HIGH GROWTH VS. NORMAL GROWTH ENTREPRENEURIAL FIRMS (SUMMARY)

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SUMMARY

HIGH GROWTH VS. NORMAL GROWTH ENTREPRENEURIAL FIRMS

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Principal Topic

This paper investigates differences between High Growth firms and Non Growth firms. Finding common characteristics among High Growth firms enables more precise explanations to why they outgrow the rest of the population. Recent research results from the GEM project show that 9.8% of the entrepreneurs create 75% of the new jobs created by entrepreneurs (Autio, 2005). The threshold for High growth is usually defined without considering differences in growth levels across sectors. Implementing growth measured in relative terms to the firms sector should be investigated. The primary goal of this work is to investigate which measures differentiate between forms with High Growth and Normal Growth. Secondary, this research aims to test if growth defined as a relative measure, isolates the growth measure from life cycle influences. Third, this paper will investigate if external factors as age and size (Gibrat’s law) combined with the strategic vision (resource and capabilities) explain differences between high growth firms and normal growth firms.

Method

The empirical research is based on the population of all limited shareholder companies in Norway with valid financial reports for the years, 2000, 2001, 2002, 2003, 2004 and 2005. In total 170000 companies returned their annual report in 2005. Of these, about 118000 limited shareholder companies in Norway qualified to be included in the sample. Firms where eliminated if no activity, where publicly traded, had a turnover of more than 50 million US dollars, and in consolidated firms, only the mother company where included.

Results and Implications

The paper clearly demonstrates the advantage of using relative growth measures when differentiation normal growth versus high growth firms. By not using actual growth measures and focusing on relative growth, both age and size differentiate clearer between high growth firma and other firms. Also differences are found in the resource bases are found. Using relative growth measures clearly improves the ability to differentiate growth firms. Combined measures of internal resources and external factors as age and size, clearly controls for life cycle effects on traditional growth measures. Although not fully supported, the proposition of predicting growth from the two first years of the growth period is robust between many of the strata’s investigated.

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