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Aspects of fast growth in Romanian companies. The case of a successful company in Timis county

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Abstract

This study presents the relevant factors which allowed some companies from the Timis county, a Western region of Romania, to grow fast before and after 2008. We are considering that fast growing companies, defined in this paper, have an important contribution to regional development, especially by creating value and offering new jobs. Our researches done in the last years on fast growing companies from the Western region of Romania, allow us to identify the characteristics of these companies, as well as their best practices, and to set them as examples for companies which want and can grow. The factors which favored the fast growing of these companies are directly related to the entrepreneur-manager (motivations, qualities, skills), management and managerial team, external environment and the managers' interaction, processes, technology and products and existent leadership – all these, within a period of 3 to 4 years. The companies' growth processes were analyzed based on the Gibb A. model.

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Keywords: entrepreneur; SMEs; fast growing company; managerial skills; opportunities; performance; knowledge

1. Introduction

Fast growth is a very complex process for a company and its managerial team. Understanding why some companies, belonging to the same size category, same specific domain of activity, are fast growing and others are slowly growing or don't grow, is an important issue for small companies that want to became mid-size or for medium-size companies that want to grow and became large companies.

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Our main research goal was to identify which are the best practices of Romanian fast growing companies that allow them to grow fast, especially in the case of young companies. In the same time, we have identified several problems induced by rapid growth (growth crisis) and how these companies have dealt with them. The best practices concerning fast growing are being lessons which can be learned from these companies, especially as they must face tough financial and economical challenges while searching for finding new opportunities for continuing growth.

2. Conceptual framework

When we discuss about business growth we are considering the following four growth types: first, financial growth, related to turnover, profit, capital, business value, dividends; second, strategic growth (changes in the way that a company fits to its external environment), measured by market share growth, maintaining sustainable competitive advantage, company reputation's growth; third, organizational growth related to development of processes, changes in organizational culture and in attitudes, meaning the growth of total number of full time employees; and, fourth, structural growth, meaning the growth of the number of organizational departments.

We have found that in European Union there is no a single definition of a fast growing company. Delmar, Davidsson and Gartner recognize the heterogeneity of the definition and show that it is difficult to formulate a single definition of a fast growing company because one must think of the following aspects: first, what indicators must we take into account (number of employees, market share, sales, profit); how to measure growth (in absolute or relative terms, composite or multiply growth indicators); regularity of companies growth during the analyzed period (growth is fluctuating in time); what we measure (annual growth, the growth rate at the beginning and at the end of the year); growth tactics (organic or through acquisitions); company characteristics (size, age, domain/industry in which it compete) . (Delmar & Davidsson & Gartner 2003)

We have identified the Birch definition, cited by Henrekson and Johansson, according to which a fast growing company, is "a business establishment which has achieved a minimum of 20% sales growth each year over the interval, starting from a base-year revenue of at least $100,000". Birch proposed an index (Birch Index-BI), a combined measure of absolute and relative growth, BIi= (E1i−E0i)x(E1i/E0i), with E1i, E0i as number of employees at the end and at the beginning of the period, which is used to reconcile both. This measure still depends on the size of the company based on the number of employees, but reduces the bias towards any particular company size. A company is a fast growing one if it belongs to the upper 5 or 10 percentile of the Birch Index distribution". Birch admitted that the small business share of job creation varies enormously in time and across places and fast growing companies are accounting for most of the new jobs. (Henrekson & Johansson ,2009)

OECD proposed a definition of the fast growing company, based on the following criteria: 10 employees at the beginning of analyzed period, the growth rate of the employee number being greater than 20% in every year. (OECD, 2005)

In our opinion, based on the existing definition and on Romanian economy reality, a fast growing company in Romania is a company than cumulatively meets the following conditions: minimum 20% annual growth of turnover, during every year of a studied period, minimum 3 years ; starting from a minimum 75000 US dollars yearly turnover; increased the number of employees; obtain profit in every year; achieving organic growth.

In an interesting study, Holzl shows that growth rate is self-correlated. Companies that had a rapid growth rate during the period probably will repeat the growth above growth average rate in consecutive period. Rapid growth is a temporary state in the companies' life, which can be repeated. (Holzl, 2006)

Moreno and Casillas said that there are two main characteristics of high-growth enterprises: first, they are companies that experience a strong growth in their size, in most cases, duplication their dimensions and second, this strong growth is concentrated in a very short period of time which oscillates between four and five years. (Moreno & Casillas, 2003)

Scarlat, Rozell and Scroggins found that entrepreneur is the main element of enterprise growth process. they present Romanian entrepreneurs profile which is the following: decisive and resoluteness; creative and open minded; has business abilities; is people oriented; has a go-getter personality; possess business knowledge and experience; has strong moral character; enjoys his/her work; is adaptable, risk-taking; has pragmatism and being lucky. (Scarlat & Rozell & Scroggins, 2011)

Nicolescu is stating that knowledge, in a modern approach, is essential for top companies functioning and performance and for the developed economies. Knowledge is an essential production factor together with other classical production factors. (Nicolescu, 2011)