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GROWTH STRATEGIES OF YOUNG TECHNOLOGY BASED FIRMS (SUMMARY)

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SUMMARY

GROWTH STRATEGIES OF YOUNG TECHNOLOGY BASED FIRMS

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Principal Topic

Exuberant growth realized by a relatively small number of young, innovative firms, has attracted the attention of policy makers and entrepreneurs. Accordingly, there has been increased interest in the analysis of young companies or start-ups that realize high growth rates (e.g. Wiklund, 1998). A major finding of previous research is that growth is complex and multidimensional in nature. Growth in revenues on the one hand and growth in employment on the other hand are the most often examined dimensions and are put forward as distinct measures of growth by Wiklund and Shepherd (2003). A number of researchers have examined the possible determinants of average growth (Westhead and Birley, 1993), which give insights into why young technology firms do or do not grow. However, these studies remain a-theoretical in nature and give no insights into why the companies, which do grow, deploy different strategies and how they successfully implement these growth strategies.

Method

We depart from a unique, hand-collected data set of Flemish young technology based firms, defined as companies founded between 1991 and 2004, which develop and commercialize new product/services based upon proprietary technology or skills. After controlling for specific outliers and missing values, 58 companies were retained which experienced a yearly absolute growth of at least 3 FTE or an annual absolute growth in revenues of at least 300 000 Euro. From this sample, six extreme cases were selected. Two companies grew specifically in employees, while almost not in revenues; two grew only in revenues but hardly in employees. The last two grew rapidly in both revenues and employees.

Results and Implications

Growth in employees was strongly associated with a choice to become visible on the market for technology and to realize an “exit” for at least some of the shareholders at the moment the market for products could be entered. Growth in revenues was associated with a clear strategy to play a role on the market for products, disregarding almost completely the market for technology. Successfully growing on the market for technology is only possible if legitimacy is obtained (Gans & Stern, 2003; 2005). However, if the appropriability regime is rather weak, legitimacy cannot be obtained by protecting the technology and can only be obtained by building a position in the downstream market.

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