.

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