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# The Strategic Management of High-Growth Firms: A Review and Theoretical Conceptualization

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Scholars' knowledge of the factors behind high-growth firms remains fragmented. This paper provides a systematic review of the empirical literature concerning high-growth firms with a focus on the strategic aspects contributing to growth. Based on our review of 39 articles, we identify five drivers of high growth: human capital, strategy, human resource management, innovation, and capabilities. These drivers are combined to develop a conceptual model of high-growth firms that includes potential contingency factors among the five drivers. We also propose a research agenda to deepen the study of high-growth firms in strategic management.

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## Introduction

Explaining firm growth has long been a prevalent topic for research on the strategic management of firms (Eisenhardt and Schoonhoven, 1990; Penrose, 1959). High-growth firms (HGFs) offer a unique context to understand firm growth, with the particularities of rapid growth illustrating management challenges that are not seen with other growing firms (Delmar et al., 2003). Further, the potential of generating long-term economic returns to shareholders and stakeholders highlights the importance of these firms (Coad et al., 2014b; Senderovitz et al., 2016). However, studying HGFs is fraught with challenges as they are difficult to sample and follow (Daunfeldt et al., 2014) and have rapidly evolving organizational structures (Nicholls-Nixon, 2005; Powell and Sandholtz, 2012) that make them difficult to study.

While research has established the importance of HGFs, research on the strategic management of such firms – including, for example, what factors lead to the development of HGFs and their continued growth – remains fragmented and without any systematic assessment (Coad et al., 2014a). We see three main reasons for the fragmented nature of HGF research stemming from inconsistent definitions, sampling challenges, and organizational complexity. First, there are inconsistent uses and measures for “high growth.” By and large, scholars agree that HGFs can be defined as “firms growing at or above a particular pace, measured either in terms of growth between a start and end year, or as annualized growth over a specific number of years” (Coad et al., 2014a, 95). The source of disagreements tends to relate to the specifics regarding the pace of growth, the nature of how growth is measured, and the number of years in which growth occurs (McKelvie and Wiklund, 2010). Second, the nature of high growth is often fleeting, making HGFs difficult to empirically sample and track (Daunfeldt and Halvarsson, 2014; Daunfeldt et al., 2014). This challenge is exacerbated by the fact that many HGFs are acquired following their growth or shut down based on the major risks involved in such rapid expansion (Delmar et al., 2013). Third, HGFs face significant challenges in determining what kinds of strategies are needed for rapid growth since that level and pace of growth entails substantially greater organizational complexity than average-growth firms (Covin and Slevin, 1990; Delmar and Shane, 2003; Delmar et al., 2003; Powell and Sandholtz, 2012). Combined, these three challenges have resulted in the research on the strategic management of HGFs to be fragmented with limited cumulative knowledge building. Consequently, we lack a solid foundation for new knowledge generation that builds upon robust and consistent approaches to the concepts, definitions, and methods employed, thereby constraining the findings of extant research to relatively isolated streams of research. Setting the tone for future research on HGFs requires a synthesis of extant findings and concepts from the disjointed literature.

To address this important oversight in the literature, we provide a systematic review of the literature on the strategic management of HGFs. This review allows us to outline current findings and synthesize them into a conceptual framework that illustrates what distinguishes the management of HGFs from other types of firms. Our review is based on the literature of the last 30 years of scholarly work on HGFs with a focus on empirical research on the strategic management of HGFs. We identify past accomplishments, unresolved issues, and unanswered questions in the literature. We also highlight

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progress as well as methodological limitations. Summarizing empirical studies on the drivers of high growth, our review shows that the strategic management of HGFs is based on five drivers: the ways founders and employees leverage (1) human capital, (2) firm human resource management (HRM) practices, (3) firm strategy, (4) firm innovation, and (5) firm capabilities for growth. Our coding of the empirical studies included in our review reveals associations between these factors and a firm's likelihood of experiencing high growth as well as a number of potential contingency associations. Based on these direct and contingency factors, we develop a conceptual framework to help guide future studies on the strategic management of HGFs in which we suggest an outline of future opportunities for integrating related strategic management theory in research on HGFs.

### Defining and conceptualizing high-growth firms

The history of strategic management research on HGFs can be traced to Hambrick and Crozier's (1985) distinction between "stumblers" and "stars" and Birch and Medoff's (1994) "mice" and "gazelles," both of which describe different growth patterns in firms. As briefly mentioned, the definition of HGFs has been subject to significant variations, including the type of firms studied, the measures of growth used, and the mode of growth. As to the type of firms studied, research has shown that HGFs exist in all industries and include all firm sizes, but there is an over-representation of small and young firms (Daunfeldt et al., 2016; Delmar and Shane, 2003; Delmar et al., 2003). Regarding measures of high growth, there is less agreement in the literature. A number of studies have used *relative annual growth*, or a firm's growth rate relative to the overall population of firms in an industry, region, or country, as criteria for high growth. Others have used absolute growth measures, such as increase in sales, employees, or productivity from one point in time to another (Havnes and Senneseth, 2001). The chosen measure has implications for research design as studies focusing on *relative growth* tend to over-sample smaller firms, and studies focusing on *absolute growth* tend to over-sample larger firms (Delmar, 1997). A remedy for using absolute growth is to estimate statistical models that control for business size, which decreases the inferential problems of samples dominated by small firms. However, this approach does not control for the sample-selection problem of including primarily small firms in the sample in the first place. One way to strike a balance between these approaches is to use a combination of relative and absolute growth rates or to use measures for defining minimum size criteria for inclusion in a study (Daunfeldt and Halvarsson, 2014; Daunfeldt et al., 2014).

An increasingly accepted procedure for combining relative and absolute growth rates is to use the Organisation for Economic Co-Operation and Development's definition of HGFs, which excludes the prevalent over-representation of small firms (fewer than 10 employees) in most economies. However, the literature has increasingly moved from measures of absolute growth to relative measures in order to facilitate comparisons over time and across countries (Coad et al., 2014a).

Regarding the type of growth, the HGF literature examines three diverse types of growth: (1) *growth in sales* (interchangeably called turnover or revenue), (2) *growth in number of employees* (Delmar, 1997; Shepherd and Wiklund, 2009), and (3) *growth in productivity* (Du and Temouri, 2015). The challenges inconsistent measures pose to understanding HGFs have led scholars to be "skeptical about the emergence of a single definition of HGFs, as different research questions require different definitions of firm growth" (Coad et al., 2014a, 105). Others suggest the need for "more diverse performance measures" (Markman and Gartner, 2002, 72) for adequately sampling HGFs. Hence, we take these challenges of defining and sampling HGFs as a motivation for our literature review of firm-level studies of HGFs.

### Literature review on managing HGFs

Our systematic review of research concerning the strategic management of HGFs follows the guidelines and best practice laid out in Macpherson and Holt (2007) and Wan et al. (2011). We adapted the process to focus specifically on research on HGFs within the realm of strategic management, thereby exclusively focusing on firm-level studies. This meant ignoring much of the work done in economics on the importance of HGFs to an economy (Moreno and Coad, 2015). First, we searched for the key terms "high-growth firm," "high growth," "gazelles," and "rapid growth" in the keywords and abstracts across the ISI Web of Knowledge and Google Scholar. We delimited our focus in the ISI Web of Knowledge to the fields of business, management, and operations management. This presented a broad set of articles and journals.

Second, following the process presented in recent review articles on the topic of firm growth, we also conducted a focused examination of select journals. These 18 core journals were highlighted as the leading journals in management, entrepreneurship, and innovation (Gilbert et al., 2006; Macpherson and Holt, 2007).<sup>1</sup> While the results from this more focused search overlapped with those from our broader search, it also allowed us to ensure that "in press" and other recent articles were included. Combined, our searches resulted in a total of 231 unique papers.

<sup>1</sup> The literature search was based on a set of (1) general management journals (*Administrative Science Quarterly*, *Academy of Management Journal*, *Journal of Management*, *Journal of Management Studies*, *Long Range Planning*, *Management Science*, *Organization Science*, and *Strategic Management Journal*), (2) entrepreneurship journals (*Journal of Business Venturing*, *Strategic Entrepreneurship Journal*, *Entrepreneurship Theory & Practice*, *Small Business Economics*, *International Small Business Journal*, *Entrepreneurship & Regional Development*, *Journal of Small Business Management*), and (3) innovation journals (*Industrial and Corporate Change*, *Research Policy*, and *Technovation*).

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