UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

MASTERS THESIS

BUSINESS STRATEGIES, ENTREPRENEURSHIP AND FINANCING OF FAST GROWING COMPANIES

Ljubljana, 17 October 2018

ŽIGA KRAŠEVEC

AUTHORSHIP STATEMENT

The undersigned Žiga Kraševec, a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), author of this written final work of studies with the title Business Strategies, Entrepreneurship and Financing of Fast Growing Companies, prepared under supervision of doc. dr. Gregor Pfajfar

DECLARE

1. this written final work of studies to be based on the results of my own research;

2. the printed form of this written final work of studies to be identical to its electronic form;

3. the text of this written final work of studies to be language-edited and technically in adherence with the FELU's Technical Guidelines for Written Works, which means that I cited and / or quoted works and opinions of other authors in this written final work of studies in accordance with the FELU's Technical Guidelines for Written Works;

4. to be aware of the fact that plagiarism (in written or graphical form) is a criminal offence and can be prosecuted in accordance with the Criminal Code of the Republic of Slovenia;

5. to be aware of the consequences a proven plagiarism charge based on the this written final work could have for my status at the FELU in accordance with the relevant FELU Rules;

6. to have obtained all the necessary permits to use the data and works of other authors which are (in written or graphical form) referred to in this written final work of studies and to have clearly marked them;

7. to have acted in accordance with ethical principles during the preparation of this written final work of studies and to have, where necessary, obtained permission of the Ethics Committee;

8. my consent to use the electronic form of this written final work of studies for the detection of content similarity with other written works, using similarity detection software that is connected with the FELU Study Information System;

9. to transfer to the University of Ljubljana free of charge, non-exclusively, geographically and time-wise unlimited the right of saving this written final work of studies in the electronic form, the right of its reproduction, as well as the right of making this written final work of studies available to the public on the World Wide Web via the Repository of the University of Ljubljana;

10. my consent to publication of my personal data that are included in this written final work of studies and in this declaration, when this written final work of studies is published.

Ljubljana, ________________________ Author's signature: _________________________

TABLE OF CONTENTS

INTRODUCTION **1**
1 FAST GROWING COMPANIES **2**
2 ENTREPRENEURSHIP **7**
2.1 Motivation behind entrepreneurship **8**
2.2 Entrepreneur **9**
2.3 Dynamic entrepreneur **9**
2.4 Growth challenges of entrepreneurs **11**
3 BUSINESS STRATEGY **13**
3.1 Strategy creation and implementation **14**
3.2 Strategic tools and analysis **15**
3.2.1 Porter’s five competitive forces 15
3.2.2 Ansoff matrix 17
3.2.3 Porter's generic strategies 19
3.3 Internationalization **21**
3.3.1 International development 22
3.3.2 Entry modes 23
3.3.3 Internationalization of fast growing companies 25
4 FINANCING FAST GROWING COMPANIES **26**
4.1 Debt financing **29**
4.2 Equity financing **31**
5 RESEARCH ON FAST GROWING COMPANIES **33**
5.1 Research hypothesis and questions **33**
5.2 Research methodology and data collection **35**
5.3 Descriptive statistics **37**
5.4 Results **47**
5.5 Discussion of the results **50**
5.6 Limitations **51**
6 CONCLUSION **52**
REFERENCE LIST **55**
APPENDICES **59**

LIST OF TABLES

Table 1: Comparing added value and average number of employees from 2010 to 2014 3
Table 2: Difference between the average business and fast growing company 4
Table 3: Growth factors 6
Table 4: Characteristics of a dynamic and a successful entrepreneur 11
Table 5: Financial Comparison between average and fast growing company 27
Table 6: Advantages and disadvantages of debt financing 31
Table 7: Advantages vs. Disadvantages of Equity Financing 33
Table 8: Paired Samples T-test (1st Hypothesis) 48
Table 9: Paired samples T-test (2nd hypothesis) 48
Table 10: One sample T-test (3rd hypothesis) 49
Table 11: One sample T-test (4th hypothesis) 50
Table 12: Summary of findings 51

LIST OF FIGURES

Figure 1: Porter's five forces of competition 15
Figure 2: Ansoff matrix 18
Figure 3: Porter's Generic strategies 20
Figure 4: Analytical framework 22
Figure 5: Choice of Entry Modes 24
Figure 6: Number of people employed 37
Figure 7: Age of the companies 37
Figure 8: Economic sector 38
Figure 9: Companies by industry comparison 38
Figure 10: Industry 39
Figure 11: Focus on B2B or B2C or Mix 39
Figure 12: Education 40
Figure 13: Age of experience 40
Figure 14: Motives for starting a company 41
Figure 15: Personality traits 42
Figure 16: Measure of success 42
Figure 17: Preferred generic strategy 43

Figure 18: Preferred growth strategy 44
Figure 19: Internationalization from an early stage 45
Figure 20: Share of sale in foreign markets 45
Figure 21: Type of Internationalization 46
Figure 22: Sources of financing the startup of fast growing company 46
Figure 23: Sources of financing growth in the past 3 years 47

LIST OF APPENDICES

Appendix 1: Povzetek (Summary in Slovene language) 1
Appendix 2: Survey 2

LIST OF ABBREVIATIONS

EBITDA – Earnings before interest, tax, depreciation and amortization
EU – European Union
M&A – Mergers and acquisitions
R&D – Research and development
US –United States
UK – United Kingdom

INTRODUCTION

More and more recent studies have been dedicated to researching the connection between entrepreneurship, economic growth and employment. Since the global financial crisis many countries have not been able to attain momentum for stable and positive economic growth, which has prompted policy makers to search for new opportunities to increase economic development and reduce unemployment through entrepreneurship. A very small proportion of companies that have above average growth play a major part in this recovery. These so called fast growing companies have become a modern phenomenon as they bring high level of innovation, intensified competition and technological change, which in turn facilitates economic growth, employment and substantial improvements to people's lives. Indeed, the impact on the economy of fast growing companies, or to use the term coined in the 80's by David Birch - the Gazelles **-** is well researched and demonstrated. These companies generate a high increase in qualified employment and have strong, positive economic effects on development (Acs, 2006).

Studies on fast growing companies usually attribute growth to more or less the same factors, which typically relate to business environment, management, innovation, strategy, organization and financing. I decided to present some of these factors and sought to challenge their importance. Another aim was to find out what other common characteristics of these companies are and whether there are any misconceptions, which needed to be highlighted.

This master thesis will offer a cross-disciplinary perspective focusing on three key business aspects: business strategy, entrepreneurship, and financing. Business strategy, because it is an essential part for every business, important to build a competitive advantage of a product or service and increase revenue. Entrepreneurship, because it relates to the mind-set of managers that convert ideas into business ventures. Financing, because it is a necessary requirement and a challenging issue for any company wishing to attain high growth. Throughout these topics I will try to gain understanding of broader research question such as:

- What kind of mind-set and personal traits do managers of fast growing companies have and how they measure success?
- What type of strategies fast growing companies implement?
- Does a preferred strategy exist?
- Is internationalization envisioned from the start-up of the business for fast growing companies?
- How did fast growing companies finance their start-up of the business?

The purpose of this master thesis is two-fold. On the one hand, it aims to contribute to the understanding of fast growing companies and further underline their importance to the economy. On the other hand, it aims to show and explain the success factors of fast growing companies in terms of the characteristics of their leaders and their entrepreneurial spirit, business strategies implemented and sources of financing. The thesis also explores aspects of the actions and mentality required in order to take the company to the level of continued high growth. This paper also tries to offer some guidance and clarity to a potential entrepreneur on how to create a successful fast growing company. **The goal** is to examine the theory and present the factors of growth in fast growing companies, namely the business strategy and related internationalization opportunities, entrepreneurship and mind-set of managers as well as the typical financing strategies of fast-growth companies. The empirical study will help to confirm or reject some of the beliefs and factors that supposedly play significant role in achieving high growth.

The thesis is divided into six chapters. The first chapter provides a general outline of today's challenges for fast growing companies and their impact on the job creation and economic development. This chapter also presents the factors of success from different research and authors. The second chapter focuses on explaining entrepreneurship and the mind-set, necessary to create fast growing companies. Third chapter explains business strategy and provides theoretical perspective, practical application and challenges. This chapter also describes internationalization and its development and selection. The fourth chapter covers financing and provides an overview of possible options. The research is presented in the fifth chapter together with the methodology and results. The final chapter, the conclusion, provides an overview of the findings and thoughts for further research.

1 FAST GROWING COMPANIES

Most companies never experience significant growth in employment over time. Large part of job creation belongs only to a handful of fast growing companies as was confirmed 30 years ago by Birch (1987). He argued that fast growing companies, which present only 5 % of total companies, are responsible for 85 % of new jobs. Similar conclusions were drawn by Morris (2011, p.5) which states that only 4 % of all companies have high growth but create almost 40 % of new employment jobs. Moreover, in 22 empirical studies, conducted between 1994 and 2011, the conclusions were similar – fast growing companies represent a small proportion of all companies, but create an enormous share of job creation ranging from 60 % to 75 % of all newly created jobs (Dautzenberg, Ehrlinspiel, Gude, Käser-Erdtracht, Schultz, Tenorth, Tscherntke & Wallau, 2012, p.4).

In Slovenia, fast growing companies created a 70 % increase in the value added per employee and 2.5 times increase in terms of revenue in 2008 (Pšeničny, 2008). In the period 2010–2014, Slovenian fast growing companies recruited 6.2 times more people than the average company, while added value per employee was 2.3 higher than in the average company (see

Table 1). They generated on average 2.5 times more revenue and had a 3 times higher employment rate (Dragnić, 2014). In 2016, there were 6,150 fast growing companies (4.9 % of total legal entities), which employed around 20 % of all the workforce (117,407) and achieved EUR 20.8 billion in sales. In the period 2012-2016, they created 38,672 new jobs and newly hired 24,670 people. More than 90 % of the fast growing companies were SMEs (AJPES, 2017).

Table 1: Comparing added value and average number of employees from 2010 to 2014

Size group (nr. Of employees)	**Value added (in EUR)**		**Average nr. of employees**	
	Average company	*Fast growing*	*Average company*	*Fast growing*
Micro (0-9)	25,230	83,307	1.8	4.9
Small (10-49)	36,113	63,661	19.6	21.4
Medium (50 -249)	34,444	72,012	102.1	103.7
Large (>250)	38,334	103,741	738.7	516.4
AVERAGE	34,006	79,379	5.2	32.2

Source: Adapted from AJPES (2015).

When comparing Slovene fast growing companies to European ones, researchers found little difference. In both cases, fast-growing companies exist in all industries. Both groups are highly motivated in terms of growth and share the same amount of experience. European and Slovenian fast-growing companies started their business with their own or family and friends funds. The owners are of the same age group but are surprisingly less educated on average than their European counterparts. Furthermore, European companies are increasing their shares of funding sources through investors, venture capitalists and public listing, whereas in Slovenia, such funding is almost non-existent. Among Europe's top 500 fast-growing companies, 170 are already listed on the stock exchange, while in Slovenia, there are none (Pšeničny, 2009).

Interestingly, smaller fast growing companies demonstrate lower growth rates than larger counterparts. One could argue that it would be easier to grow company from 10 to 20 people but findings suggests that a company needs 8-10 years to fully develop its fast growth. This is associated with greater funds available to larger companies and thus greater ability to exploit competitive advantage (Crnogaj & Sirec, 2014). Fast growing companies are usually small to medium sized with annual growth rates in sales of more than 20 %, which means they are doubling in size every four years. They can be present in all development stages, not only in the "stage of growth" (Nicholls-Nixon, 2005, p.77).

Birch (1987) recognized the following characteristics of fast growing companies:

- They are almost evenly present in all industry sectors;
- Companies of high-technology represent only a small portion of all fast growing companies;
- High volatility is normal for fast growing companies, due to their risk taking approach which pays off in the end;
- They start to export early;
- Fast growing companies are not necessarily young, they may start their growth after they learn how to overcome the business obstacles that they face;
- It usually takes 8-10 years for a company to become fully developed fast growing company;
- Fast growing companies are concentrated in areas, where skilled labour is available and where there is good access to airlines, faculties and institutions;
- Start-up capital is mostly from internal sources (family, friends, savings, etc.).

Tajnikar (2006) attributed the following characteristics and compared them to average companies (see Table 2).

Table 2: Difference between the average business and fast growing company

Average business	**Fast growing company**
Stagnant	Growing
Defensive	Opportunistic
Local	Global
Own resources	External resources
Regular workforce	Professional workforce
Low capital expenditure	High capital expenditure
Fear the competition	Embrace the competition
Fear risks	Embrace challenges
Survival mode	Success mode

Source: Tajnikar (2006, p.74).

More recent survey studying German fast growing companies finds the following information and identification of growth based factors (Dautzenberg et al., 2012):

- Owners of fast growing companies are experienced and have industry specific knowledge;
- Growth is incorporated into the company’s strategy from the beginning;
- Innovation activity is above average in fast growing companies;

- Internationalization is very common and starts at an early stage;
- Financing growth differs among fast growing companies;
- The most important drivers are focus on quality, clients and distribution;
- The main growth inhibitor is shortage of a skilled workforce;
- One of the biggest challenges is financing a start-up;
- There are other, qualitative differences between an average company and a fast growing one.

An additional trait of fast growing company is the management's close relationship with other companies, suppliers and customers, which provide additional capital and know-how that sustain fast growth (Variyam & Kraybill, 1992). This means that the human capital of the manager is highly important factor that determines the levels of growth. The more human capital the management has, the more likely it is to grow faster. According to the research of European fast growing companies, there are seven most common internal factors that contribute to growth (Pšeničny, 2002).

- Business environment
- Entrepreneur or entrepreneurial team
- Strategy of growth
- Management of organization
- Human resource management
- Innovation and research activity
- Financing of growth

An additional trait of fast growing company is the management's close relationship with other companies, suppliers and customers, which provide additional capital and know-how that sustain fast growth (Variyam & Kraybill, 1992). This means that the human capital of the manager is highly important factor that determines the levels of growth. The more human capital the management has, the more likely it is to grow faster. According to the research of European fast growing companies, there are seven most common internal factors that contribute to growth (Pšeničny, 2002).

- Business environment
- Entrepreneur or entrepreneurial team
- Strategy of growth
- Management of organization
- Human resource management
- Innovation and research activity
- Financing of growth

A representational model of these growth accelerators was created based on the Mei-Pochtler's model in (Pšeničny & Novak, 2012). I have slightly modified the model based on a literature review and improved it for easier representation (see Table 3).

Table 3: Growth factors

	Entrepreneur	Strategy	Management	Financing	Employees	Innovation
Internal factors	• Vision • Creativity • Solid business acumen • Passion and motivation • Adaptability • Leadership	• Active international participation • Strong relation with customers and suppliers • Active measurement and tracking	• Effective structure • Good rewarding management • Human capital	• Effective planning and financial management	• Allowing for more responsibility, belonging and personal growth	• Searching for innovation • Risk taking propensity
External factors	• Ratio „risk“ : „award“ • Social recognition • Education and support	• Government incentives for internationalization • Open markets	• Incentive tax system for profit participation • Stock options • Other buyout options	• Venture capital availability • Efficient financial markets	• Availability of skilled workforce • Functioning labour markets	• Creativity in educational system • Effective IP protection • Incentives to support technology

Source: Adapted from Pšeničny and Novak, (2012).

Similar indicators of growth factors that influence market effectiveness were found in research of on fast growing small and medium sized companies in Croatia (Dragnić, 2014). The study confirmed that internal factors such as business entity size, life cycle stages, technology and product innovation, organizational structures, goal setting and external factors such as the general state of economy, sector and customer type all have an effect on company's performance.

There are number of ways of defining fast growing companies. Some studies concentrate on indicators that define fast growing companies as percentage of top performing companies. Birch, for example, used absolute and relative change in growth (1) to remove the bias inherent in smaller companies (where x_t can be employment, revenue or some other indicator). This type of calculation called the DaBEG index is frequently used to allow for international comparison. It measures the relative growth of numbers of employees, regardless of the size of the company.

$$Growth = (\, x_{t1} - x_{t0})\,\frac{x_{t1}}{x_{t0}} \tag{1}$$

However, the simplest way of determining high growth and achieve clearer interpretability is by introducing a predetermined threshold and introducing a secondary qualification, minimum size, to reduce small business growth bias. Otherwise, a company growing from one to two employees would fall under a category of fast growth, despite limited economic impact. Nevertheless, the size threshold should not be too large, as it would exclude too many companies. The thresholds may differ by country, although the most commonly used is the OECD definition which states 20 % growth (measured by the number of employees or turnover) over a period of 3 years, while the provisional size threshold is set at 10 people (OECD, 2007, p.61).

$$\sqrt[3]{\frac{x_t}{x_{t-3}}} - 1 > 0.2 \qquad (2)$$

2 ENTREPRENEURSHIP

For any person studying entrepreneurship it becomes clear that "entrepreneurship" and "entrepreneur" has been an evolving term since 1700's. Most people think that that entrepreneurs are individuals (usually larger-than-life types), who founded and created several companies and created enormous wealth for themselves, such as Bill Gates (Microsoft), Richard Branson (Virgin), Elon Musk (Tesla, SpaceX), Larry Page (Google) to name but a few. In North America, entrepreneur is anyone who owns a business. This means that a 20-something year old student who invented new social media platform, as well as a 50-something year old owner of small shop, can be labelled as entrepreneurs. For some, only individuals who created at least three companies can claim the title of entrepreneur.

The literature also provides many definitions that have evolved through time. According to Landström (2005, p.15), most of the definitions created in recent history are pointless or lack clarity, which makes them inapplicable, mediocre and without academic value. Nevertheless, modern definition of entrepreneurs resemble that of Blundel and Lockett (2011, p. 6) which states that entrepreneurs are individuals who identify and exploit opportunities for new products, processes and markets and thus create or expand economic activity. From entrepreneur comes the term entrepreneurship, which encompasses the entrepreneur and his interactions to teams, organizations and institutions and represents a view of the entrepreneur and his entrepreneurial activities.

Nowadays, economists and governments acknowledge the importance of entrepreneurship and its impact on society. This is why many countries and universities decide to introduce and encourage entrepreneurship development programs (learning programs to further increase knowledge of entrepreneurs) and give different types of support in order to increase the number of entrepreneurs. Education and training programs play a crucial role in creating future entrepreneurs as well as helping existing entrepreneurs to achieve higher growth (Henry, Hill & Leitch, 2003). Moreover, support is also provided to increase the level of innovation, which further accelerates social and economic development.

Although there is a scientific consensus that entrepreneurship hugely contributes to the economy, some still find entrepreneurship unattractive. In some countries, entrepreneurial activity is perceived as an exploitation of workers, becoming unduly rich and being successful through speculation. Slovenia was once one of those countries, which did not favour entrepreneurship highly (Pšeničny, 2002). However, the latest research Global Entrepreneurship Monitor (Rebernik, et al., 2016) shows, that 53.7 % of people believe entrepreneurship is a good career choice and 70 % that successful entrepreneurs are highly valued in the society. This shows that in recent years, Slovenia (and also other countries) started to embrace the concept of entrepreneurial ecosystem and begin creating and applying economic policies in cities and regions that support and encourage entrepreneurial activity.

2.1 Motivation behind entrepreneurship

Surveys have shown that not every newly founded company has growth intentions and that the entrepreneurial spirit differs among entrepreneurs. Studies showed that only 50 % of newly founded companies in United Kingdome (hereinafter UK) had the intention of growing over time (Storey, 1994). This stems from the fact that individuals have different motives behind their entrepreneurial activity, which can be divide into two categories:

a) Entrepreneurship out of opportunity. As the term suggests, it is of voluntary nature and expects to yield certain results, such as growth and profit.
b) Entrepreneurship out of necessity. It occurs when it is individual's only option for employment. In practice refers to self-employment, agriculture or very small-scale industry.

Research shows that entrepreneurship out of necessity does not increase economic development, while entrepreneurship out of opportunity has a significant effect. Being forced into entrepreneurial activity (self-employment) because other work options are not available in the labour market can even lead to under development. Economic development can even be determined by the ratio of opportunity-to-necessity entrepreneurship and have direct impact on per capita income of a country. This means that countries that have higher entrepreneurship out of opportunity have also higher levels of income (Acs, 2006).

Different motivations for starting a business have become important in recent years as there were counterintuitive findings between entrepreneurial activity and economic conditions. For example, data on business creation during the economic crisis in both United States (hereinafter US) and UK showed an increase in business creation (Fairlie, 2013; Bell & Blanchflower, 2013), meaning that necessity entrepreneurship has counter-cyclical effects and should be distinguished from opportunity entrepreneurship. This masters concerns only opportunity entrepreneurship; therefore, any use of the term entrepreneur refers to individuals, whose entrepreneurial activity is motivated by opportunity.

2.2 Entrepreneur

One of the distinct characteristics that differentiate the entrepreneur from the average owner is that the entrepreneur is in constant search for new opportunities. They do not stay content with the original business idea but always try to upgrade it. They always feel lack of demand, which result in finding new markets outside company's local or regional place. They seek to increase profit, but gaining market share is a priority. This is also the reason why the majority of fast-growing companies eventually start operating on a global scale (Tajnikar, 2006).

Successful entrepreneurs are aware that they need to adopt new approaches, new ways of behaviour and learn high-level management skills if they wish to grow their companies from small to medium and then large. Some of the attributes and actions the entrepreneurs need to develop if they wish to become successful include the following (Wilson & Bates, 2003, p. 3):

- Become a visionary leader
- Introduce a business strategy, not just tactics
- Share information, do not hoard it
- Continuously analyses companies' weaknesses and find solutions
- Introduce a formal recruitment process and hire based on meritocracy
- Delegate responsibility
- Give attention to interpersonal relations, not solely on tasks
- Increase the knowledge and skills of your employees
- Become a coach or mentor
- Start negotiating with and influencing people

Adopting these attitudes is not easy as entrepreneurs are usually not professional managers despite their typical drive and self-confidence. The "do it alone" strategy does not bring the company to the next phase of growth and it takes a certain amount of energy for the founders to identify weaknesses in their managerial competence. It is especially difficult since they do not have a role model from which they can learn. In large companies, managers usually have senior managers or directors to ask for guidance or they attend managerial development programmes offered by their company. Therefore it is crucial for entrepreneurs that they recognize which managerial competences they really lack and start hiring professionals to do their work for them (Wilson & Bates, 2003).

2.3 Dynamic entrepreneur

One thing is clear, not all entrepreneurs create fast growing companies. In the literature, the term dynamic entrepreneur was coined for the founders of a fast growing company. According to Tajnikar (2006, p. 79-86), a dynamic entrepreneur possesses a combination of a visionary, innovative and strategic attitudes which makes him a more "dynamic" leader.

They are never content with the status quo, but always try to find new ways to ensure the future growth of the company. They have a vision about the future of the company and remain focused on long-term success and capital growth. They employ skilled and educated labour and do not mind hiring external consultants and experts outside their network. They are creative and maintain high morale and ethics according to Tajnikar.

On the other hand, a "typical" entrepreneur is someone who is a beginner in a business activity, lacks knowledge in certain business aspect (e.g. marketing, finance, organization, etc.) but is experienced in one particular area (e.g. technology, process, marketing), which gives the entrepreneur enough confidence to start its own business. Tajnikar adds that "typical" entrepreneurs are not aware of their lack of knowledge in other business areas, making it more likely that they will fail and not achieve fast growth. According to Tajnikar, dynamic entrepreneurs are well aware of the knowledge and experience they require in order to reach their goals. If they themselves lack required knowledge or experience, they will seek it.

Dynamic entrepreneurs are portrayed as having extraordinary "leadership" characteristics, although there could be a limited difference between entrepreneurs who achieve moderate growth rates and those that achieve fast growth rates. According to research which surveyed 70,000 active entrepreneurs (out of which 4 % achieved high growth), they found little difference in their attitudes, education levels and demographic characteristics (Morris, 2011). What is surprising is that dynamic entrepreneurs were more likely to have started their business to increase income, a reason usually not associated with entrepreneurs in modern literature. The main difference was in business practice, in which dynamic entrepreneurs have a tendency to work more in partnerships and are more likely to act as an angel investor. Nevertheless, it is important to note that differences were identified only when comparing dynamic entrepreneurs with low growth entrepreneurs. The latter group group comprises "entrepreneurs out of necessity" (mentioned above), that is they started their business because they had no other choice. While dynamic entrepreneurs and entrepreneurs that achieve moderate growth, founded their companies between the age of 26-45, low growth entrepreneurs created their business before that, at least partially due to never finishing post-secondary education. In addition, they rarely enter into partnerships and are less likely to have international customers.

Research from Perić and Savič (2009), found that entrepreneurs who created fast growing companies started their businesses with different backgrounds and experiences. Some of them started their company right after college, while others waited to gain experience and until they were confident enough to start their own business. One of the things they all had in common was charisma, which was expressed differently with each interviewer. All entrepreneurs were aware that play an important role in encouraging and motivating employees. The second common characteristic was resourcefulness and adaptability. The managers interviewed had the ability to adapt to changes quickly and were eager to learn new things and find new approaches. The third common characteristics was wide set of skills and knowledge. This means that they proactively seek knowledge about management, organizations, finance and participate on seminars, all of which will bring benefits to the company. Continuing professional development is something the managers also want to pass on to their employees. Among the values these people particularly cherish are honesty and loyalty.

The literature most of the time do not distinguish between “normal” entrepreneurs and dynamic entrepreneurs. This seems reasonable as the characteristics and descriptions overlap in most discussions. To demonstrate this, example characteristics of a dynamic entrepreneur and more or less common characteristics of an entrepreneur that is merely “successful” are listed in Table 4 on next page.

Table 4: Characteristics of a dynamic and a successful entrepreneur

Characteristics of a dynamic entrepreneur according to Kingstone	**Characteristics of a “successful” entrepreneur according to Duermyer**
They have a dream and a vision about the future	They have vision and focus
They do not fear failure, rather expect it	They are optimistic
They do not take no for an answer	They are action oriented
They act professionally	They are able to overcome doubt
They see opportunity in new technologies	They think outside the box
They use time and money efficiently	They are passionate
They recognize weaknesses of the company	They find a way to solve problems

Source: Kingstone (1987); Duermyer (2018).

2.4 Growth challenges of entrepreneurs

I have presented characteristics of an entrepreneurial mindset that is most often associated with creation of a successful company with an ambition for fast growth. However, it is also important to bear in mind the challenges, which may inhibit fast growth. These challenges typically increase, as companies grow larger and more complex.

Neil Churchill (in Pšeničny & Novak, 2012) identified 6 challenges that entrepreneurs face in growing their companies:

– **The wall** – A growing company eventually reaches a number of employees; which entrepreneur finds difficult to manage. At this number, the entrepreneur has to learn how to delegate work and become professional manager or fail to grow. This barrier seems to be universal, although it can be different in each country. According to Churchill, US companies hit the wall around 40 to 50 employees, whereas in Scotland this number is 25.

- **The flow** – Growing a business requires cash as much as starting it. Rapid growth rates can outrun current cash flows, which means money has to be managed strategically.
- **The force** – The entrepreneur must become a leader and needs to constantly form and communicate goals of the company to employees. He needs receive the commitment of everyone and achieve personal satisfaction, in order to be able to focus on opportunities, innovation and productivity.
- **The links -** Networking is an important part of a growing business, which is usually undercapitalized and understaffed. Using people from the network gives you information on technical problems, market trends, suppliers, customers, and come reasonably cheap or free.
- **The ladder**– Recognizing opportunities, seizing and exploiting them is a vital part of an entrepreneur's role. It is important that an opportunity is not just financially evaluated, but is seen as a means of increasing financial resources, capabilities, reputation and as a springboard to further opportunities.
- **The reality** – Organizations do not change just because of external or internal factors of growth, but also because the owner-manager personal goals change. An entrepreneur might become less risk averse at the age of 45, than he was in his twenties.

The authors of *Blue Ocean Strategy* identified four kinds of challenges that can affect entrepreneurs ability to adapt and therefore impede company's growth (Kim & Mauborgne, 2005):

- **The cognitive challenge –** A company stops being adaptable due to perceived "current" success on the market. Blinded by fact and figures, employees may not recognize changes on the market, or understand how new technology might disrupt the market and therefore think that they do not need to adapt. A solution is to make use of more subjective and qualitative evidence, such as putting employees in the customer's shoes, which makes it easier for respond positively to changes.
- **The resource challenge** – New or modified initiatives in company will require additional funding or at least a reallocation of assets. An entrepreneur needs to recognize where focus is needed and identify activities that will make the most of applied resources. A solution is the 80-20 rule (i.e. 80 % of the result can be gained through focus on 20 % of the problems).
- **The motivational challenge –** Motivating staff to accept changes has always been a hurdle. A solution is to identify opinion leaders, individuals with high level of influence and give them a platform on which they can convince other.
- **The opposition challenge** – The opposition is strongest from those who are afraid that future changes will not be good for them. A solution is to understand their apprehensions, and work with them separately to convince them otherwise. More importantly, these

people should be dealt with first. In order to recognize them, politically adept colleagues, should be able to spot trouble ahead of you and alert you.

3 BUSINESS STRATEGY

Business strategy is a recent phenomenon derived from military science. The resemblance is uncanny - how to deploy resources to achieve objectives (reach target markets), and destroy the enemy (competition). Its purpose is to exploit organizational strengths and minimize weaknesses in order to successfully exploit opportunities in the face of external threats. In other words, a strategy is a company's method or a plan, stating how the company will accomplish its mission and objective. It maximizes competitive advantage and minimizes competitive disadvantages.

In business science there is no common definition of a strategy. Pučko (2006), divided them into corporate strategy, business strategy and functional strategy. Another proposed breakdown is based on the level of decision-making, whether on a corporate level, strategic unit, or business function, depending on the size and organizational structure, level of diversification or other characteristics of a company. Corporate strategy is mostly appropriate for larger companies with various business units that have different efficiency, profitability and competitive advantages. It is concerned with value creation across the whole company not just about particular business unit. Business strategy on the other hand deals with market selection, product offering and the development of specific business units and is in line with the corporate strategy. If the company only deals with one business activity, business strategy is sufficient. As the majority of the fast-growing companies deal with one business activity, research has focused on business strategy.

Smaller companies do not pay much attention to strategy, unlike big companies. One of the reasons is that managers are more operationally oriented, find themselves occupied with daily tasks, and do not take time and think about the future course of the company. This leads the business to wander across the marketplace without direction, which may slow growth or even result in the end of the business (Pučko, 2006). Another reason is that business strategies are usually not designed to help smaller companies, but mostly focus on the strategic questions of large companies.

Nevertheless, some form of strategic thinking needs to be implemented in order to ensure growth. Megatrends, such as shifts in demographic and global economic power, urbanization, climate change, resource scarcity, and rapid technological innovation, represent opportunities and threats to the company. Only with a strategy, can a company mitigate risk, adapt, seize opportunities, and gain competitive advantage. The important thing to have in mind is that long-term competitive advantage is not a result of a single competitive advantage but a series of them, formed together in one major competitive advantage (Wiggins & Ruefli, 2005).

No “secret” formula that guarantees a creation of a fast growing company exists. Many books have been written on this topic by management consultants, academics and executives, each stating different elements of success. However, research has shown major methodological and analytical flaws, which put these identified “secrets” of business performance into question (Forster, 2010). Identified factors of success are usually based on very large companies from the Fortune 500 list, which means that an average SME would have a hard time adopting these strategies to their needs. Furthermore, even companies that are set as an example in some of the older strategic management textbooks, have ceased to exist, lost their position as a market leader or have been taken over (Kodak, Nokia, Sears, Pan-Am, etc.).

There is no rule on what is a better way of achieving growth. Different strategies fit different companies. Some of factors that influence this decision are company’s risk aversion, available cash funds and access to capital, the envisaged speed of growth, company culture, economic conditions and many other factors.

3.1 Strategy creation and implementation

Creating and implementing an effective business strategy begins with identifying and analysing the current position of the business. This can be achieved through detailed analysis of financial cash flows, identifying future goals, finding areas on which the company should improve or cut back and decide on development steps. Someone who has insights and is aware of the company’s strengths and weaknesses as well as external opportunities and threats must do the analysis.

In general, business strategy covers the following areas (Pučko, 2006):

- Customers and markets who are you target customers (and markets)
- Products and/or services
- Companies resources and competences
- Finance

Pučko (2006) also suggests that the easiest way to create a business strategy would be by determining the main source of income. This way, an owner-manager can see which parts of the business are not making money (or are just at the breakeven point) and which do. Since resources must be allocated efficiently, the owner-manager can cut back on the areas that do not bring results. In order to establish clearly, where profits come from, the owner-manager needs to collect, analyse and benchmark internal sales and cost data. Looking only at gross sales is not sufficient since it can be misleading in case operating costs are high. High sales revenue does not necessarily mean high profitability.

This means the company needs to have sound financial data available, including information on individual customer, market segment, product/service, marketing channels, etc. A strategy requires as much information as possible in order to be truly successful.

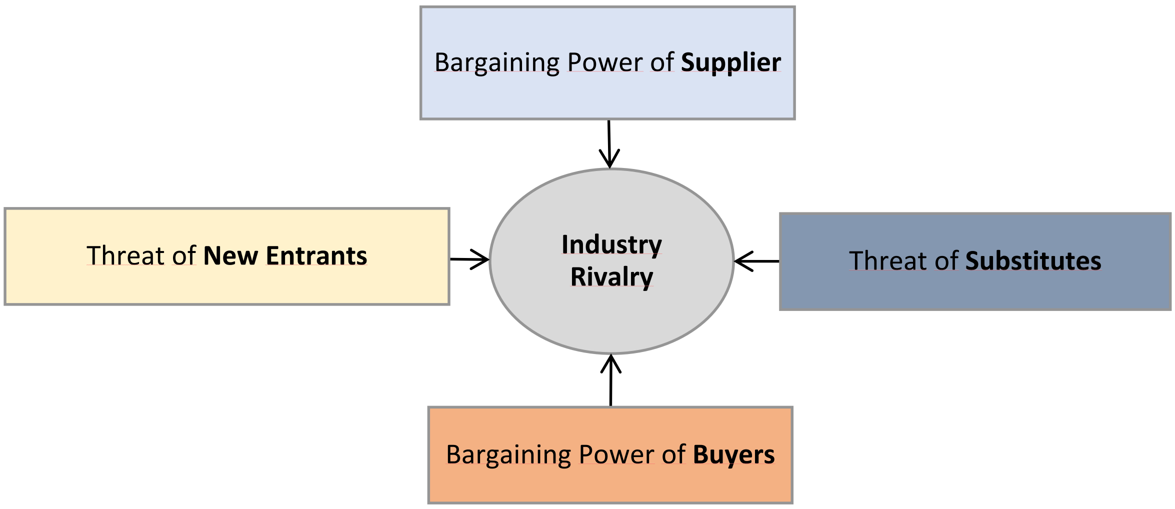
According to Pučko (2008), a strategy should not be reserved only for managers and owners, but for everyone in the company. Each employee should be aware of it and understand the basic reasons for the strategic decisions adopted. This will bring meaning to their job and put their daily objectives into context. Indeed, communicating the strategy to the employees will increase individual and team motivation, which is the reason why this is considered to be good management practice (Everse, 2011).

3.2 Strategic tools and analysis

3.2.1 Porter's five competitive forces

The objective of a strategy is to make profits over competition, which is why an important part of the analysis is competition. One of the well-known concept of competition analysis is from dr. Michael E. Porter, who introduced to the business world what is today known as Porter's five competitive forces (see Figure 1). Porter argues that while a strategy must include competition analysis (industry rivalry) there are also broader forces that affect the success of a company's strategy.

Figure 1: Porter's five forces of competition



Source: Porter (1980).

Industry rivalry is a major determinant for most of the industries. Rivalry is affected by the following factors:

- Industry growth. Only if an industry is rapidly growing do existing companies not need to take market share from one another. Otherwise in stagnant industries the only way to for a company to grow is to "steal" market share from the competition, which may lead eventually to price wars.
- Competition concentration – expressed as the number of companies and their relative size. It affects how companies calculate their pricing and other competitive moves. If there is only one major player, it can enforce its own rules of competition. If there are two or three, they can implicitly cooperate in order to stay out of price wars. In case of many players, price war is again almost inevitable.
- Differentiation of products and services. Products that cannot be easily substituted can avoid direct competition. If the products are similar and not differentiated, customers are more likely to switch to cheaper options, especially if switching costs are low. Low switching costs also increase the chance of price wars.
- Level of fixed costs. In case of a high ratio of fixed to variable costs, companies tend to become more aggressive in pricing in order to gain market share and reach sufficient level of economies of scale.
- Excess capacity and exit barriers. If a customer demand fails to match the supply of goods or services, there is a strong incentive for a company to lower prices in order to fill in the gap. The problem of excess capacity is even higher if there are high costs associated with exiting the market or industry. This was the case with the mining industry in the UK, where exit costs were high, which led to intense price competition.

The threat of new entrants is the second force according to Porter**.** New entrants will be attracted with potential high profit returns. Several factors affect the barriers of entry in an industry:

- Economies of scale. If there are large economies of scale, new entrant will face difficulties until it reaches optimum capacity. There are large initial costs associated with investing in research and development (hereinafter R&D), brand advertising or investing in plant and equipment that will leave companies at a disadvantage.
- First mover advantage. Companies may have first mover advantage, which means they have the potential to set industry standards and exclusive contracts with the suppliers.
- Limited access to channels of distribution and relationships represent high barriers for new entrants. An example of this would be a FMCG manufacturer trying to obtain supermarket shelf space for its products.
- Legal barriers, such as licensing regulations can also limit new entrants.

Threat of substitutes is determined by the relative price and performance of competing products, as well as on customers' "readiness" to substitute. This means that if products have identical function, the price should become the only factor in choosing between them. However, the "readiness" to substitute is of a very subjective nature and leads to customers that are unwilling to choose the "cheaper" product solely based on functionality. For example, tap water has the same function as bottled, but many are unwilling to substitute the former for the latter, which is why sellers of bottled water are able to charge premium prices.

The bargaining power of the buyer is determined by price sensitivity. It refers to the ability of the consumer to reduce the price and even pressure a company to improve products and services, which in turn increases costs. The bargaining power of the buyer is high, for example, in the following cases:

- Customers are more concentrated than sellers,
- Low switching costs,
- High price sensitivity of the buyers,
- Customers are well educated about the product,
- Customers buy in bulk,
- High level of substitutes.

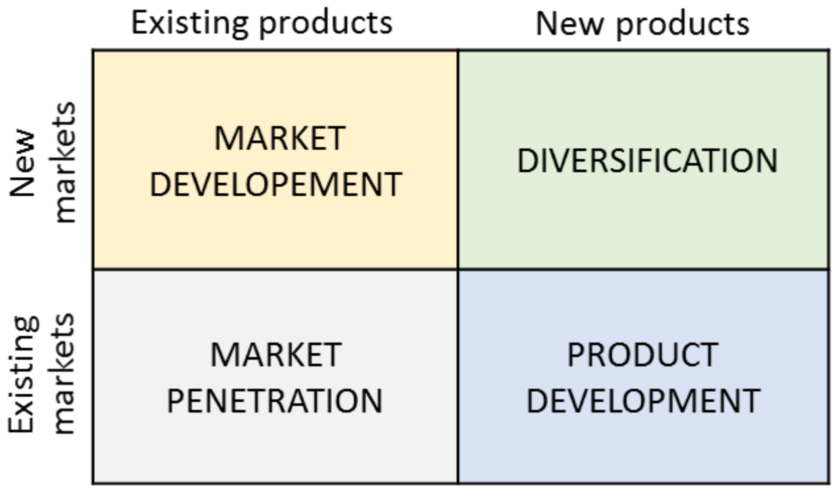
Bargaining power of suppliers. The power of suppliers is high, when the opposite is true of what is stated above. Most of the bargaining power is achieved if there are only a handful of companies and substitutes available for their customers. Suppliers also gain power if their product or service is critical to their customer's final product.

Porter's five forces could be considered as an old framework model, but due to its robustness and straightforward use, it is still widely used and taught. Nevertheless, it is important to note that while Porter's framework analyses industry's competitive forces, some factors mentioned above may not apply. Thus it is necessary to take into consideration the circumstances of a given company as well as the market in which it is operating. Furthermore, the framework shows the situation at a certain period of time and does not include potential shifts in future. This is the reason, business strategist also use other frameworks such as PESTEL and SWOT analysis.

3.2.2 Ansoff matrix

One the of the useful tools for setting up a strategy is a product/market matrix or better known as the Ansoff matrix (Ansoff, 1957). This tool helps determine which basic growth strategy a company will follow in order to reach maximum profit potential. According to this concept, four growth alternatives exists: market penetration, market development, product development and diversification (see Figure 2).

Figure 2: Ansoff matrix



Source: Ansoff (1957).

Market penetration strategy is the most compelling strategic option, as it does not require the costly development of new products, often making only modest changes to the product, but uses intense promotion or even acquiring competitor to gain new customers. It is most appropriate in mature markets. The only reason companies abandon this strategy is because they see a major opportunity in a new market or there is a new threat which will hinder current relationships with customers.

Product development means selling new products to existing markets. This involves discovering unmet needs of current customers. The more innovative a new product is the more risky it becomes. It is very important to confirm assumptions and forecasts, as failure can be expensive.

Market development strategy involves taking care of existing customers and finding new ones at the same time. This is only viable if you already know existing customers very well and have a strong marketing and sales department with reliable evidence to support this strategy. The more a new market deviates from the existing one, the more risky the venture becomes. This stems from the fact that the company may face new socio-economic environments which may not be handled adequately.

Diversification is the most risky strategic growth option as it represents a jump into the unknown for potentially high returns. Nevertheless, research show this strategy is the most popular. Among top 500 largest companies in the States, 80 % are diversified (Pučko, 2008). To follow this strategy, it is necessary to be confident in a new product and have fully developed operational capabilities and supply chain functions. To minimize risks, orders and commitments must be secured from prospective suppliers and buyers. The company might follow diversification with its own research and development program, licensing, cooperation in production, joint ventures or mergers and acquisitions. Diversification can be achieved horizontally, vertically or concentrically

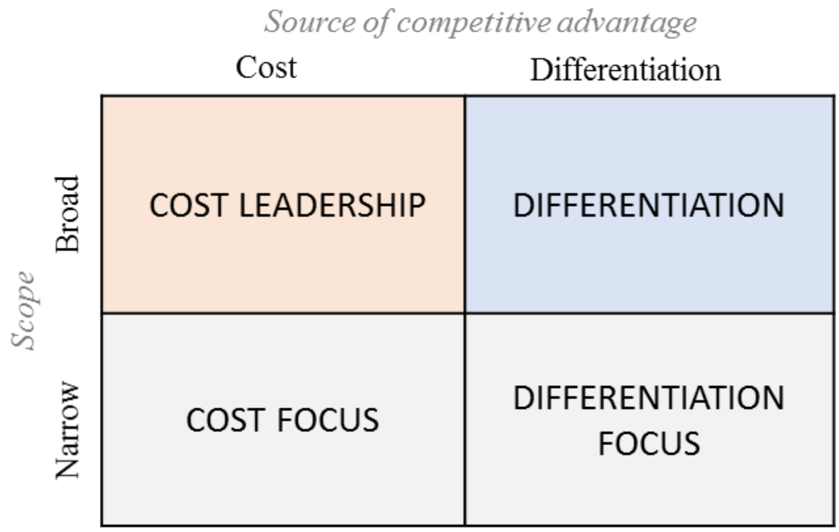
- Horizontal diversification is when the company expands its product to a similar and related product group. For example, company that manufactures exhaust systems for cars starts to produce exhaust systems for motorbikes. The main reasons for this type of expansion are specific existing technical knowledge, possible economies of scale and synergies.
- Vertical diversification is expanding to another industry in the supply chain. For example, a company that produces exhaust system opens a retail shop, where they sell their products and spare parts. The main reasons for this type of expansion are more stable production orders, reducing subcontractors, better protection of technical knowledge and synergy effects.
- Concentric expansion is a type of diversification in which a company starts to offer products which open completely new markets but are still related to its core business. For example, a company that produces exhaust systems starts producing lawn mowers.

High growth companies usually decide on established or slightly modified products for new markets or develop new product or service for existing markets. Developing new products or services usually refers to high added value product and services. Furthermore, the majority of high growth companies (more than 90 %) had identified and responded to new markets, while average companies identified and respondent to new markets in only 56 %. Finding new products or services for existing customers or finding new customers for existing products or services is one of the prevalent characteristics of high growth companies and it demonstrates a vital part of business success (Smallbone, Leig & North, 1995).

3.2.3 Porter's generic strategies

Another important strategic framework that can help a company determine its business strategy are Porter’s generic strategies. With this strategic tool a company can position itself in an already selected industry to achieve a competitive advantage over its competitors. The aforementioned Ansoff matrix helps companies devise product and market growth strategies, while Porter’s generic strategies helps a company position itself on the market based on two strategic decisions: competing on low cost or differentiating product or service in terms of quality. The next decision to make is whether to target big market share or focus on a small, niche segment. Thus there are two essential competitive advantages a company can have, low cost or product differentiation. Together with the depth of activities, as company has three generic strategic options, which can help company achieve superior performance on the market: Cost leadership, Differentiation, and Focus, which has two variants - Cost focus and Differentiation focus (Porter, 1985). Please see Figure 3.

Figure 3: Porter's Generic strategies



Source: Porter (1985).

The cost leadership strategy means being the leader in terms of costs. This involves gaining market shares of price-sensitive consumers. It does not necessarily mean the lowest price on the market, however it needs to offer the best value for money. The firm also needs to operate at a lower cost than its competitors in order to still earn a profit for "cheaper" products. This strategy is mostly associated with but not limited to large companies that can exploit economies of scale and enjoy a big market share. One of the disadvantages is low customer loyalty, as the cost-conscious customers will switch to lower-priced substitute once they are available.

In a **differentiation strategy**, a company aims to develop and market unique products to compete with its rivals. It is most appropriate in a market where customers are not price sensitive, but have specific needs that are still unmet. The company must have unique capabilities or resources in the form of intellectual property, innovative processes, talented personnel or other technical expertise to uniquely position itself and charge a premium price for its products. The product itself does not necessarily have to be unique, what matters is that the customer perceives uniqueness. It is more appropriate for larger companies since it usually involves sustaining expensive advertising campaign and continual innovation.
A **Focus strategy** selects narrow market within an industry and can tailor its operations in two ways. The companies that operate in niche segments and develop either low cost or well-specified product use a focus strategy. Company needs to have an extremely good understanding of the market and customers' needs. This results in strong brand loyalty and low attraction for competitors.

A specific strategy will not guarantee a success. Some companies have adopted one of the strategies but later learned they cannot sustain it. Every option has its risks. Porter believed that without achieving one of the generic competitive strategies company cannot be successful. Not following this principle would mean that a company is stuck in the middle and cannot effectively and efficiently operate in competitive environment.

Nevertheless, every company needs to be aware that the ability to maintain superior competitive advantage over longer period will prove difficult. Empirical studies confirm Schumpeter’s theory that over time the competitive advantage of a company will disappear as better, faster and more innovative companies enter the market (Wiggins & Ruefli, 2005). Further, with an increased pace of change and the development of new technology, the life expectancy of companies is reducing each decade. In the US, it has been forecast that less than 25 % of medium to large sized companies currently in business will still operate by 2030 (Cook & Ormerod, 2003).

3.3 Internationalization

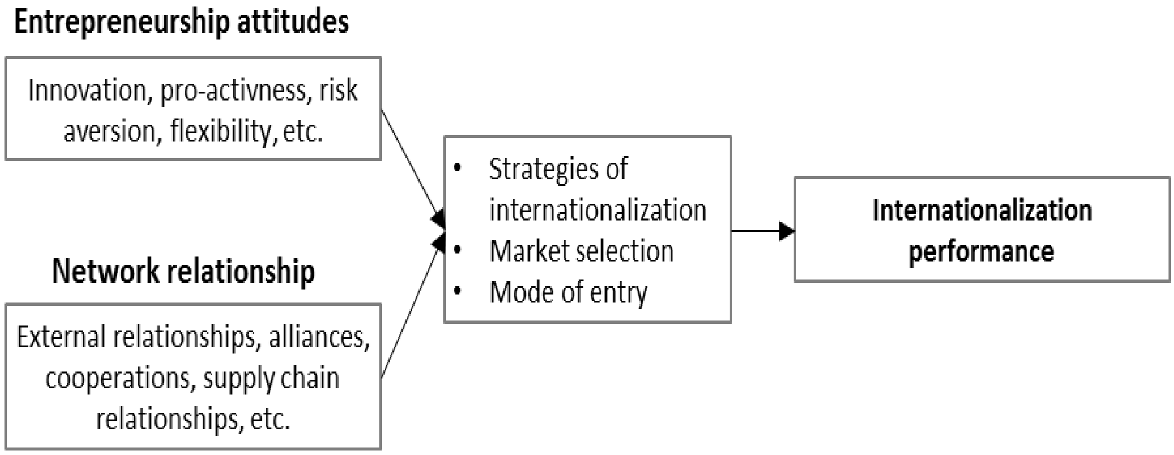
Although globalization has been present for some decades, the 21st century has seen the marked international integration of economic and cultural activities. In the previous century, the internationalization of companies mostly applied to large companies. Only after reaching a comparatively stable and mature phase of company’s life cycle have these companies started expanding to foreign markets (Hutzschenreuter, Guenther & Oehring, 2005). However, internationalization has become a powerful force in today’s economic environment, affecting businesses in consumer markets as well as in the B2B segment. All industry sectors are under its influence, although knowledge intensive sectors seemed to be the most affected. Even if a company does not participate on foreign markets directly, it is influenced by them to some degree. This has forced companies to acquire new sets of skills and knowledge in order to become more competitive.

In the past 20 years or more, the literature provides several stereotypical patterns of internationalization. The subject usually covers areas such as entry time, geographic range, and level of dependency on foreign market. This means that internationalization is much more than a company’s decision on either focusing on a domestic market, or a few markets or intensely expanding into different foreign markets. A company can internationalize after reaching a satisfactory success on domestic market, or it can decide to enter one foreign market at a time and gradually increase its presence on the international market (Kuivalainen, Sundqvist, Saarenketo & McNaughton, 2012).

There is still a gap in empirical research on the extent to which the internationalization option plays a significant role in determining long-term growth and success. This area reveals contradictory or ambiguous findings, since the research carried out has tended to be based on small samples or uses a limited classification of internationalization (Kuivalainen, Sundqvist, Saarenketo & McNaughton, 2012).

According to the literature review by Amal and Filho (2010), two main factors affect the internationalization strategy: international entrepreneurship attitudes and network relationships, which are shown in Figure 4 below.

Figure 4: Analytical framework



Source: Amal & Filho (2010).

Network relationship and entrepreneurship attitudes are important factors because they build new competences and create opportunity to develop market specific knowledge that in turn help select the appropriate strategy of internationalization and efficiently utilize resources. It is important to note that the network's learning is dependent on time and resources, as well as on the commitment to be proactive in new international activities (Amal & Filho, 2010).

3.3.1 International development

When companies consider entering foreign markets they have a specific set of strategic alternatives that are appropriate for target markets (Deresky, 2011). A foreign market entry selection is highly significant for the company's future performance and survival on the international market (Ekeledo & Sivakumar, 2004). The concept of market entry refers to the difficulty or ease a company faces when entering international markets. It is a test for their competitive ability, as the company is no longer operating in an existing market but needs to show its competitive advantage in a new market place (Bradley, 2002).

One of the most critical decisions in the internationalization process is selecting the most appropriate entry mode. In order to make the best decision, companies have to answer two questions. First, what level of resource commitment are they willing to make? And second, what level of control over the operation do they desire? The factor influencing these two questions is the perceived risk of entering into a new market, which will eventually lead to the entry mode choice (Vern & Ravi, 2000).

The literature provides four distinctive classes of international development. These are “born globals”, which start their international journey from inception or soon after and use different international modes or just skip traditional stages of development (Melén & Nordman, 2009). Another class are “born-again” companies, which have been present on a market for some time, but suddenly decided to expand abroad with speed and dedication (Bell, McNaughton & Young, 2001). The third class is represented by traditional internationalizers, which enter domestic market first, then move into geographically close market and only after enough experience do they enter markets that are more distant. Recent analysis (Baum, Schwens & Kabst, 2015) also recognises a fourth class, “born-regionals”, which are companies that internationalize shortly after start-up (a characteristic of born-globals), but focus their international development only on countries in the same geographic region.

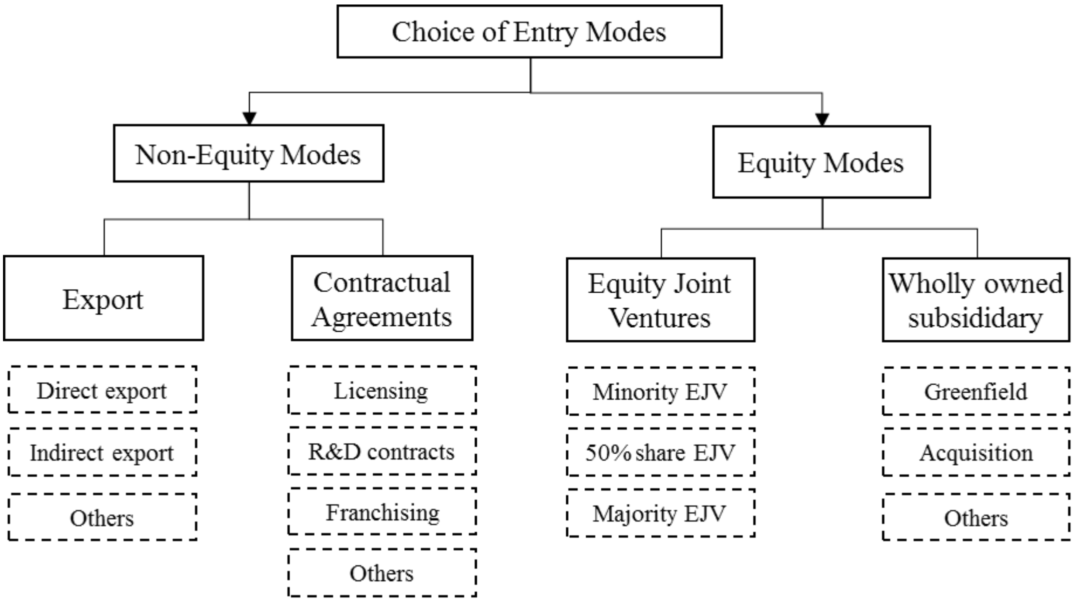
Important thing to note is that measurements of internationalization patterns differ in the thresholds applied and indicators used in different studies. One example would be that born-globals are usually classified as companies that enter foreign market 3 years after being established and generate at least 25 % of the revenues from abroad (Sui, Yu & Baum, 2012), while Lopez, Kundu and Ciravegna (2009) acknowledge born-globals only as companies that create more than 90 % of their revenue outside their domestic market.

3.3.2 Entry modes

A company or its management does not only decide which markets to enter but also how to enter. The company can grow organically, using internal capabilities, or inorganically in the form of mergers and acquisitions (hereinafter M&A) or joint-ventures. Organic growth refers to everyday business operations that gradually increase over time through developing and selling more products, buying new equipment and increasing production, expanding to new markets and acquiring new customers. Inorganic growth refers to deals between two businesses, which immediately expand company’s assets and market presence. if the company has excess resources, or these resources can be easily generated, internal development (organic growth) is more likely.

On the other hand, acquisitions will be more likely in case of insufficient knowledge or own resources (Lee & Lieberman, 2010). In a hierarchical perspective, managers have to decide whether the company will enter through equity or non-equity modes, considering a series of options which each mode offers. In case of Non-Equity Modes, a company can enter foreign market through export or contractual agreements. In case a company decides to enter through equity modes, the options Equity Joint Ventures and Wholly Owned Subsidiary offer for consideration. Further breakdowns are provided in Figure 5 (Pan & Tse, 2000).

Figure 5: Choice of Entry Modes



Source: Pan & Tse (2000).

This concept of a hierarchical approach is attractive for the following reasons. It offers an overview of the options at hand. A set of critical variables can be added on each level, which makes the decision process more manageable. It is also appealing since it illustrates the enormous differences that exist between different entry modes as well as the options at each level.

The traditional paths ensure a learning curve and collection of information before successfully implementing foreign investment. Therefore, if a company does not follow one of the traditional paths (licensing or export), it needs to make sure that it has sufficient market knowledge. Traditional internationalization paths such as licensing and exporting will not be selected if internationalization is a necessary component for a rapid expansion. In this case, internationalization will most likely happen with newly created a venture (Greenfield investment) or acquisition of foreign subsidiary (Hutzschenreuter, Guenther & Oehring, 2005). Selecting this mode of entry requires a considerable amount of market knowledge gained from previous experience or a hired experienced workforce.

Canabal and White (2008) suggested that no single theory may explain the motivation behind the decision of selecting the mode. But, according to Hill, Hwang and Kim (1990), three underlying factors affect the entry mode decision: control, resource commitments (strategic flexibility) and dissemination risk. Control refers to managing power of operational and strategic decisions. Control is high in case of a wholly owned subsidiary and lowest in case of contractual agreements, such as licensing. Licensing offers management power in return for a royalty fee, but is still inhibited by the contractual terms in the licensing contract. In the case of wholly owned subsidiary, ultimate control always resides with the mother company. In the case of equity joint ventures, the control depends on the ownership share. Resource commitments refer to assets that cannot be transferred to different uses without additional costs. This can relate to intangible assets, such as management know-how or tangible assets, such as plants and equipment. The level of resource commitment varies between the entry modes. Exporting requires almost no resources, licensing requires training and the dissemination of know-how, while wholly-owned subsidiaries require extensive capital in facilities and human resources. Dissemination risk, sometimes called technology risk, refers to the risk that a company's knowledge or technology will be unintentionally expropriated. In case of licensing, this risk is fairly high, as the know-how can be used for purposes other than stated in the licensing agreement. The same applies to joint-ventures, albeit on lower scale, as an ownership share gives certain control over company's specific know-how utilization.

3.3.3 Internationalization of fast growing companies

It is not surprising that fast-growing companies are taking advantage of globalization and are starting to pursue their goals on international markets from an early stage. They also risk more than large established companies because of their limited resources. Usually fast growing companies use different approaches in exploiting globalization compared to large companies. Most large companies usually move their production to countries with cheaper workforce, while smaller companies (most fast growing companies are SMEs) look for niche markets and make their fortune with diversifying. In addition, smaller companies need more effort to create activities in foreign market and are prepared to decrease profits in order to develop specific partnership with other companies (Jones, 2009).

Regular small and medium sized companies tend to stay inside national borders. As the studies show, reasons behind this are resource constraints, absence of management time, lack of skilled management, and difficult transformation from family-like company to a corporate structure type of a company. On the other hand, for fast growing companies internationalization is more common. According to a study by Jones (2009), many hi-tech companies do not plan internationalization, but still expect to undertake some activities abroad over time.

On the other hand, Tyebjee (1993) found that fast growing companies start looking at the global market since the beginning of their creation, even before they reap the success of their domestic markets. This suggests that internationalization is a driver of success, not the result.

Research on 600 British and German start-ups found that companies with international sales achieved higher growth than companies that only operate domestically. One of the positive effects of internationalization is technological sophistication and a greater experience gain due to intense competition, which creates pressure for faster development. The findings suggest that companies should implement internationalization from the beginning to increase economic success and fast growth (Burgel, Fier, Licht & Murray, 2000). Similar conclusions were also made with Slovene fast growing companies, which persistently increase their share of internationalization each year (Pšeničny, 2000).

In order to identify success factors for the internationalization of fast growing companies, born globals can be used as a theoretical reference point, due to their success on global markets and frequently achieved high growth. Identified success factors for the internationalization of born globals include (Sliwinski & Sliwinska, 2016):

– Global awareness,
– Marketing competences,
– Relationship with foreign partners,
– High quality products and product differentiation,
– Intercultural knowledge,
– Hiring local management,
– Entrepreneurial mindset,
– Access to capital and
– Maintaining control over company.

4 FINANCING FAST GROWING COMPANIES

According to a study on fast growing companies in Germany (Dautzenberg et al., 2012), most of the start-up capital (73 %) is from own funds, while the rest (27 %) comes from external financing. Own funds include own savings (63 %) and donations from friends and family (10 %). External financing largely consist of bank loans (58 %), start-up loans (39 %, e.g. government-backed personal loan) and only 2 % of venture capital. Almost one in three companies did not have any outside equity at all. Some 44 % of surveyed companies had less than EUR 40,000 Euro start-up capital, 28 % stated that they had between EUR 40,000 and EUR 60,000 start-up capital. The largest group of companies (29 %) had EUR 100,000 start-up capital. The amount of start-up capital varies significantly, with a median of EUR 25,000 and mean of EUR 649,530. This shows that financing differs significantly among the fast growing companies.

Based on financial data from national public database, I have prepared a comparison between financials of an average company and a fast growing company in Slovenia in 2016. I calculated average company’s financial result based on the reported amounts of total registered companies dividing it by the number of total registered companies (65,603 in total). Please note that total registered companies exclude legal entities such as sole proprietorship and cooperatives, state owned companies, and financial institution, which use different financial reporting. Similarly, I have calculated the average figures for fast growing companies.

I calculated average financial result based on 4,888 fast growing companies' reported figures (sole proprietorships excluded). The results are provided in Table 5 below.

Table 5: Financial Comparison between average and fast growing company

Key financial data in 2016	Average company	Average fast growing company	Difference in %
Financial result			
Revenue (in 000 EUR)	1,265	4,184	230.7%
EBITDA (in 000 EUR)	118	472	301.4%
EBITDA margin %	9.3%	11.3%	21.4%
Net profit (in 000 EUR)	49	272	459.7%
Net profit margin %	3.8%	6.5%	69.3%
Equity (in 000 EUR)	645	1,592	146.9%
Total assets (in 000 EUR)	1,377	3,123	126.8%
Liabilities (in 000 EUR)	732	1,531	109.1%
Financial Debt (in 000 EUR)	406	713	75.7%
Selected KPIs			
Financial debt / EBITDA	3.5	1.5	-56.2%
Return on Assets (ROA) %	3.5%	8.7%	146.8%
Return on Equity (ROE) %	7.5%	17.1%	126.7%
Debt to asset ratio %	53.2%	49.0%	-7.8%
Number of employees	7	22	220.3%
Share in size of companies			
Micro	94.0%	74.7%	-20.6%
Small	4.0%	17.3%	332.7%
Medium	1.3%	6.5%	397.3%
Large	0.7%	1.6%	125.0%
Number of companies analysed	**65,603**	**4,888**	**-92.5%**

Source: AJPES (2017); Own work.

As already mentioned in the first chapter of this thesis, fast growing companies tend to achieve better financial results than average companies do. Please note that comparing absolute figures (e.g. revenue, EBITDA, total asset) is inappropriate as each population contains different company sizes. Although both population have the majority in micro companies (1-9 employees), the share is significantly larger in the population of average companies, which consequently ends in lower financial result. However, we can simplify comparing financials with ratios. Based on my results, average fast growing company achieved better profitability, expressed by EBITDA margin and net profit margin. Fast growing companies also tend to be less indebted: the debt to asset ratio show that assets are financed with 53.2 % of debt, whereas fast growing companies on average finance assets with 49.0 % of debt. Furthermore, fast growing companies could more easily repay their debt than average company as Financial debt / EBITDA shows a much lower ratio (3.5 in an average company vs. 1.5 in a fast growing company). This ratio estimates how quickly could the company repay its debt. Since EBITDA is an estimation of a free cash flow the company has at the end of the year, an average fast growing company could repay its debt in a year and a half, whereas normal company would need at least 3.5 years to repay its debt. A fast growing company also provides better return on asset and return on equity.

Financial strategies play an important role in determining the growth of a company. However, every growth has its limits. If this limit is exceeded, the company may soon face serious liquidity issues, which can have devastating effect on the company. Usually, companies that want to achieve high growth, especially ones that operate in new economy sectors, such as high-tech, high-service and high know-how often lack resources and skills that are needed for fast expansion. Their monetary constraints come from the following issues (Gabrielsson, Sasi & Darling, 2004):

- High development costs are usually exacerbated by a lack of cash-flow,
- Financial requirements do not gradually increase, but come in phases or “steps” and
- High growth calls for high working capital.

Companies that wish to achieve fast growth should first identify their financial gaps and have sufficient financial knowledge to support fast growth requirements. This is followed by the decision to either strengthen their finances internally or to cooperate with external partners such as business angels, venture capitalists or other financial institutions (Gabrielsson, Sasi & Darling, 2004). In contrast to average growing companies, fast growing companies tend to cooperate with external partners (financial or otherwise) more often (Morris, 2011). Nevertheless, partnering with external finance partner will result in high expectations regarding the return on investment. On the other hand, the financial wherewithal enables the company to focus on its core competencies.

Companies that internationalize on the global market very fast (born globals) tend to develop their core competencies in business operations, whereas finance and financial capabilities are outsourced to external partners. Not surprisingly, the better the finance and financial capabilities, the faster the growth and internationalization (Gabrielsson, Sasi & Darling, 2004).

The sources of financing can be roughly divided between debt financing and equity financing. Debt financing is provided by an outside lender (e.g. financial institutions), whereas equity financing is internally sourced funds, i.e. by the business itself or its owners. The ratio between the two is determined by the goals of the company and financial factors. The goals of the company are set by a “decision maker” in the company, be that a manager (e.g. CFO) or the owner. They determine the depth of financing required in order to achieve company's goals and examine the options available. The financial factors refer to availability of financing sources as well as business and the associated financial risks.

4.1 Debt financing

Debt financing is when a company borrows money, which will be paid back with interest (fixed or variable) at a future date (Mramor, 1993). This means that it is a time-bound agreement where the borrower needs to return the money together with interest at the end of the contracted period. Depending on the contracted period (due date of the loan), debt financing can be sorted into three categories:

– Short-term financing with a time duration of up to one year,
– Long-term financing with a time duration of more than one year and
– Intermediate-term financing with a time duration between one and three years, however, in accounting, these loans are regarded as long-term.

The most widely used form of debt financing is loan from a financial institution, in particular commercial banks. Community banks may also provide financing; these typically have a strong relationship with their customers and operate locally, focusing primarily on the community, where the bank is located. Further, trade unions, state and non-state financial institutions and funds can also act as a creditor. Companies borrow money for a variety of reasons. It can be to purchase equipment, inventory and real estate, to expand operations, increase working capital or acquire other company. The borrowed funds (loans) are usually secured (collateralized) with the assets of the company, which could come under the debtor's ownership in case the loan is not repaid.

Loans differ but the most commonest are (Entrepreneur Media, 2015):

Line-of-credit loans: The most useful and widely used type of loan for small and medium sized company. It is usually the one permanent loan agreement every business owners has in order to protect the business in case of emergencies and low cash availability. This type of loan is used to buy inventory and cover operating expenses and is typically an overdraft facility on a company's current account. The company can access the funds at any time, as long as it is below maximum amount set in the loan contract and meets any other requirement set by the creditor (e.g. timely repayments). The biggest advantage is the flexibility of such a loan. A company is not compelled to use the entire credit line, but can access the funds according to its business needs and pays interest only on the amount withdrawn. Further, repayment schedule can be agreed with the creditor, although interests are usually paid on a monthly basis. This type of borrowing are not regarded as risky and therefore have low interest rates. The contracted period is usually not more than one year with automatic renewal for a certain fee.

Instalment loans: This type of loan is used for different business needs but is most often used for business expansion, buying equipment or other large investments. The company receives the whole amount when the contract is signed and has to repay principal and interest in equal instalments at fixed intervals (usually every month, but quarterly, half yearly or annual payment are not uncommon). Interest is calculated for the period from the date of drawdown until the final repayment. Instalment loans have different time terms and may exceed ten years.

Balloon loans: The only difference between a balloon loan and an instalment loan is that the principal (the borrowed amount) is repaid on the final day of the contracted term (i.e. a bullet repayment). Only interest is paid during the loan life cycle, although it can be arranged that the interest also is paid in a single "balloon" payment on the due date. This type of loan is used when a company needs to wait for a specific business activity or investment to start generating returns.

In addition to loans offered by financial institution, companies may also have access to other forms of funding their business, such as:

Customer or supplier financing refers to provided discounts for up-front payments which ease up cash flow needed for operating business. This also includes improving the cash position through achieved extended payment terms from the supplier.

Factoring or Account Receivable Financing refers to selling accounts receivable to a third party (factor or an agent) at a discount. With this source of financing, a company can turn uncollected invoices into immediate funding for a certain fee. If factoring is done without recourse, the company the company transfers to the credit risk to the purchaser of the accounts receivable. If the factoring is with recourse, the factor has the right to collect the payment from the seller of accounts receivable. This method is mostly used when company has an insufficient cash to fund ongoing operations.

Working Capital Financing is similar to a line of credit type of loan. The creditors are usually state, regional or local governments which offer small business funding through banks, business development districts. It may advance up to 50 percent of the value of the inventory, allowing a company to engage in a growth opportunity to generate additional revenue. This type of funding is very often provided to a specific ethnic groups or companies located in designated urban and rural locations. It usually requires substantial documentation and paperwork and may also require that the company pledges fixed assets, like real estate or plant and machinery as collateral. See table 6 for advantages and disadvantages of debt financing.

Table 6: Advantages and disadvantages of debt financing

Advantages	Disadvantages
Control The creditor has no control over the management of the company (provided the company is not in default)	**Requirements** In order to receive financing a company needs creditworthiness. Weaker credit rating results in higher financing costs
Tax implications Interest charges are tax deductible.	**Cash flow constraints** The company is required to make regular and timely payments. This means the company's cash is not always at disposal to freely operate with it.
Easy to budget Interest and principal payments are known in advance and can be part of the annual budget and plan	**Investor's risk** Debt increases the risk of insolvency, which is a risk both for the debt provider and the owner manager
	Collateral risk Most loans are secured (collateralized) with on company's or even owner's assets. There is a potential risk of losing both in the event of default.

Source: Own work.

4.2 Equity financing

Equity financing refers to selling shares in the company in the return for funding. This means the owner gives away part of the ownership in order to receive money for business purposes. In terms of scope and size, it can range from a relatively modest amounts raised from friends and family or millions of Euros from an initial public offering (IPO).

Often newly started business are funded through the owner's savings or other personal assets, which serve as equity financing. Early stages of business are often financed with the help of friends and family. It is often necessary to make personal investment to attract other investors as it shows that the owner is committed and prepared to risk in order the business to succeed. Beside personal financing, the company can search for other equity sources from venture capital, such as:

- **Angel investors**, which also include friends and family but can also refer to a wealthy individual or group of individuals who provide funding for what is typically an early stage of development. An angel investor, especially if it is a skilled professional, may also offer knowledge, experience and social capital, but is not necessarily involved in the management of the business. Business angels often belong to a club and act in alliance with venture capital funds.

- **Venture capitalists** are professionals who invest in a company to provide funding in stages of development or expansion. Most of the venture capital (hereinafter VC) is sourced through pension funds, insurance companies and wealthy investor but managed professionally by public or private companies that seek high returns. Companies that receive VC have high potential for growth but are also high risk. Companies that receive VC funding often come from IT, bio pharmaceutical, clean energy and other hi-tech industries. The advantage of taking VC financing is that the investor also takes on the risks. Unlike debt financing, a company does not have to pay the money back if the business is not successful. In addition, the company will also have more cash available due to the absence of loan repayments. On the other hand, the founder loses control of the business, as most VC firms demand majority voting rights. Besides giving the share of the profit, all important decisions must be by the VC investors.

Venture capital has become a normal form of financing of start-up firms, most notably in the US, where “innovation” has become the selection criteria for projects that will receive funding. Due to the innovation component of the projects, there is a high chance of failure. Only a small proportion of companies (less than 20 %) turn out to be high-return investments (Bergemann & Hege, 1998). See table 6 for advantages and disadvantages of equity financing.

Retained earnings help financing the growth of company by providing additional funds with which is able to acquire additional debt. When a company increases sales it usually needs to increase its assets. Retained earnings help provide additional capital that is required to fund the expansion. Fast growing companies often fail to recognize this and take debt instead, which creates liquidity issues when the growth rate stops. This is the reason why increasing retained earnings may improve growth potential of a company. It is understandable that even retained earnings have a limit, since usually a certain dividend payout ratio is required to keep shareholders satisfied. Research has also showed that lowering current assets and assets to sale ratio also gives an additional boost to growth potential (Bhattacharya, 1992). The greatest effect in increasing growth potential comes by reducing current assets, although this is possible only to a degree.

The most important growth factor is sales where companies tend to focus most of their efforts. However, fixed and current assets are necessary to generate sales, a fact which is often overlooked by managers, although can pose as constraints of growth. The reason for not paying enough attention to this balance sheet information is that managers often concentrate on net profit rather than looking at a wider range of key performance indicators. See table 7 for advantages and disadvantages of equity financing.

Table 7: Advantages vs. Disadvantages of Equity Financing

Advantages	Disadvantages
Loose financial constraints The company is free of loan repayments and other debt obligations, which enables company to use money for investing in the business.	**Loss of profit** Giving up ownership of your company result in giving part of the company's profits.
Source of funding If banks are not willing to lend money or want to enforce high loan costs due to low creditworthiness, equity becomes a preferable choice. This is one of the biggest advantages for many companies as it can be difficult to start a business without it. In addition, the money can be used to generate growth.	**Loss of control** The size of VC stake in the company determines how much control of the company will be lost. If the stake is more than 50 %, the VC take management control, which can lead to potential conflicts if there are differences in vision, management style and ways of running the business
Source of experience VCs and business angels can give you the expertise and guidance to overcome important management challenges.	
Source of social capital VCs and business angels can be well connected and can introduce you to their business network.	

Source: Own work.

5 RESEARCH ON FAST GROWING COMPANIES

The purpose of this chapter is to present my quantitative study on fast growing companies. I will present my hypothesis and other research questions, research methodology and data collections, and present the results and findings, which should enable better understanding of the topic.

5.1 Research hypothesis and questions

In addition to already conducted research on fast growing companies in Slovenia and abroad, my intent was to add value on already established facts with either confirming previous research or by discovering new traits of fast growing companies that were not previously thought of and could lead to further research and testing.

Hypothesis 1: Cost leadership strategy is used less than other generic strategies in fast growing companies

Examples of null hypothesis statements are: Cost leadership is equally used as differentiation strategy; Cost leadership is equally used as focus strategy.

Examples of alternative hypothesis statements are: Cost leadership is used less than differentiation strategy; Cost leadership is used less than focus strategy

Companies usually focus on achieving one of two key competitive advantages: low cost or differentiation. Together with the depth of activities, company can opt for Cost leadership, Differentiation, Cost focus and Differentiation focus (merged under Focus strategy) (Porter, 1985). Although the theory suggest that successful companies select "the right" strategy, which could be any of the four, I believe some differences will be observed, namely with cost leadership strategy. Based on my review of the literature, this strategy is mostly reserved for large companies, as a lot of capital is needed to invest in technology that reduces costs. Furthermore, it is also more frequent for large companies to enjoy economies of scale. Fast growing companies tend to have capital constraints and are less likely to enjoy economies of scale due to their relative small size (majority are SMEs), which is why I believe fast growing companies are less likely to opt for cost leadership strategy. The research will also show whether there is preferred strategy among fast growing companies.

Hypothesis 2: There is a preferred growth strategy among the fast-growing companies

Examples of null hypothesis statements are: Market penetration is equally used as market development; Market penetration is equally used as product development; Market penetration is equally used as diversification; Market development is equally used as product development; Market development is equally used as diversification; Product development is equally used as diversification.

Examples of alternative hypothesis statements are: Market penetration is not equally used as market development; Market penetration is not equally used as product development; Market penetration is not equally used as diversification; Market development is not equally used as product development; Market development is not equally used as diversification; Product development is not equally used as diversification.

The theory does not provide any notion about the preferred growth strategy, which is why I decided to discover if and which preferable growth strategy exists as per the Ansoff's growth strategy options (Ansoff, 1957). The respondents will be able to select among market penetration (existing products introduced on existing market), market development (existing product introduced on new markets), product development (new product introduced on existing market) or diversification (new product introduced on new markets).

Hypothesis 3: Fast-growing companies predicted internationalization already at the early stages of business

Example of null hypothesis is: Fast growing companies did not predicted internationalization at the early stages of business.

Example of alternative hypothesis is: Fast growing companies predicted internationalization at the early stages of business.

Due to the rapid expansion of fast-growing companies, internationalization is considered a necessary component to sustain fast growth. Since internationalization is a challenge in its own right and resources are limited in a fast growing company, certain knowledge about foreign markets must have been developed in the company even before entering these markets. One of the explanations is that fast growing companies anticipated doing business abroad in the early stages of business.

Hypothesis 4: Initial growth is financed through own capital funds

Example of null hypothesis is: Own funds present less than 50 % of start-up financing.
Example of alternative hypothesis is: Own funds present more than 50 % of start-up financing.

Banks, which are the main source of debt financing, are reluctant to lend money to newly established companies, which usually have large financial needs. According to study on fast growing companies in Germany (Dautzenberg et al., 2012), most of the start-up capital (73 %) is from own funds, while the rest (27 %) comes from outside equity. I wanted to confirm previous findings and research on Slovene fast growing companies.

5.2 Research methodology and data collection

The survey was created based on a set of research questions and theoretical background. The empirical part of the research was conducted by means of an internet survey using platform 1Ka 2017. The survey consisted of 18 questions, divided into 4 segments.

- The 1st segment (questions 1-5) relates to the descriptive characteristics of a company, such as number of employees, company's age, industry focus and classification.
- The 2nd segment (Questions 5 -10) relates to entrepreneurship, namely the demographic characteristics of a manager of a fast growing company (hereinafter entrepreneur), such as formal education, years of experience before running a fast growing company and personality traits, such as the reason for setting up the company, personal characteristics and measurement of success. The latter questions were put in Likart scale statements in

which respondents could express their level of agreement (1 – completely disagree; 5 – completely agree) or level of importance (1 – completely unimportant; 5 – very important). The options provided were widely and commonly used in the research.

- The 3rd segment relates to strategy (Questions 11 – 16). These questions range from growth strategic decisions, employee's involvement in strategy, defining competitive advantage and internationalization beginnings. Likart scale statements in which respondents could express their level of agreement (1 – completely disagree; 5 – completely agree) or level of importance (1 – completely unimportant; 5 – very important) was again used. The options provided were based on the theoretical analysis presented above.
- The 4th segment consist of 2 questions concerning the financing of the company, namely how the company financed its beginnings and how it financed later growth. This are widely used questions in surveys that research small and medium sized companies and would provide useful insight into financing strategy used for fast growing companies.

I have used selective sampling due to cost and time-effective benefits. My sample population was the top five hundred fast-growing companies in Slovenia, selected in 2017 by newspaper Delo. The top five hundred fast growing companies, called Gazele, is an annual selection of top performing fast growing companies for a period of 5 years. The criteria for the selection is following:

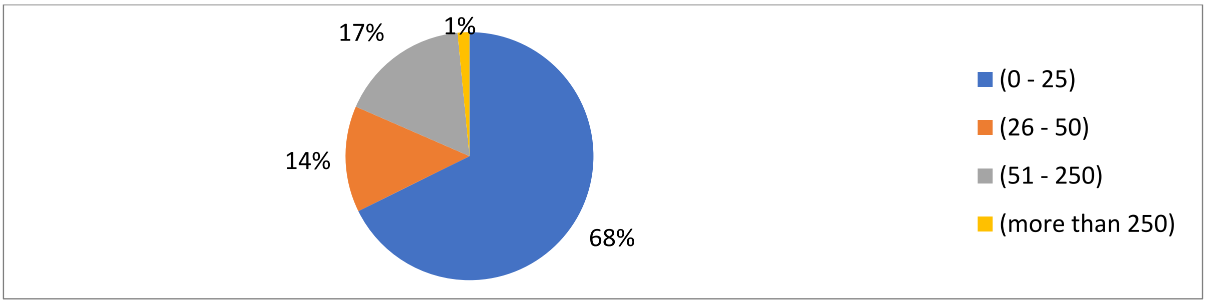
- Balance sheet profit in the last balance sheet year
- At least EUR 220,500 of turnover in the base year
- The company had to do business for all 12 months in the observed years;
- In the last year, the company had to have at least 15 employees.
- Use of Dabeg index, which measures relative growth of employees in the selected period.

The criteria is well founded and thus appropriate for the purpose of this research. The authors of the list provided contact's email addresses. Unfortunately, not all email addresses were correct, which resulted in Mail Delivery Error. I have received around 50 of such notifications, although the number of non-received surveys could be higher. I have replaced wrong emails with the publicly acquired email address (i.e. info mail). Out of 500 surveys sent, 92 respondents initiated the survey, but only 65 were completed (a 12,8 % response rate). Similar research on top 500 fast growing companies in Slovenia range between 10% and 50% response rate. The survey was done in Slovene language (see appendix 2). To analyze the result from the survey and test my hypothesis, statistical software package SPSS was used. The graphical representation and table figures were done in Microsoft Excel.

5.3 Descriptive statistics

Out of 65 respondents, 68 % were owners of companies that have less than 25 employees, 14 % have between 26 and 50 people employed, 17 % have between 51 and 250 employees and only 1 respondent operates with a large company (more than 250 employees) (see Figure 6). The companies, which responded respondents had a similar share of employees as in the total sample of selected 500 fast growing companies. The 500 fast growing companies had the following number of employees: 75 % of companies between 0-25 employees, 13 % of companies between 26-50 employees, 10 % of companies between 51 and 251 employees and 2 % of companies had more than 250 employees. The results are also in line with previous research, which state that most of the fast growing companies are SMEs (Nicholls-Nixon, 2005, p.77).

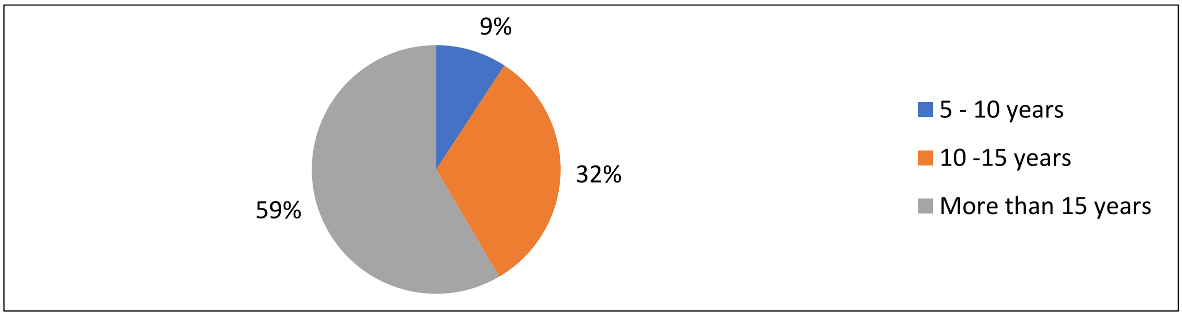
Figure 6: Number of people employed in fast growing companies



Source: Own work.

As already discovered by Birch (1987), fast growing companies are not usually young companies, because they are not developed enough to achieve high growth. The largest share of the respondents in the survey had companies older than 15 year (59 %), followed by companies that exists between 10 and 15 years, and only 9 % that achieved fast growth but existed less than 10 years (see Figure 7). I would point out that companies that are younger than 5 years could not even participate in the Top 500 gazelles in Slovenia competition, due to criteria already mentioned.

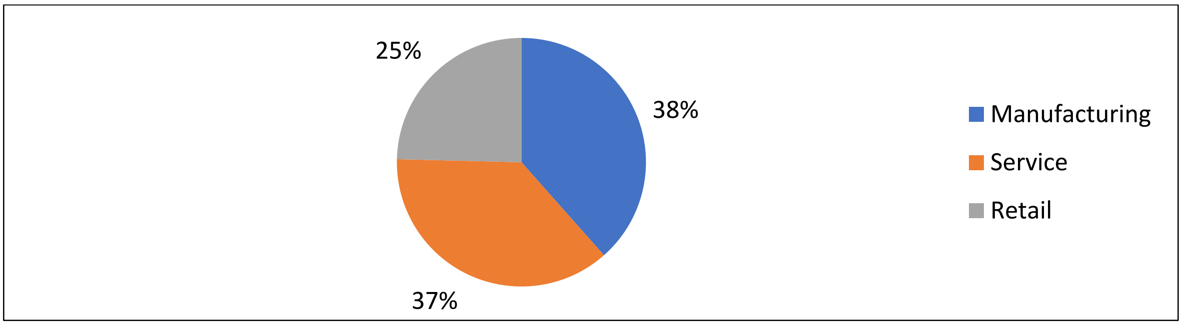
Figure 7: Aging structure of fast growing companies



Source: Own work.

Based on the result from the survey, 38 % of the fast growing companies operate in the manufacturing sector, 37 % in services and 25 % in retail (see figure 8).

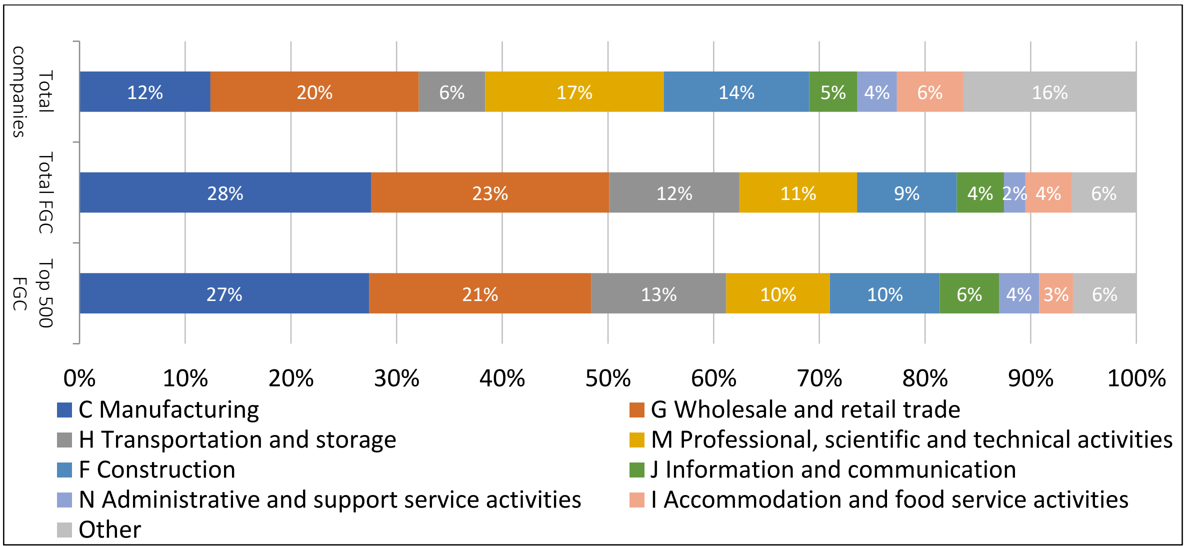
Figure 8: Economic sector structure of fast growing companies



Source: Own work.

I also compared the economic activities of 500 fast growing companies with the economic activities of all fast growing companies in Slovenia (all 6,150 companies, identified as fast growing according to AJPES in the period 2012-2016). The result show only minor differences between economic activities between top 500 fast growing companies and those of all total fast growing companies in Slovenia (see Figure 9). Companies from my survey operate in C-Manufacturing (27 %), followed by G-Wholesale (21 %), H Transportation and storage (13 %), and the rest. Comparing fast growing companies with all registered companies, difference are notable in the following sectors: Manufacturing; Transportation and storage; Professional, scientific and technical activities; construction and other (see Figure 9). We can therefore conclude that fast growing companies come from different sectors and industries, which was already established by other authors.

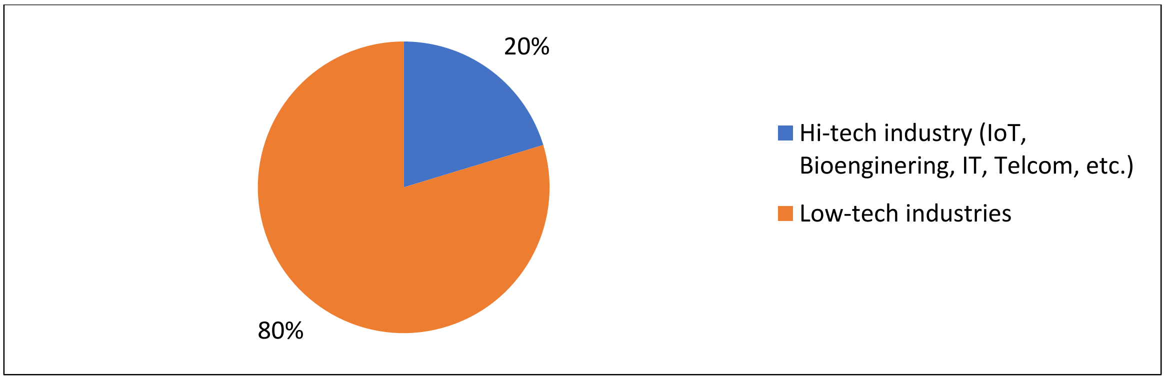
Figure 9: Industry comparison of fast growing companies



Source: Adapted from AJPES (2017), Own work.

Due to the information that is typically published in the media, people generally believe that fast growing companies are in high-tech sector. Most of the success stories, such as Facebook, Google, Tesla, Apple, etc. include some sort of technological invention that propels the company into huge success. However, contrary to common belief, there is no evidence which would suggest that technology-intensive companies have higher chances of fast growth (Almus, 2002). This can also be confirmed with my sample results in which only 20 % of companies operated in hi-tech sector (see figure 10).

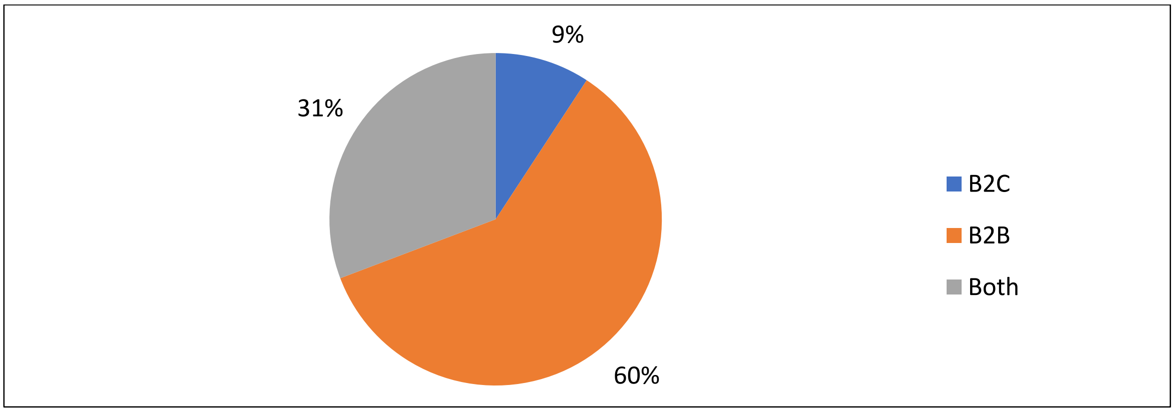
Figure 10: Hi-tech vs. Low-tech structure of fast growing companies



Source: Own work.

A large proportion of the companies in the survey operate in business-to-business sector (60 %), followed by companies that sell to both companies and end consumer (31 %.) Only 9 % of the respondent select business-to-consumer (see figure 11). It would be interesting to see if sell focus strategy is any different among fast growing companies in other countries.

Figure 11: Sell focus among fast growing companies

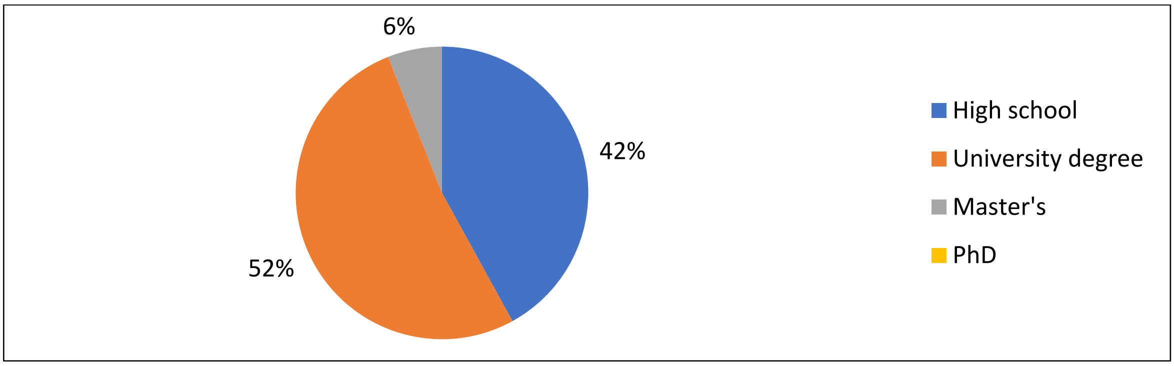


Source: Own work.

Most of the owners of fast growing companies has finished either High school (42 %) or University (52 %), 6 % has completed Master's programme, while no owns a PhD degree (see Figure 12). The education is slightly better than in the general working population, which is line with previous research. Similar results were also obtained by Pšeničny, Maček, Vidovic, Novak, Tajnikar and Vizjak (2012).

On the other hand, survey results on German fast growing companies showed that 38 % possessed an academic degree, but that at least one in ten founders had PhD. In addition, this research suggests that managers that have university degree or hold the title of doctor or professor have higher chances of owning and creating a company with fast growth (Dautzenberg et al, 2012).

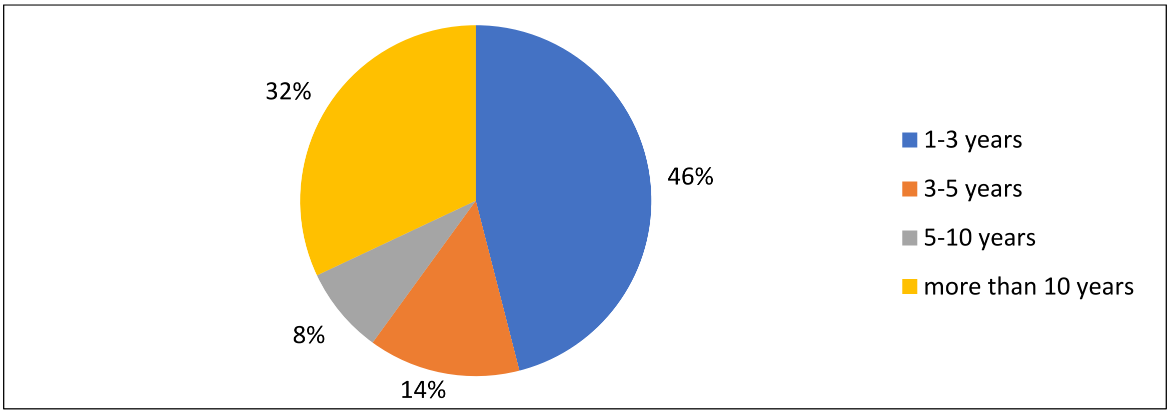
Figure 12: Education structure of fast growing companies



Source: Own work.

The largest share of respondent (46 %) had only 1-3 years of work experience before they started or took over a fast growing company (see Figure 13). This is interesting, since in the previous research almost half the founders and CEOs had at least 10 years of experience before founding or running a fast growing company and a third already created a business before (Dautzenberg et al, 2012).

Figure 13: Years of experience before starting a fast growing company analysis

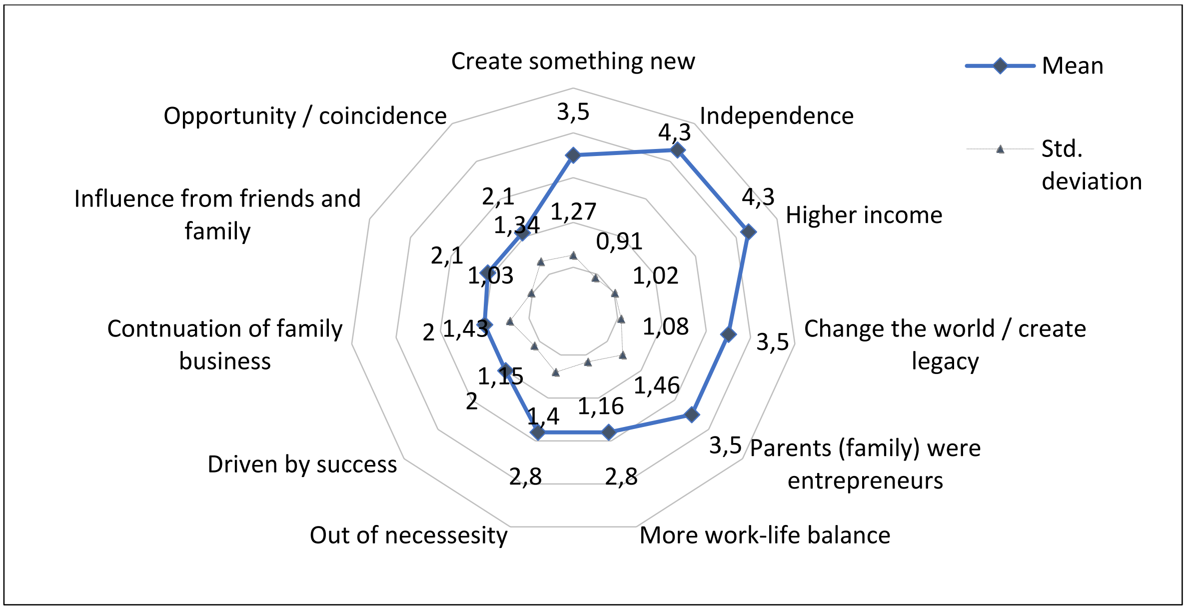


Source: Own work.

The most important reasons for setting up company were independence and higher income, both had an arithmetic mean of 4.3 in the five-point Likart scale (see Figure 14). Independence is always high on the list of reasons in the research. Similar result were also found by Pšeničny (2012). Even more, same reasons does not apply only for fast growing company, but for normal companies as well (Kušče, 2010).

Higher income on the other is a motive that is usually not associated with entrepreneurs and is usually lower on the list. Comparing the result with Pšeničny et al. (2012), one of the largest differences was the motive of achieving success, which was in the period of 1994-2010 the biggest driver, while in my sample, the success motive scored fairly low, although the sample used in both research was similar (i.e. top 500 fast growing companies). Factors, such as create something new, leave a legacy and entrepreneurial family, achieved average scores of 3.5, showing somehow modest motive for starting a company. Weak, but still present were motives for more work-life balance and starting a company out of necessity (average result of 2.9). The rest of the statements scored average lower than 3 points on Likart scale. The results exhibit standard deviations between 1,0 and 1,5, showing for a modest dispersion between the answers provided and the average mean.

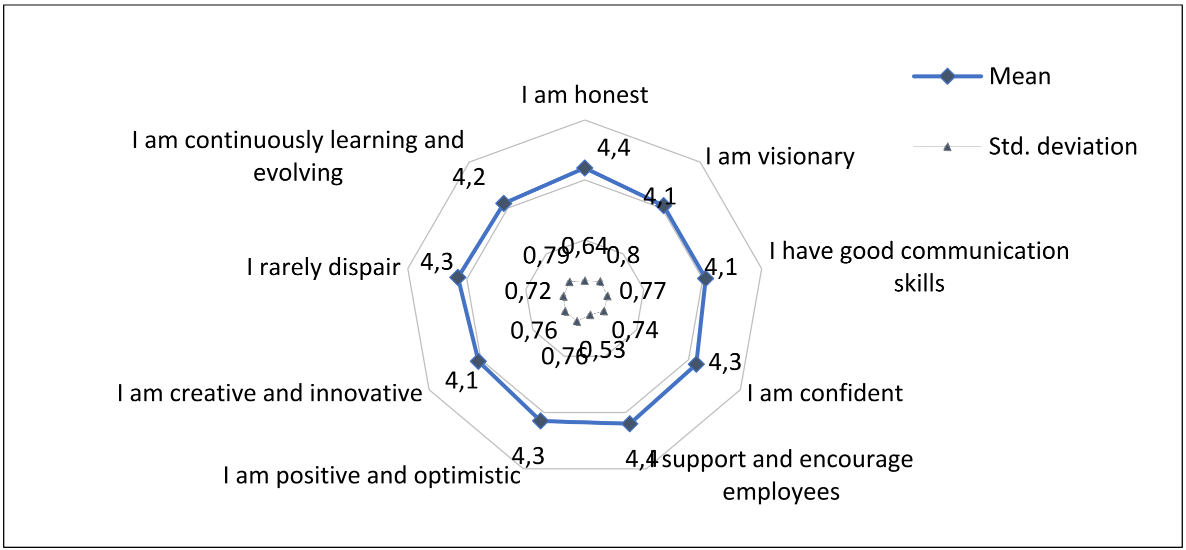
Figure 14: Motives for starting a fast growing company



Source: Own work.

Figure 15 shows the arithmetic mean scores of personal traits. As expected, managers of fast growing companies scored high on each personal trait. Very few respondents disagreed with the provided "positive" personal traits. Standard deviation values are below, showing for low dispersion between the answers provided and the average mean. I would point out, this question is highly subjective in nature and does not necessarily represent real personality traits.

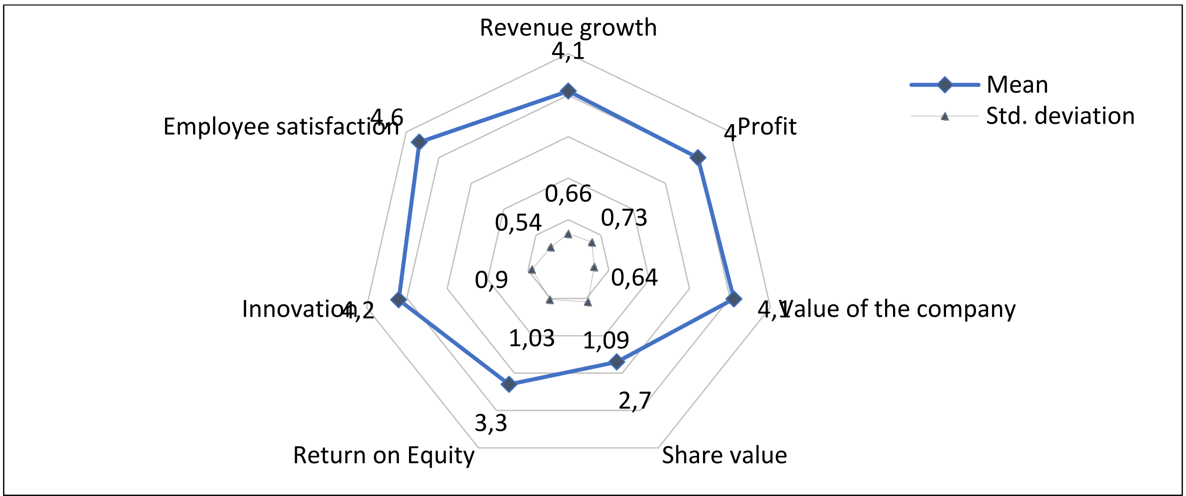
Figure 15: Personality traits of the owners of fast growing companies



Source: Own work.

As seen in Figure 16, the most important measurement of success in the observed sample is employee satisfaction which scored 4.6 on Likart scale (1 – unimportant; 5 – Very important). This measurement has become very important among the management recently, as they understand that a happy employee is a productive employee. The second highest measurement was innovation with an arithmetic mean of 4.2. How managers measure innovation was not asked, but the results show that to 47 % of respondents, value innovation is very important, 33 % said it is important, to 18 % it is neither important or unimportant, and only 1 person said it is unimportant. Revenue growth, profit and value of the company achieved similar scores at around 4. Share value was scored low (2.7) because none of the fast growing companies is listed on the exchange.

Figure 16: Measurement of success among for fast growing companies' owners



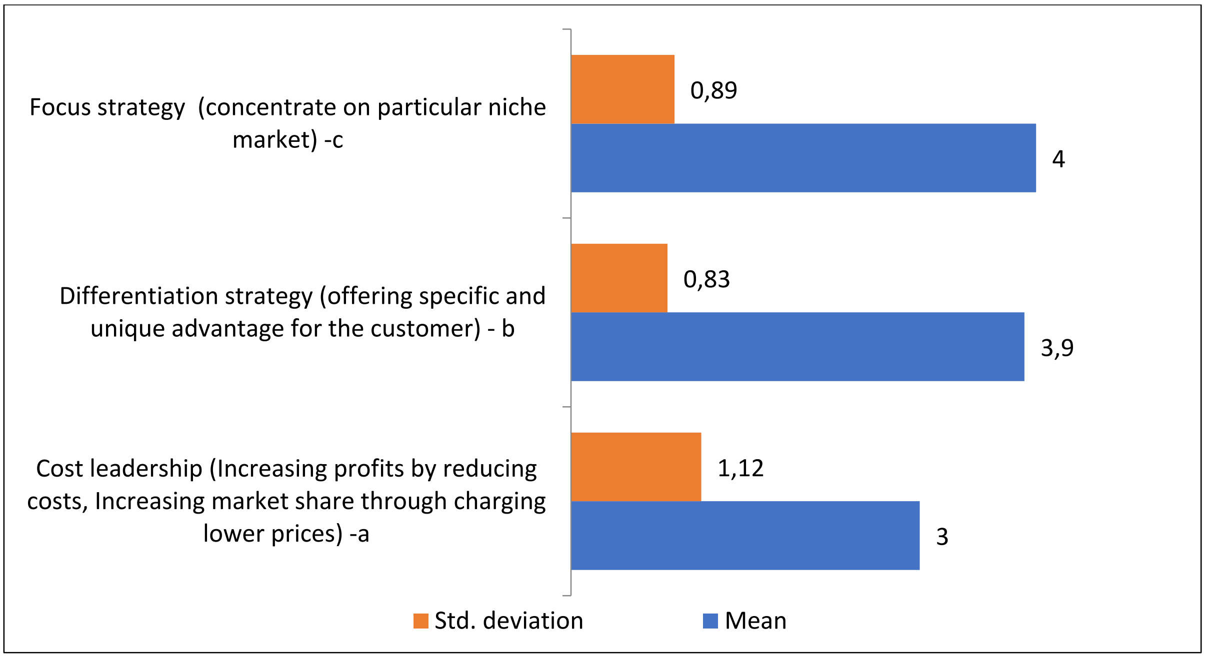
Source: Own work.

One of the many strategic decision related to growth can be a decision between expanding the business via organic or inorganic growth. None of the respondents in the sample stated that their prevailing growth strategy was inorganic growth. This is an interesting finding since companies that make acquisition tend to grow revenue faster in comparison to companies that do not use acquisition (Dinneen, Kutcher, Mahdavian & Sprague, 2015).

On the other hand, this could be a result of a small number of respondents. Furthermore, I believe that the number of companies that grow inorganic is limited if existent at all, since fast growing companies tend to be SMEs with limited resources available for acquisition deals. In addition to limited resources, most SMEs usually focus on growing their customer base, using retained earnings for acquiring new assets and improving productivity.

The respondents were asked to express their level of agreement/disagreement with five-point Likert scale (1 – strongly disagree;5 – Strongly agree) on generic strategies. The results showed only minor difference between focus strategy and differentiation strategy, while cost leadership is a bit less important to respondents. The result imply that companies use more than one generic strategy or that respondents believe they do. Although the question clearly asked respondents to select their preferred strategy, the respondents scored different strategies with almost equal importance (especially differentiation strategy and focus). The percentage of respondents that strongly agreed or agreed on the use of focus strategy, differentiation strategy and cost leadership were 77%, 70% and 39% respectively. This also indicates two things - either fast growing companies use more than one generic strategy or the respondents did not understand the different characteristics of provided options.

Figure 17: Preferred generic strategy among fast growing companies

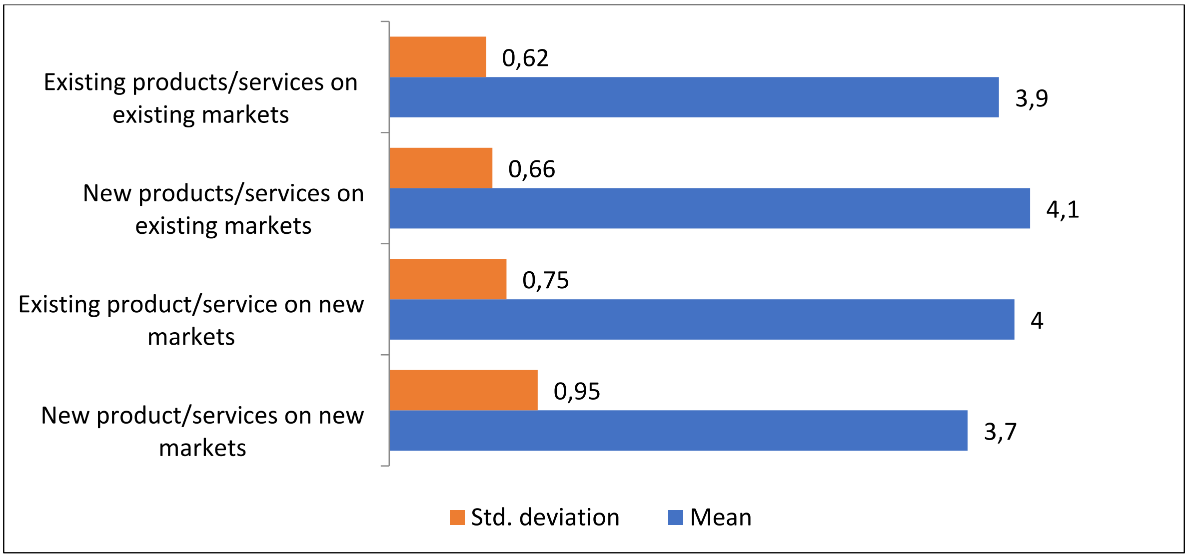


Source: Own work.

The respondents could also express their level of agreement/disagreement with five-point Likert scale (1 – strongly disagree; 5 – Strongly agree) on growth strategies, also known as Ansoff Matrix as presented in Figure 18.

Similarly, as in the case of generic strategies, fast growing companies seem to use more than one growth strategy. The percentage of respondents that strongly agreed or agreed on the use of existing products/existing markets strategy, new products/existing markets strategy, existing product/ new markets and new products/new markets were 86%, 89%, 79% and 63% respectively. Again, the question clearly asked respondents to select their preferred growth strategy, but the respondents scored different strategies with almost equal importance anyway. This could mean two things - either fast growing companies use more than one growth strategy or the respondents did not understand the different characteristics of provided options.

Figure 18: Preferred growth strategy among fast growing companies

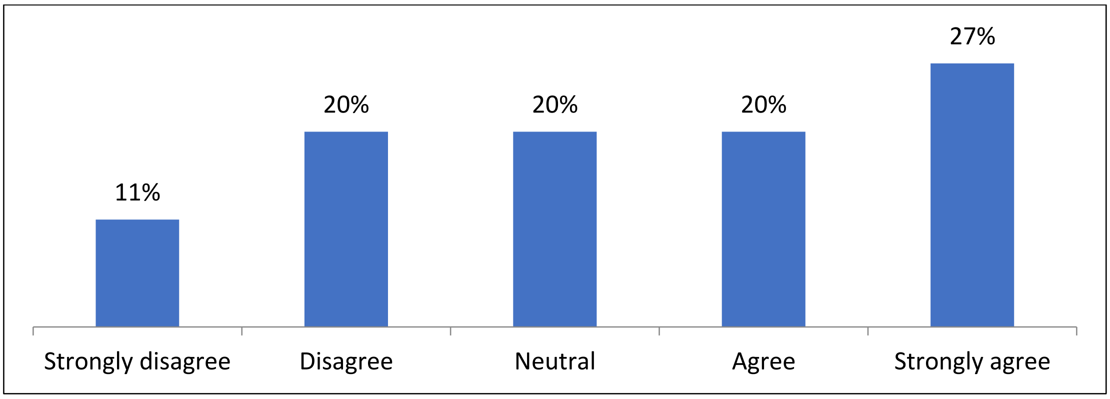


Source: Own work.

The respondents could express their level of agreement/disagreement again with five-point Likert scale (1 – strongly disagree; 5 – Strongly agree) on the following statement - The company envisaged internationalization from an early stage.

The largest share of companies (27%) strongly agreed with the statement that internationalization was envisioned from the beginning of the business and additional 20% of the respondents agreed. However, 20% remained neutral, while 20% and 11% disagreed and strongly disagreed, respectively. This means at least 47% of the companies has envisioned the internationalization in the early stages of the business, while the rest did not (see Figure 19).

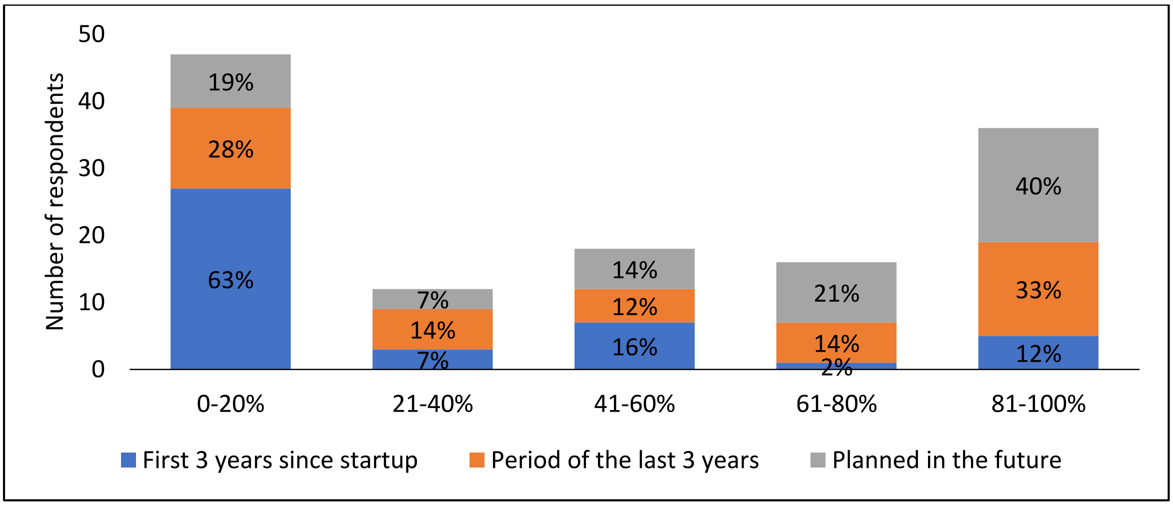
Figure 19: Internationalization was envisioned from the early stages of the business



Source: Own work.

This might explain why 68 % of respondents stated they had only 0-20 % share of sale generated in foreign markets in the first 3 years of business. One could argue that Slovene fast growing companies did not anticipate internationalization, but could not achieve fast growth without it, as 47 % of the respondents created at least 60 % of sales on foreign markets in the last 3 years (see Figure 20).

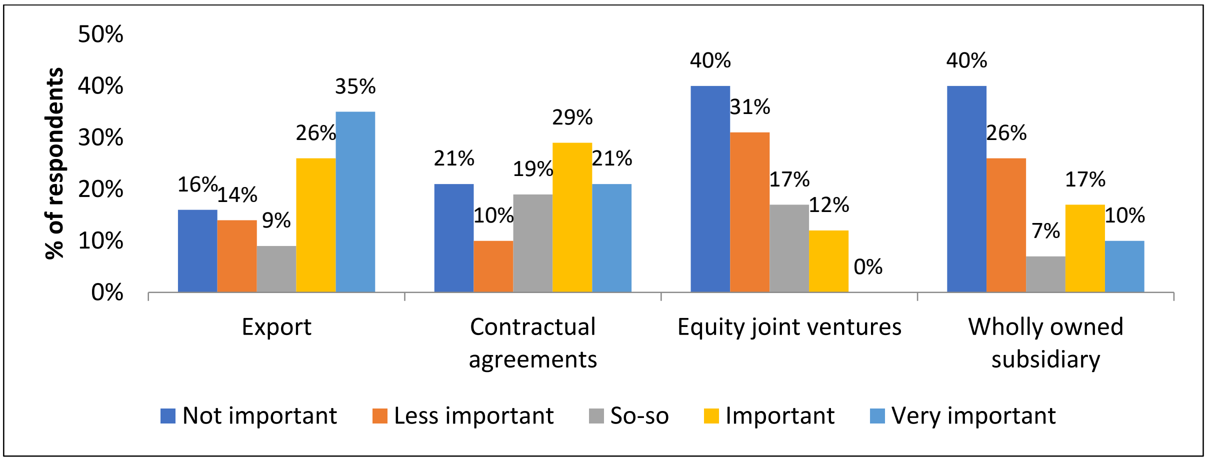
Figure 20: Share of sale in foreign markets



Source: Own work.

Based on the sample results (see Figure 21), export is the most important type of internationalization among Slovenian fast growing companies as more than 60 % of respondents find it important or very important. Contractual agreements are the second most important type of internationalization with 50 % of respondents finding it important or very important. Wholly owned subsidiaries were important or very important to 27 % of respondents, while only 7 % of respondents found Equity joint ventures important.

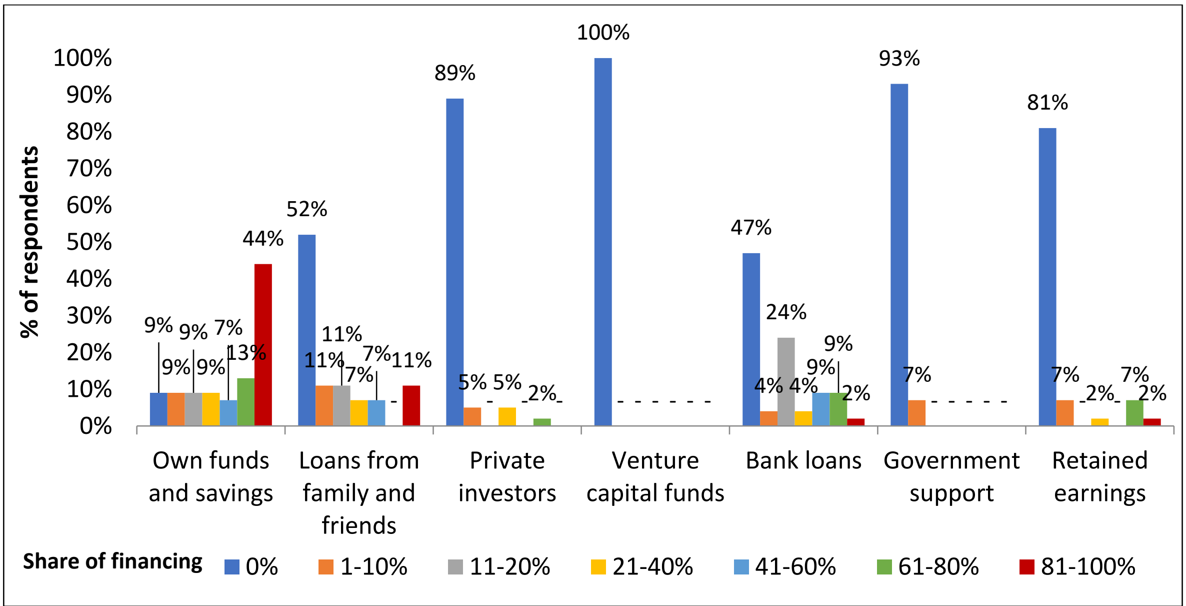
Figure 21: Type of Internationalization



Source: Own work.

The respondents could select between different sources of funding and what percentage share they presented in the starting the company (see Figure 22). The largest share of financing the early stages of a fast growing company refer to own funds and savings. Venture capital funding was literally non-existent. Very few respondents received government support or capital from private investors. Please note that not all respondent answered, so that the sum of the results is not 100 %.

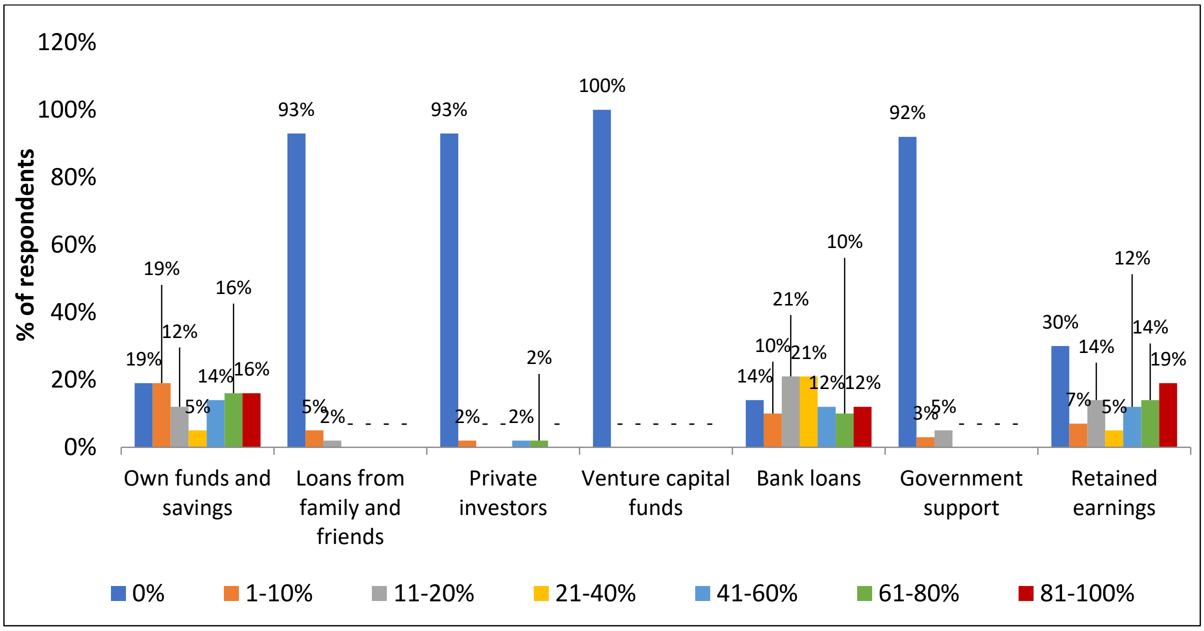
Figure 22: Sources of financing the start-up of fast growing company



Source: Own work.

Based on the sample results, the financing of fast growing companies largely differ in the last 3 years from their start-up period (see Figure 23). One of the biggest differences is bank loans, which are more widely used than in the start-up period. Furthermore, loans from family and friends almost disappeared. This is normal since banks are reluctant to lend money to companies with no proven record of success and lesser ability to repay debt. Furthermore, loans are risky in the start-up period for the owners as well, since banks usually demand some sort of personal guarantee or even a mortgage. In addition, the interest imposed by the banks also deter young companies due to cash flow constraints they impose. Largest share of companies in the survey used between 11-20 % or 21-50 % of debt financing. This is in line with analysis of financial result of all 6,150, which shows that on average debt to equity ratio is below 50 %.

Figure 23: Sources of financing growth in the past 3 years



Source: Own work.

5.4 Results

1st Hypothesis - The purpose of the first hypothesis was to prove cost leadership is used less among the fast growing companies than other strategies. To empirically prove the hypothesis, 2 sample T-test was used for testing the difference between arithmetic means of two groups. I compared pairs of all possible outcomes (a-b, a-c, b-c).

Based on the sample results from respondents, we can reject the null hypothesis in favour of the alternative hypothesis with significance level (p=0.00), since both focus strategy and differentiation strategies are on average used more often than cost leadership (see Table 8). In addition, we cannot determine a preferred strategy since there is no difference between strategy a) focus strategy and b) differentiation strategy.

Table 8: Paired Samples T-test (1st Hypothesis)

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Q12c_rec - Q12b_rec	,11628	,95641	,14585	-,17806	,41062	,797	42	,430
Pair 2	Q12c_rec - Q12a_rec	,97674	1,53512	,23410	,50430	1,44918	4,172	42	,000
Pair 3	Q12b_rec - Q12a_rec	,86364	1,32228	,19934	,46163	1,26565	4,332	43	,000

Source: Own work.

2nd Hypothesis - The purpose of the 2nd hypothesis was to determine which growth strategy is used more widely among fast growing companies. Same as in the 1st hypothesis, 2 sample T-test was used for testing the difference between arithmetic means of two groups. Since we can compare only 2 groups, I again compared pairs of all possible outcomes (a-b, a-c, a-d, b-c, b-d, c-d).

Table 9: Paired samples T-test (2nd hypothesis)

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Q13d_rec - Q13c_rec	-,21429	,87054	,13433	-,48557	,05699	-1,595	41	,118
Pair 2	Q13d_rec - Q13b_rec	-,02381	,81114	,12516	-,27658	,22896	-,190	41	,850
Pair 3	Q13d_rec - Q13a_rec	,26190	1,19060	,18371	-,10911	,63292	1,426	41	,162
Pair 4	Q13c_rec - Q13b_rec	,18182	,89632	,13512	-,09069	,45432	1,346	43	,185
Pair 5	Q13c_rec - Q13a_rec	,46512	,79728	,12158	,21975	,71048	3,825	42	,000
Pair 6	Q13b_rec - Q13a_rec	,27907	1,03108	,15724	-,03825	,59639	1,775	42	,083

Source: Own work.

Based on the sample results from respondents, we cannot determine if there is any difference among the growth strategies. However, growth strategy c) New products/services on existing markets is preferred over a) New products on new markets, as T-test has shown significant difference in arithmetic means of the two groups at a very high significance level (p=0.000) (see Table 9).

3rd Hypothesis - The purpose of the 3rd hypothesis was to determine if fast growing companies envisaged their internationalization from an early stage. The respondents could express their level of agreement or disagreement that they envisaged internationalization from the beginning of their business on a five-point Likert scale (1 – strongly disagree; 5 – Strongly agree, see Figure 19). The sample result show arithmetic mean at 3.32 on Likert scale, a 0.68 lower score than 4 (see Table 10).

Based on the results, we cannot reject the null hypothesis that fast growing companies do not internationalize since the beginning.

Table 10: One sample statistics (3rd hypothesis)

One-Sample Statistics						
			Bootstrap[a]			
					95% Confidence Interval	
		Statistic	Bias	Std. Error	Lower	Upper
Q14a_rec	N	44				
	Mean	3,3182	,0016	,1992	2,9318	3,7267
	Std. Deviation	1,37710	-,01172	,09727	1,15307	1,55245
	Std. Error Mean	,20761				

Source: Own work.

4th Hypothesis – The purpose was to test whether the owners used their own funds to start their companies. In order to get frequency distribution, I have recoded the ranges provided in the survey into values expressed as the mean of each range (e.g. 1-10% of financing was recoded into 5%, 10-20% of financing into 15% and so on). Since the sum of some of the answers have not amounted to 100%, I used compute function in SPSS to get to the 100% financing for each company. To test the hypothesis, I created a new variable, which takes own funds and savings, as well as loans from friends and family as one source of own funds. My null hypothesis was that this own funds presented less than 50 % of start-up financing, whereas alternative hypothesis states that own funds present more than 50 % of start-up financing.

The results from T-test show that on average, own funds amounted to more than 50 % of start-up financing, with significance level (p = 0.000). We can reject the null hypothesis in favour of the alternative hypothesis. On average, the share of own funds was 72.57 % (see Table 11). The results confirm findings of other authors. Every study on financing small companies (not just fast growing) comes to the conclusion that start-up capital comes from own funds.

Table 11: One sample T-test and sample statistics (4th hypothesis)

One-Sample Test						
	Test Value = 50					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
own_funds	4,746	43	,000	22,57423	12,9810	32,1674

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
own_funds	44	72,5742	31,55371	4,75690

Source: Own work

5.5 Discussion of the results

I was able to confirm that cost leadership strategy is less preferred than focus strategy and differentiation strategy. My assumption was that cost leadership mostly work for large companies since they can achieve economies of scale, have more money to invest in technology that lowers cost, marketing and price wars. It would be interesting to research if this holds true. In addition, it would seem that fast growing companies do not prefer any particular generic strategy but tend to use all of them. This contradicts authors such as Porter, who stated that a company could be successful only if focused on one strategy, otherwise risk being "stuck in the middle" and therefore unsuccessful.

The results suggest fast growing companies mostly compete in niche markets and achieve growth in markets or with products they are familiar with, but will less likely offer new products or service in a new market at the same time. Since the Ansoff matrix is used to help managers identify strategies for future product and market activities, I expected larger discrepancies among the provided answers and was hoping to identify "the most popular" strategy. It would seem fast growing companies do not favour any particular growth strategy but tend to use all of them almost equally.

Contrary to common belief, fast growing companies do not necessarily envisage internationalization from the beginning. This is in line with the fact that Slovenian fast growing companies tend to generate limited sales abroad in the first three years of existence, which is also in line with the finding that new products are less likely to be introduced on a new market, which foreign country definitely is. This also suggests most fast growing companies start selling their products or services on existing markets (i.e. domestic market) at the onset of their operations.

As expected, fast growing companies started their business through own capital funds. This is a common trait for most entrepreneurial beginnings since banks perceive plans of growth of small and medium sized companies as risky. What is interesting is that the average share of own funds is almost identical to some of the previous research made on the topic.

Please see Table 12 for summary of findings of this thesis.

Table 12: Summary of findings

Hypotheses	**Findings**
Cost leadership is used less than other strategies	Accepted - both focus strategy and differentiation strategies are on average used more often than cost leadership
There a preferred growth strategy among the fast-growing companies	Not accepted - Based on the sample results, we cannot determine if there is any difference among the growth strategies
Fast-growing companies predicted internationalization already at the early stages of business	Not accepted - Based on the sample results, we cannot determine if fast growing companies predicted internationalization at the early stages of business
Initial growth is financed through own capital funds	Accepted - On average the share of own funds was 72.57 %

Source: Own work.

5.6 Limitations

Surveys usually provide representative samples due to typically high number of respondents. However, this survey targets owners and CEOs of companies, which resulted in lower response rate, most likely due to their lack of time and the difficulty in obtaining their attention. Since only 65 surveys were completed (a 12.8% response rate), a confirmatory study with larger sample might be needed. Please note that some studies on similar sample achieved more than 40% response rate.

An important thing to consider is also the fact that not every factor was considered in researching entrepreneurial characteristics, strategy development and financing. The main reason for the limited number of survey questions was to reduce the time to conclude the survey. As already mentioned, owners of fast growing companies have limited time, which is why the survey was reduced to 8 minutes for completion.

Another limitation comes from the fact that the research is focused only on Slovenian fast growing companies and is thus lacking international comparison. Although there is no reason for majority of the answers to be any different in European counterparts, internationalization strategies might be, due to the nature of Slovenian market, which is already export oriented because of its relative small size.

Most of the answers gathered were subjective in nature. The participants responded to provided statement by selecting a position on a labelled response scale (i.e. Likert scale). This means that the results could have positive response bias, especially in the case of sensitive topic, such as personality traits. For example, some might answer that they have high communication skills, although in reality, their communication with employees is bad.

6 CONCLUSION

My belief is that companies should receive special attention and supportive government measures to ensure their future growth and encourage their creation. To some extent, government systems in developed countries try to provide a supportive environment for fast growing companies. However, the support is spread among SMEs on general, without focus on fast growing companies. Since a very limited number of fast growing companies in the survey benefitted from government support, I believe there is a gap in the financial support available for smaller successful companies that would enable them to expand further and faster reach their potential. On the other hand, I acknowledge that support should be also given to companies, which might otherwise not survive. Nevertheless, considering the impact fast growing companies have on the economy, special initiatives should be implemented to ensure their ongoing growth.

On the matter of entrepreneurship, it is generally acknowledged it has become extremely popular in the past decade and a career goal for many young people. The reasons behind this usually include a lack of creativity in corporate environment, flexible lifestyle, passion for learning, unconventional thinking, and wanting to change the world. However, one of the interesting findings of my research is that higher income was among the most important reasons for starting a business, a characteristic generally not associated with entrepreneurs in previous research. It would be interesting to know if money has really become a key motivator for entrepreneurs in further studies. Also, researching entrepreneur’s personality traits and criteria for success should be based on the opinion of entrepreneur’s co-workers. The subjective nature of the question may provide distorted view if answered by the entrepreneur himself since entrepreneurs tend to have high opinion of themselves or try to appear better than they really are. In my research, entrepreneurs scored high in all positive personality traits (honesty, confidence, perseverance, understanding) although in reality, people tend to be more flawed. Regarding success measurements, employee satisfaction and innovation scored highest. While both metrics (personality traits and success measurements) might explain fast growing companies' success, additional effort should be made to ensure the "correctness" of the answers.

Based on my review of the literature on the subject of entrepreneurship, I strongly oppose the use of the term dynamic entrepreneur, since it does not provide any benefit to the research of entrepreneurial behaviour and its characteristics. There is no difference between entrepreneurs that manage a fast growing company and entrepreneurs with "only" a successful company. I would however, avoid the use of a word entrepreneur for people that created their company out of necessity as in case of self-employment (i.e. sole trader).

The literature review provides evidence that strategy plays a vital part; however, it is still unclear how strategy is actually developed in fast growing companies. Strategic theories such as those of Porter and Ansoff are not sufficient anymore and do not explain the behaviour of smaller companies. I have come to believe that traditional strategy formation works well in an environment with a good degree of certainty. However, in an uncertain environment with high competition, disruptive technological breakthroughs, and unpredictable demand, companies need to be more improvisational in order to adapt to changes faster. One of the reasons why I could not determine any differences among strategies might be that fast growing companies do not rely on traditional strategic approaches at all. Nevertheless, I think strategic theory could still be used as a guidance in time of uncertainty or during strategy development.

One topic that would require further research is the finding that fast growing companies in Slovenia do not use inorganic growth. It would be interesting to find out the reasons behind this and to research if fast growing companies in other countries share the same view on this matter.

Fast growing companies tend to be less indebted than average companies in a sense that they can easier repay their debt. They also tend to achieve better profitability. On the other hand, no significant differences in financing were identified compared to normal private companies. Similar to all start-ups, fast growing companies also financed their beginnings with capital from their founders and their friends. On average, more than 70 % of financing came from family and friends.

The fact that none of the fast growing companies in Slovenia received any venture capital funding is somehow disappointing and also a topic for further research. One of the reasons is probably an underdeveloped venture capital market in Slovenia due to the market size and limited government and regulatory incentives. Another reason might be the fear of losing control over the company or thinking foreign management will worsen the working climate in the company. I believe venture capital should be promoted and incentivized by the authorities and government, since it could become additional funding source for growth.

There is no secret formula to achieve fast growth. All the theories and predefined success factors are simply the result of a simplistic approach to a complex matter that is managing a business. A successful company is a result of many and various decisions that affect the outcome, which is why identified success factors, proposed strategies, modes of entry, financing options and entrepreneurial traits in this thesis can only be used as a guidance.

REFERENCE LIST

1. Acs, Z. (2006). How Is Entrepreneurship Good for Economic Growth? *Innovations: Technology, Governance, Globalization*, *1*(1), 97–107.
2. AJPES. (2017). *Hitro rastoča podjetja v obdobju 2012 - 2016*. Retrieved 3 March, 2018 from https://www.ajpes.si/Hitro_rastoca_podjetja
3. Almus, M. (2002). What Characterizes a Fast-Growing Firm? *Applied Economics*, *34*(12), 1497–1508.
4. Amal, M. & Filho, A. R. F. (2010). Internationalization of small and medium sized enterprises: a multi case study. *European Business Review*, *22*(6), 608–623.
5. Ansoff, I. (1957). Strategies for Diversification. *Harvard Business Review*, *35*(5), 113–124.
6. Baum, M., Schwens, C. & Kabst, R. (2015). A latent class analysis of small firms' internationalization patterns. *Journal of World Business*, *50*(4), 754–768.
7. Bell, D. N. F. & Blanchflower, D. G. (2013). Underemployment in the UK revisited. *National Institute Economic Review*, *224*(1), F8–F22.
8. Bell, J., McNaughton, R. & Young, S. (2001). "Born-again global" firms: An extension to the "born global" phenomenon. *Journal of International Management*, *7*(3), 173–189.
9. Bergemann, D. & Hege, U. (1998). Venture capital financing, moral hazard, and learning. *Journal of Banking & Finance*, *22*(6), 703–735.
10. Bhattacharya, H. (1992). Limits to Growth: Financing Strategies of Growth-Oriented Companies. *Economic and Political Weekly*, *27*(48), M158–M165.
11. Birch, D. (1987). *Job creation in America: How our smallest companies put the most people to work*. New York: Free Press
12. Blundel, R. & Lockett, N. (2011). *Exploring entrepreneurship : practices and perspectives*. Oxford: University Press.
13. Bradley, F. (2002). *International marketing strategy* (4th ed). Harlow, Essex: FT Prentice Hall,.
14. Burgel, O., Fier, A., Licht, G. & Murray, G. (2000). *Internationalisation of High-Tech Start-Ups and Fast Growth - Evidence for UK and Germany*. Retrieved 6 June, 2017 from http://ftp.zew.de/pub/zew-docs/dp/dp0035.pdf
15. Canabal, A. & White, G. O. (2008). Entry mode research: Past and future. *International Business Review*, *17*(3), 267–284.
16. Cook, W. & Ormerod, P. (2003). Power law distribution of the frequency of demises of US firms. *Physica A: Statistical Mechanics And Its Applications,* 324(1-2), 207 -212
17. Crnogaj, K. & Sirec, K. (2014). Employment and value-added contribution of Slovenian high-growth companies (gazelles). *Ekonomski Horizonti*, *16*(1), 17–30.
18. Dautzenberg, K., Ehrlinspiel, M., Gude, H., Käser-Erdtracht, J., Schultz, P. T., Tenorth, J., Tscherntke, M. & Wallau, F. (2012). *Study on Fast Growing Young Companies (Gazelles) -Summary*. Retrieved 14 August, 2017 from https://www.bmwi.de/Redaktion/DE/Downloads/Studien/studie-ueber-schnell-

wachsende-jungunternehmen-gazellen-kurzfassung-en.pdf?__blob=publicationFile&v=1

19. Deresky, H. (2011). *International management* (7th ed.). Upper Saddle River (NJ): Pearson Education International.
20. Dinneen, B., Kutcher, E., Mahdavian, M. & Sprague, K. (2015, October 15). *Grow fast or die slow: The double-edged sword of M&A*. Retrieved 4 July, 2018, from https://www.mckinsey.com/industries/high-tech/our-insights/grow-fast-or-die-slow-the-double-edged-sword-of-m-and-a
21. Dragnić, D. (2014). Impact of internal and external factors on the performance of fast-growing small and meduim businesses. *Management – Journal of Contemporary Management Issues (Croatia), 19(1)*, 119–159.
22. Duermyer, R. (2018, January 30). *What is an Entrepreneur?* Retrieved 3 March, 2018, from https://www.thebalancesmb.com/entrepreneur-what-is-an-entrepreneur-1794303
23. Ekeledo, I. & Sivakumar, K. (2004). International market entry mode strategies of manufacturing firms and service firms. *International Marketing Review*, *21*(1), 68–101.
24. Entrepreneur Media, Inc. (2015). *The 7 Different Loans You Can Get as a Business Owner*. Retrieved 25 October, 2017, from https://www.entrepreneur.com/article/244873
25. European Commission. (2007). *Eurostat - OECD Manual on Business Demography Statistics.* Retrieved 17 March, 2018 from http://www.oecd.org/std/39974460.pdf
26. Everse, G. (2011). Eight Ways to Communicate Your Strategy More Effectively. Retrieved 7 May, 2018, from https://hbr.org/2011/08/eight-ways-to-energize-your-te
27. Fairlie, R. (2013). Entrepreneurship, Economic Conditions, and the Great Recession. *Journal of Economics; Management Strategy*, *22*(2), 207–231.
28. Forster, N. (2010). Exposing the Contradictory Claims, Myths and Illusions of the "Secrets of Business Success and Company Longevity" Genre. *Vision: The Journal of Business Perspective*, *14*(3), 141–161.
29. Gabrielsson, M., Sasi, V. & Darling, J. (2004). Finance strategies of rapidly-growing Finnish SMEs: Born Internationals and Born Globals. *European Business Review*, *16*(6), 590–604.
30. Grundström, C., Sjöström, R., Uddenberg, A. & Rönnbäck, A. Ö. (2012). Fast-growing SMEs and the role of innovation. *International Journal of Innovation Management*, *16*(3), 1240003–1240019.
31. Henry, C., Hill, F. & Leitch, C. (2003). Entrepreneurship Education and Training: The Issue of Effectiveness. *International Small Business Journal*, *22(2)*, 325–328.
32. Hill, C. W. L., Hwang, P. & Kim, W. C. (1990). An eclectic theory of the choice of international entry mode. *Strategic Management Journal*, *11*(2), 117–128.
33. Hutzschenreuter, T., Guenther, F. & Oehring, B. (2005). Internationalisation of Young, Fast-Growing Companies: An Exploratory Study of the Organisational Design of the Headquarters-Subsidiary Relationship. *Journal of Small Business & Entrepreneurship*, *18*(1), 75–100.
34. Jones, M. (2009). *Internationalization, entrepreneurship and the smaller firm* Cheltenham UK: Edward Elgar.

35. Kim, W. C. & Mauborgne, R. (2005). *Blue ocean strategy : how to create uncontested market space and make the competition irrelevant*. Boston: Harvard Business School Press.
36. Kingstone, B. (1987). *The Dynamos: Who are They Anyway?* New York: Wiley.
37. Kuivalainen, O., Sundqvist, S., Saarenketo, S. & McNaughton, R. (2012). Internationalization patterns of small and medium sized enterprises. *International Marketing Review*, *29*(5), 448–465.
38. Kušče, I. (2010). *Analiza ključnih dejavnikov ustanavljanja podjetja* (Master thesis). Koper: Univerza na Primorskem, Fakulteta za management Koper
39. Landström, H. (2005). *Pioneers in Entrepreneurship Research Pioneers in entrepreneurship and small business research*. New York: Springer.
40. Lee, G. K. & Lieberman, M. B. (2010). Acquisition vs. internal development as entry modes for new business development. *Strategic Management Journal, 31*(2).
41. Lopez, L. E., Kundu, S. K. & Ciravegna, L. (2009). Born global or born regional? Evidence from an exploratory study in the Costa Rican software industry. *Journal of International Business Studies*, *40*(7), 1228-1238
42. Melén, S. & Nordman, E. R. (2009). The internationalisation modes of Born Globals: A longitudinal study. *European Management Journal*, *27*(4), 243–254.
43. Morris, R. (2011). *2011 High-Impact Entrepreneurship Global Report*. Retrieved 14 October, 2016 from http://sme.ebi.gov.eg/Documents/Internationalization/2011 %20High-Impact %20Entrepreneurship %20Global %20Report.pdf
44. Mramor, D. (1993). *Uvod v poslovne finance*. Ljubljana: Gospodarski vestnik.
45. Nicholls-Nixon, C. (2005). Rapid Growth and High Performance: The Entrepreneur's "Impossible Dream?" *The Academy of Management Executive (1993-2005), 19*(1), 77–89.
46. Pan, Y. & Tse, D. (2000). The hierarchical model of market entry modes. *Journal of International Business Studies*, *31*(4), 535–554.
47. Perić, M. & Savič, N. (2009). *Kako kakovost razumejo letošnje slovenske gazele*. Retrieved 20 September, 2017 from http://www.szko.si/uploads/external/SZKO-Zbornik-18.pdf
48. Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. *Competitive Strategy* (Vol. 1) New York: Free Press.
49. Porter, M. E. (1985). *Competitive advantage : creating and sustaining superior performance*. New York: Free Press.
50. Pšeničny, V. (2000). *Primerjava razvoja dinamičnih podjetij med Slovenijo in državami EU: Zakljuno poročilo o raziskovalnem projektu*. Portorož: Visoka strokovna šola za podjetništvo.
51. Pšeničny, V. (2002). *Pogoji in možnosti za dinamično podjetništvo v Sloveniji* (Doctoral disseration). Ljubljana: Ekonomska faulteta.
52. Pšeničny, V. (2008). *5000 malih je ustvarilo velik del rasti*. Retrieved 2 March, 2016, from https://www.dnevnik.si/1042222623

53. Pšeničny, V. (2009). A Longitudinal Comparison of the Growth Factors of Slovenian Fast Growing Enterprises. *Economic and Business Review*, *11*(4), 265–283.
54. Pšeničny, V., Macek, A., Vidovic, D., Novak, R., Tajnikar, M. & Vizjak, A. (2012). *Rezultati raziskave o podjetjih z visokim potencialom rasti 2012 : porocilo o 1. in 2. fazi raziskave*. Maribor: Doba, Fakulteta za uporabne poslovne in druzbene studije.
55. Pčeničny, V. & Novak, R. (2012). *Dejavniki hitre rasti dinamičnih podjetij 2012 : Poročilo o rezultatih preverjanja skladnosti posameznih atributov*. Maribor: Doba.
56. Pučko, D. (2006). *Strateško upravljanje*. Ljubljana: Ekonomska faulteta v Ljubljani.
57. Pučko, D. (2008). *Strateški management 1*. Ljubljana: Ekonomska fakulteta v Ljubljani.
58. Rebernik, M., Tominc, P., Crnogaj, K., Širec, K., Bradač Hojnik, B. & Rus, M. (2016). *Podjetništvo med priložnostjo in nujo : GEM Slovenija 2015*. Retrieved 17 May, 2016 from http://ipmmp.um.si/globalni-podjetniski-monitor/gem-slovenija-monografije/?r=68
59. Sliwinski, R. & Sliwinska, M. (2016). Growth and internationalization of fast growing firms*. *Journal for East European Management Studies*, *21*(2), 231–253.
60. Smallbone, D., Leig, R. & North, D. (1995). The characteristics and strategies of high growth SMEs. *International Journal of Entrepreneurial Behaviour & Research*, *1*(3), 44–62.
61. Storey, D. J (1994). *Understanding the small business sector*. London: Routledge
62. Sui, S., Yu, Z. & Baum, M. (2012). Prevalence and longitudinal trends of early internationalisation patterns among Canadian SMEs. *International Marketing Review*, *29*(5), 519–535.
63. Tajnikar, M. (2006). *Tvegano poslovodenje: knjiga o gazelah in rastočih poslih.* Ljubljana: Ekonomska fakulteta v Ljubljani.
64. Tyebjee, T. (1993). Globalization challenges facing fast-growth companies. *Journal of Business & Industrial Marketing*, *8*(3), 58–64.
65. Variyam, J. N. & Kraybill, D. S. (1992). Empirical evidence on determinants of firm growth. *Economics Letters*, *38*(1), 31–36.
66. Vern, T. & Ravi, S. (2000). *International Marketing* (8th ed.). Fort Worth : The Dryden Press.
67. Wiggins, R. R. & Ruefli, T. W. (2005). Schumpeter's ghost: Is hypercompetition making the best of times shorter? *Strategic Management Journal*, *78712*(512), 887–911.
68. Wilson, P. & Bates, S. (2003). *The Essential Guide to Managing Small Business Growth*. Chichester: J. Wiley

APPENDICES

Appendix 1: Summary (Povzetek v Slovenskem jeziku)

Ta magistrska naloga želi prispevati k boljšemu razumevanju hitro rastočih podjetij in poudariti njihov pomen za gospodarstvo. Hkrati si prizadeva pokazati in razložiti dejavnike uspeha glede na značilnosti managerjev in njihovega podjetniškega duha, izvedenih poslovnih strategij ter virov financiranja. Cilj naloge je bil torej preučiti teorijo in predstaviti dejavnike rasti na področju poslovnih strategij, podjetništva in financiranja hitro rastočih podjetij.

Na področju poslovnih strategij so rezultati pokazali, da hitro rastoča podjetja strategijo vodenja v stroškovni učinkovitosti uporabljajo manj pogosto kot strategijo diferenciacije proizvoda in strategijo razvijanja tržne niše. Razlog je verjetno v tem, da se vodenje v stroškovni učinkovitosti uporablja predvsem pri večjih podjetjih, ki lahko dosegajo ekonomije obsega, agresivno politiko cen in marketinga, hitro rastoča podjetja pa so po velikosti majhna do srednje velika in imajo za te stvari omejena sredstva. Večjih razlik ni bilo možno zaznati pri strategijah rasti, ki prikazujejo kako se podjetje širi glede na ciljne trge in razpon izdelka. Preferenčne izbire med strategijo penetracije, strategijo razvijanja tržišča, strategijo razvijanja izdelka in strategijo diverzifikacije, ni bilo možno determinirati. V nasprotju s pričakovanji, internacionalizacija ni bila predvidena pri večini hitro rastočih podjetjih, zato hipoteze nisem mogel potrditi. V prvih treh letih obstoja podjetij, je bila prodaja v tujini celo nizka (največji delež podjetij je imel maksimalno 20% prometa iz tujine). Najpogostejša oblika internacionalizacije je izvoz.

Z vidika podjetništva je zanimiv podatek, da je višji prihodek med najpomembnejšimi razlogi za ustanovitev podjetja. To je razlog, ki v predhodnih raziskavah običajno ni povezan s podjetniki in kliče po dodatnih raziskavah. Po pričakovanjih pa so bili rezultati o karakteristikah managerjev. Managerji so si pripisali visoko stopnjo pozitivnih lastnosti (poštenost, zaupanje, vztrajnost, razumevanje). Za meritev uspeha podjetja pa jim je najbolj pomembno zadovoljstvo zaposlenih in inovativnost. Na podlagi pregleda literature bi se izogibal uporabi izraza dinamični podjetnik, saj ni nobene razlike med podjetniki, ki upravljajo hitro rastoče podjetje in podjetniki z uspešnim podjetjem, vendar brez hitre rasti. Prav tako bi se izogibal uporabi izraza podjetnik za ljudi, ki so ustvarili podjetje iz nuje, kot npr. v primeru samozaposlitve (tj. samostojni podjetnik).

Financiranje začetne poti podjetja je podobno kot pri normalnih podjetjih. Hitro rastoča podjetja so svoj začetek večinoma financirala s kapitalom lastnikov in njihovih prijateljev/družine. Med bolj zanimivimi ugotovitvami, ki je lahko tudi predmet nadaljnjih raziskav je, da se nobeno od hitro rastočih podjetij v Sloveniji ni financiralo s skladi tveganega kapitala. Eden izmed razlogov lahko izhaja iz dejstva, da je Slovenija majhen trg, ki je na splošno omejen s političnimi in vladnimi pobudami za tovrstno financiranje. Obstaja pa tudi možnost, da se v Sloveniji podjetja izogibajo tujega kapitala, saj bi se s tem lastnikom zmanjšal vpliv odločanja v podjetju.

Appendix 2: Survey

Pozdravljeni,

sem Žiga Kraševec in pripravljam magistrsko nalogo o hitro-rastočih podjetjih. Namen raziskave je ugotoviti kakšne strategije uporabljajo hitro-rastoča podjetja, ter kakšna je podjetniška in miselna naravnost ustanovitelja oziroma vodilnega v podjetju. Vaše sodelovanje je za raziskavo ključno, saj le z vašimi odgovori lahko dobim vpogled v ustvarjanje in delovanje hitro-rastočega podjetja. Anketa je anonimna, za izpolnjevanje pa boste potrebovali približno 6 minut časa. Zbrani podatki bodo obravnavani strogo zaupno in analizirani na splošno (in nikakor na ravni odgovorov posameznika). Za vaše sodelovanje se vam prijazno zahvaljujem.

Q1 - Koliko zaposlenih je v vašem podjetju?

○ 0 - 25
○ 26 - 50
○ 51 - 250
○ več kot 250

Q2 - Starost podjetja:

○ 5 - 10 let
○ 10 - 15 let
○ Več kot 15 let

Q3 - Gledena prevladujoči prodajni program vaše podjetje uvrščate med:

○ Proizvodnopodjetje
○ Storitvenopodjetje
○ Trgovinskopodjetje

Q4 - Podjetje je prodajno usmerjeno v:

○ Potrošnika (B2C)
○ Podjetja (B2B)
○ Mešano

Q5 - Dejavnost podjetja sodi med:

○ Novejše industrije (HiTech, IoT, Bioinžiniring, IT)
○ Klasične industrije

Q6 - Dosežena stopnja vaše izobrazbe?

◯ Srednja šola
◯ Univerzitetna diploma
◯ Magisterij
◯ Doktorat

Q7 - Koliko let delovnih izkušenj ste imeli pred ustanovitvijo/vodenjem hitrorastočega podjetja?

◯ 1-3 leta
◯ 3-5 let
◯ 5-10 let
◯ Več kot 10 let

Q8 - Razlogi za ustanovitev podjetja (1 - Sploh ne velja; 2 - Ne velja; 3 - Niti ne velja, niti velja; 4 - Velja; 5 - Povsem velja):

	1- Sploh ne velja	2 - Ne velja	3 - Niti ne velja, niti velja	4 - Velja	5 - Povsem velja
Ustvariti nekaj novega	◯	◯	◯	◯	◯
Neodvisnost	◯	◯	◯	◯	◯
Večji zaslužek	◯	◯	◯	◯	◯
Spremenitisvet / pustiti pečat	◯	◯	◯	◯	◯
Starši/sorodnikiso bili zasebni podjetniki	◯	◯	◯	◯	◯
Imetiveč časa za družino	◯	◯	◯	◯	◯
Nibilo izbire – ekonomska nuja	◯	◯	◯	◯	◯
Želja po uspehu	◯	◯	◯	◯	◯
Nadaljevanje družinske tradicije	◯	◯	◯	◯	◯
Vpliv/predlog sorodnikov, prijateljev ali znancev	◯	◯	◯	◯	◯
Naključje/ splet okoliščin	◯	◯	◯	◯	◯
Drugo:	◯	◯	◯	◯	◯

Q9 - Kakovas opišejo naslednje značilnosti? (1 - Sploh se ne strinjam; 2 - Se ne strinjam; 3 - Niti se strinjam, niti se ne strinjam; 4 - Se strinjam; 5 - Povsem se strinjam)

	1 - Sploh se ne strinjam	2- Se ne strinjam	3 - Niti se strinjam, niti se ne strinjam	4 - Se strinjam	5 - Povsem se strinjam
Sem odkrita oseba	◯	◯	◯	◯	◯
Imam vizijo – sem vizionar	◯	◯	◯	◯	◯
Imam dobre komunikacijske sposobnosti	◯	◯	◯	◯	◯
Sem samozavesten/a	◯	◯	◯	◯	◯
Podpiram in spodbujam zaposlene	◯	◯	◯	◯	◯
Sem pozitivna in optimistična oseba	◯	◯	◯	◯	◯
Sem kreativna in inovativna oseba	◯	◯	◯	◯	◯
Ne obupam hitro	◯	◯	◯	◯	◯
Vedno se učim in izobražujem	◯	◯	◯	◯	◯

Q10 - Kako pomembni se vam naslednji kriteriji pri merjenju uspeha podjetja? (1 - Zelo nepomembno; 2 - Nepomembno; 3 - Niti pomembno, niti nepomembno; 4 - Pomembno; 5 - Zelo pomembno)

	1 - Zelo nepomembno	2 - Nepomembno	3 - Niti pomembno, niti nepomembno	4 - Pomembno	5 - Zelo pomembno
Rast prihodkov	◯	◯	◯	◯	◯
Dobiček	◯	◯	◯	◯	◯
Vrednosti podjetja	◯	◯	◯	◯	◯
Donosna delnico	◯	◯	◯	◯	◯
Donos na kapital	◯	◯	◯	◯	◯
Inovativnost podjetja	◯	◯	◯	◯	◯
Zadovoljstvo zaposlenih	◯	◯	◯	◯	◯
Drugo:	◯	◯	◯	◯	◯

Q11 - Katera strateška rast je bolj značilna za vaše podjetje:

◯ Organska (financiranje nakupa novih sredstev in opreme, izdelave novihproduktov, povečanja izvoza,…)

◯ Anorganska (nakup ali združitev z drugim podjetjem, skupna vlaganja vrazvoj in trge z drugim podjetjem, licenciranje,…)

Q12 - V podjetju prevladuje sledeča strategija konkurenčne prednosti: (1 - Sploh se ne strinjam; 2 - Se ne strinjam; 3 - Niti se strinjam, niti se ne strinjam; 4 - Se strinjam; 5 - Povsem se strinjam)

	1 - Sploh se ne strinjam	2 - Se ne strinjam	3 - Niti se strinjam, niti se ne strinjam	4 - Se strinjam	5 - Povsem se strinjam
Strategijavodenja v stroškovni učinkovitosti (velik obseg, agresivna politika cen, veliktržni delež, etc.)	○	○	○	○	○
Strategija diferenciacije proizvodov (specifična prednostprodukta/storitve, edinstvena lastnost za kupca)	○	○	○	○	○
Strategijarazvijanja tržne niše (ciljanje na določeno skupino kupcev – tržno nišo)	○	○	○	○	○

Q13 - V podjetju prevladuja sledeča strategija rasti: (1 - Sploh se ne strinjam; 2 - Se ne strinjam; 3 - Niti se strinjam, niti se ne strinjam; 4 - Se strinjam; 5 - Povsem se strinjam)

	(1 - Sploh se ne strinjam	2 - Se ne strinjam	3 - Niti se strinjam, niti se ne strinjam	4 - Se strinjam	5 - Povsem se strinjam
Novi produkti/storitve na novih trgih	○	○	○	○	○
Obstoječi produkti/storitve na novih trgih	○	○	○	○	○
Novi produkti/storitve na obstoječih trgih	○	○	○	○	○
Obstoječi produkti/storitve na obstoječih trgih	○	○	○	○	○

Q14 - Poslovanjes tujino je bilo predvideno že od ustanovitve podjetja? (1 - Sploh se ne strinjam; 2 - Se ne strinjam; 3 - Niti se strinjam, niti se ne strinjam; 4 - Se strinjam; 5 - Povsem se strinjam)

	1 - Sploh se ne strinjam	2 - Se ne strinjam	3 - Niti se strinjam, niti se ne strinjam	4 - Se strinjam	5 - Povsem se strinjam
Poslovanje s tujino	○	○	○	○	○

IF (1) Q15 = [Q15a]
Q15 - Delež prodaje v tujini:

	0-20 %	21-40 %	41-60 %	61-80 %	81-100 %
Prva 3 leta od ustanovitve	◯	◯	◯	◯	◯
Obdobje zadnjih 3 let	◯	◯	◯	◯	◯
Planirano v prihodnosti	◯	◯	◯	◯	◯

Q16 - Kako pomembne so bile naslednje oblike internacionalizacije poslovanja zavaš uspeh? (1 - Zelo nepomembno; 2 - Nepomembno; 3 - Niti pomembno, niti nepomembno; 4 - Pomembno; 5 - Zelo pomembno)

	1 - Zelo nepomembno	2 - Nepomembno	3 - Niti pomembno, niti nepomembno	4 - Pomembno	5 - Zelo pomembno
Izvoz (direktni, indirektni)	◯	◯	◯	◯	◯
Pogodbeniodnos z zastopnikom v tujini	◯	◯	◯	◯	◯
Skupnovlaganje s podjetjem v tujini	◯	◯	◯	◯	◯
Neposredno vlaganje v tujini (podružnice, itd.)	◯	◯	◯	◯	◯
Drugo:	◯	◯	◯	◯	◯

Q17 - Kateri viri financiranja so bili uporabljeni za zagon podjetja? (ocena deleža v financiranju)

	0 %	1-10 %	11-20 %	21-40 %	41-60 %	61-80 %	81-100 %
Lastniprihranki in prihranki management tima	◯	◯	◯	◯	◯	◯	◯
Posojilodružine, prijateljev ali znancev	◯	◯	◯	◯	◯	◯	◯
Zasebniinvestitorji (brez družine/prijateljev)	◯	◯	◯	◯	◯	◯	◯
Skladi tveganega kapitala	◯	◯	◯	◯	◯	◯	◯
Bančno posojilo	◯	◯	◯	◯	◯	◯	◯
Vladniprogram	◯	◯	◯	◯	◯	◯	◯
Zadržani dobiček podjetja	◯	◯	◯	◯	◯	◯	◯
Drugo:	◯	◯	◯	◯	◯	◯	◯

Q18 - Kateri viri financiranja so bili uporabljeni za doseganje rasti v zadnjih 3 letih? (ocena deleža v financiranju)

	0 %	1-10 %	11-20 %	21-40 %	41-60 %	61-80 %	81-100 %
Lastni prihranki in prihranki management tima	○	○	○	○	○	○	○
Posojilo družine, prijateljev ali znancev	○	○	○	○	○	○	○
Zasebni investitorji (brez družine/prijateljev)	○	○	○	○	○	○	○
Skladi tveganega kapitala	○	○	○	○	○	○	○
Bančno posojilo	○	○	○	○	○	○	○
Vladni program	○	○	○	○	○	○	○
Zadržani dobiček podjetja	○	○	○	○	○	○	○
Drugo:	○	○	○	○	○	○	○