SUMMARY

AN INSIGHT IN THE INNOVATIVE CAPACITY OF HIGH GROWTH VENTURES

Caroline Van Eeckhout, Vlerick Leuven Gent Management School

Principal Topic

Gaining understanding in the factors that drive start-ups towards high growth is of great interest to academics, practitioners and policy makers. This interest has been fueled by the contribution start-ups are argued to pay to economic renewal and growth. For instance in the Netherlands, start-ups were responsible for 53% of employment creation between 1994 and 2004 (Gibcus et al., 2005). However, researchers have also come to the conclusion that the success of start-ups in generating growth has to be nuanced since not all start-ups equally contribute to economic growth (Autio and Yli-Renko, 1998). More specifically, only a small fraction of these start-ups is responsible for the majority of the created economic growth. We investigate the factors that characterise high growth start-ups and what differentiates them from the majority of start-ups that are slowly growing or not growing at all. Because of the immediate link suggested in literature between innovation and high rather than average growth, we take innovation literature as a point of departure.

Method

We focus on a homogeneous set of companies in Belgium. As a point of departure, we take the annual financial statement data, which all Belgian companies are required to file. Based on previous literature, we decide to use multiple growth measures such as absolute and relative growth in revenues, employees, total assets, value added and cash flow in order to identify high growth start-ups. Data on the initial resource bases of the companies and the innovative capacity and technological resources is collected in two stages. First, the companies are matched with two databases from public agencies, which contain information on the innovative capacity and the number of R&D subsidies granted. Second, face-to-face interviews with the CEO/founder of the company are conducted.

Results and Implications

This study is of great interest to academics, practitioners and policy makers. First, for the growth oriented entrepreneur, this study offers insights into which forms of innovation relate to high growth. Second, this study is of interest to venture capitalists, willing to invest in high growth start-ups. Finally, understanding high growth is of interest to governments, striving to increase economic prosperity.

CONTACT: Van Eeckhout Caroline; Vlerick Leuven Ghent Management School, Reep 1 B-9000 Ghent; (T): +32(9)/210 92 04; (F): +32(9)210 97 00; Caroline.vaneeckhout@vlerick.be