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

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Abstract

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

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1. Introduction

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

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

2. Conceptual framework

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

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

We have identified the Birch definition, cited by Henrekson and Johansson, according to which a fast growing company, is "a business establishment which has achieved a minimum of 20% sales growth each year over the interval, starting from a base-year revenue of at least \$100,000". Birch proposed an index (Birch Index-BI), a combined measure of absolute and relative growth, $BI_i = (E1_i - E0_i) \times (E1_i / E0_i)$, with $E1_i$, $E0_i$ as number of employees at the end and at the beginning of the period, which is used to reconcile both. This measure still depends on the size of the company based on the number of employees, but reduces the bias towards any particular company size. A company is a fast growing one if it belongs to the upper 5 or 10 percentile of the Birch Index distribution". Birch admitted that the small business share of job creation varies enormously in time and across places and fast growing companies are accounting for most of the new jobs. (Henrekson & Johansson ,2009)

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

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

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

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

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

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

Besnik said that “the empirical analysis found that four groups of factors have an influence on firm growth: firm-related factors, human capital factors, management strategy and entrepreneurial orientation, of the firm, and external business environment factors”. (Besnik, 2012)

Psenicny said that “in former surveys we found that the growth of small enterprises primarily depends on the following groups of factors: (1) entrepreneurial environment, (2) entrepreneur and/or entrepreneurial team, (3) business strategy, (4) innovations, (5) employees, (6) management system, and (7) growth financing”. But in this paper, he found that “the growth rate of Slovenian dynamic enterprises mostly depends on the business and financial environment, the qualification and availability of workforce, orientation to investments, development and export, long-term business strategy and harvest expectations, and the method of financing (domestic or international investors)”. (Psenicny, 2009)

Jansen is trying to identify all the potential determinants of growth used in empirical studies. In order to create homogeneous groups, he linked each of determinants to one of five groups of variables that might influence the growth of a firm. These determinants are linked with the following: managers, characteristics of the company, strategic determinants, environmental and interactions between different variables. (Jansen, 2009)

Gilbert, McDougall and Audretsch, in their review paper on new venture growth, have found key factors influencing why some new ventures experience higher growth rates. The key factors are: entrepreneur characteristics, resources, geographic location, strategy, industry context, organizational structures and systems. (Gilbert, & McDougall & Audretsch, 2006)

Janczac and Bares proposed a growth model, which includes the six drivers of fast growth: vision, HR practice, customer focus, dynamic organizational capabilities, strong ties with the territory, innovation. (Janczac & Bares, 2010)

Nastase said that a fast-growing company, no matter its size: small, medium sized or large needs a strategic leader. A special attribute of a strategic leader is represented by strategic thinking, his ability to perceive globally the organization and the complex relations that manifest among the different subsystems, as well as interactions with the outside world. The strategic leader is able to exert this strategic thinking on long term despite the numberless uncertainties that are associated with today’s business environment. Consequently, it becomes more and more important that the entrepreneur of dynamic companies to act as a real leader, able not only to command, but to create a vision and to mobilize the potential of his team . (Nastase, 2010)

Acs, Parsons and Tracy distinguish between gazelles that double the sales and high-impact firms that double the sales and have Birch index on employment growth at least two over the most recent 4-year period. (Acs & Parsons & Tracy, 2008)

Barta finds distinctive characteristics of gazelles: there are creating value added through innovation; these companies are born to be globally; many of them are created by entrepreneurs with managerial experience, like employers of another companies; are founded in some areas when they found a favourable social-economic environment, when entrepreneurship is still there; opportunity exploitation is not for gain profit but also for creating a sustainable value added. (Barta, 2013)

Allan Gibb identified some external and internal key factors that may influence the growth process: strategic awareness, time available to the management to exploit external sources of information, degree of understanding the environment, demand situation in economy and in relevant industrial sector, competition, the level of complexity and uncertainty in the market, administrative obstacles, influence support. (Allan Gibb, cited in Prediscan, Bibu, 2005)

3. Research methodology

In order to formulate our conclusions concerning some fast growing companies from Timis county, we have researched local top companies, from various fields of activity. We have realized a database with 150 companies from Timis county, top companies. The research methodology included interview with companies’ managers and administration of questionnaires.

In our research, conducted during the last 2 years, we have identified fast growing SMEs companies from different fields, young, created in the last 5-6 years and also companies created before 2000. 40% from fast growing companies were young. Using economic results from our database we have regrouped fast growing companies in three categories:

1. Fast growing companies minimum 3 years, after that the growth was under 20% (19 companies);
 2. Fast growing companies minimum 3 years after that the turnover oscillates (6 companies);
 3. Fast growing companies minimum 3 years after that the turnover dropped (6 companies);
- Most of the companies were from services, 72%, then production, 18%, construction, 5%, others, 5%.

Our research goals are the following:

- To find which were the most relevant factors from internal and external environment that have contributed to fast growth.
- To contribute to improve knowledge about the factors of fast growth of Romanian companies.
- To find some features that are common to local Romanian fast growing companies.
- To identify and share best practices in management of fast growing company.

Based on the Allan Gibb’s model, we wanted to identify relevant factors for fast growth. What fast growing companies have in common is important issue for those managers and companies which wants to grow fast in this turbulent environment.

4. Results

The results are based on 31 case studies, fast growing companies, in Timis county, Romania. Based on our research, we found some relevant drivers for fast growing companies. What we found confirms the findings of many previous studies in fast growing companies especially from EU countries. The relevant factors for fast growth were summarized in the Table 1.

Tabel 1 The relevant factors for fast growth of a company

Relevant factors	Findings
Entrepreneurs	<ul style="list-style-type: none"> - a strong motivation to grow - a clear strategic vision for a better future, with ambitious goal - keep focused on the desired end results - their skills and qualities - the higher implication degree - the experience in business (other field) of companies co-founders - their pro-activity - strong networking - passion for tradition and work with natural products
Management and Managerial team	<ul style="list-style-type: none"> - the professional quality of managers - balanced and harmonized managerial team - managerial basic skills: planning, organizing, decision making, motivating, controlling: other skills – leadership, interpersonal communication, personal adaptability, personal motivation, technical knowledge, cognitive skill - good marketing skills, strong oriented to clients, right brand - sound financial management - proactive management - a long term thinking - realized that human resources are the most important resource in company, and they have invested heavily and continuously; high degree of cohesion, uniqueness and depth of relationship between employees; well wedded and motivated/auto-motivated teams.

	<ul style="list-style-type: none"> - strategic choices: rebranding, reinventing, flexibility, reorganizing, diversification - they offer product lines for different categories of customers - rapid decision-making process and rapid implementation of decisions - quick positioning on a niche - synergy between style, skills and staff - know-how of fast growth - maximize the opportunities from external environment; rapid information processing - they have created and developed a culture based on trust commitment on developing people through training and based on opportunity seeking and acting swift.
Processes, technologies products	<ul style="list-style-type: none"> - modern technology, not necessarily the most advanced - modern equipments - high quality diversified products and services - strong brand - good ideas for improving products/services; - innovation in products, technologies, processes - new products meet customers needs - existing patents for products - a good process control
Existent leadership	<ul style="list-style-type: none"> - one or two strategic leader(s), with a strategically and the ability to perceive the company global and the complex relationship that occur between different subsystems components and business relationship with external environment - charisma of the founder /leader - intense networking - democratic management style - supporting team of professionals encouraged to acting as leaders. They are catalysts of fast growth, increasing the cohesion of working team
External environment	<ul style="list-style-type: none"> - access to new foreign markets after EU integration; and valorising their potential for growth - increased demand for the products offered in domestic and foreign markets - the absence of competition (for a longer period) when they entered the local market they have targeted - developing the targeted niche, industry, market on the right moment - attractiveness/novelty of the business area, niche; an emerging niche has a large growth potential, the first comer/the developer has a potential competitive advantage compared to late comers/competitors

This study presents a typical case of gazelle in Romania, named “Super Ball SRL”.

Claudiu Stepan, 35 years old and Cristian Badea, 33 years old, created a business in trading textile products in 2004 in Covaci village, Timiș county. Since 2006, the two co-founders decided to switch the business to textile

production. Mr. Stepan was motivated to start a business because of professional disappointments. He wanted to develop some products at his previous job, had very good ideas but got no chance to put them in practice.

The investment was started with borrowed money from banks and own resources in Covaci village, not so far from Timisoara, the county capital city. After a year and half, they decided to multiply by 3 times the production capacity and they moved the production unity to Ortisoara village, also in Timis county. Even that they considered it as a risky decision, the co-founders took it, being validated as a success a posteriori.

Their products are designed for the furniture industry, hotels, and also for home use. The products are hypoallergenic for sensible and delicate people: children and people with allergies. The company has created a luxury pillow named Pillove. All the products are high quality products, and, as a result, the company is certificated ISSO 9001/2008. The company offers various services to its customers. **Super Ball SRL** intensely innovated in textile business in Romania, through the products offered and the way they were realized, using new technologies. The company has a patent for a special wool used for children products.

The raw materials are imported from all over the world especially from Asia. Entrepreneurs created their own brand named "Green Future" and developed two stores in Bucharest and a showroom in Constanta (Romania). Their products are sold in domestic and foreign market (especially in Nord European countries, through a private-label brand). They are selling its products in all Romanian important cities, both, through their website and sales agents/distributors. Their clients are mostly companies. Their products are promoted by an attractive offer and discounts, through exhibits in Romania and in foreign countries.

In the Romanian textile industry competition is very strong, due also to the pressure of Chinese products, which are cheaper than Romanian products.

„We want to improve continuously the performance of our offered products and services. There are realized in high qualities conditions to assure the continuously demand growth of our clients. We are working with high quality materials and raw-materials, ideals for your health and comfort”. (C. Stepan)

The entrepreneurs are the managers of this company. Currently, they are focused on product development and marketing activities. The economic and financial indicators are presented in table 2.

Table 2. The evolution of economic and financial indicators (in lei)

Indicators	2006	2007	2008	2009	2010	2011
Net turnover	2928537	4244277	6638653	8613415	20965452	24120603
Incomes	3079524	4460710	6903491	9299225	23490981	26428559
Costs	2856565	4406926	6325113	7812081	22704962	25949076
Profit	222959	53784	578378	1487144	786019	479483
Employees	13	31	57	58	78	121

Source: www.mfinante.ro

Super Ball SRL was a fast-growing company in 2006-2010 period, for 4 consecutive years. The turnover growth rate was the following: 2007/2006, 44,95%, 2008/2007, 56,4%, 2009/2008, 29,75%, 2010/2009, 143,4%). The conditions to be considered a fast growing company were fulfilled: a minimum of 20% sales growth in every year of analyzed period; turnover increased 8,2 times in analyzed period; the income in the first year, was 1099830 US dollars; the number of the employees in 2005 year was 13 and increased to 78; gain profit in analyzed period; growth was organic. In 2009-2011, the turnover and the number of employees increased more slowly. The turnover growth rate were 29,75% for 2009/2008, 143,4% for 2010/2009, and 15,04% in 2011/2010. The profit decreased in 2010 compared with 2009 with 47,14%, and in 2011 year compared with 2010 with 38,99%.

"We can not see what's next or how will our business look like, However, we aim for what we want, for a growing business, and this made us to act rapidly, to take action immediately". (Stepan C)

After the crisis begun in 2008, the co-founders had the ability to change rapidly the strategy and innovate the

products, through practicing a proactive management, based on products innovation and improved quality. They were focused on a better process controlling and employee empowerment. Also, they were convinced that respect for their customers is an important success factor. " We are investing in quality because we want to offer quality. We know that gives us long time benefits. The clients are very demanding and they want good but cheaper products. But we cannot offer high quality for cheaper products, and that's why we decided to open more products lines for different types of clients. We understand that we must have high quality products. In the time of economic crises is a good idea to create or find new opportunity to grow the business ." (Stepan C)

Crisis was perceived as a good opportunity for the company, because they diversified the products and the business. At the beginning, they offered raw material for quilts, pillow and filling. Gradually, they started to entry into other final product markets. They were forced to abandon one of their important clients which bought 30% from their turnover (because it wanted quite low prices and had problems with paying their debts). In 2011, they decided to withdraw from some foreign markets , because their expectations were not well met.

The most relevant factors which have contributed to fast growing were the following: personal characteristics of co-founders; desire to grow; the excellent degree of understanding of the business environment; technical and economical skills of Mr. Stepan; use of most modern technologies; a growing demand for quality products from customers, increased demand for eco-products, existent leadership.

The two entrepreneurs were convinced that their skills and competencies mixed with employee involvement, necessary resources, especially financial, technologies and logistic system were favouring their company's rapid growth.

"We enforced our position on the market through high quality of our products and services, being proactive with our clients, offering them new deals, new products and costs optimization. Our products are offered in a diversified portfolio, from upholstery, sleeping pillows, quilts, bedclothes, and sooner our line of accessories for home, which will include baby products range. We have positioned in a particular niche in which the competition didn't exist at the beginning of our activities. We have always diversified our products and we were able to adapt to market conditions, to the current situation." (C. Stepan)

As in the growth model of A. Gibb, they have built at least a resource basis, an ideas basis, and an experience basis. They made use of their skills, that they have constantly developed over time. They have studied the business environment and have identified the right niche. In this niche, the company is performing very well and its highly competitive. Also, they have identified the factors from internal and external environment which may affect negatively the growth process. Entrepreneurs were proactive, targeting to triple the turnover in 3 years (in 2010 year compared with 2007), and they have accomplished their bold strategic goal.

After the fast growth period, entrepreneurs were focused on cost and product optimization, while preparing to actively pursue new growth opportunities.

5. Discussion

We have found that fast growth is a choice of the entrepreneur based on its intent to actively use perceived opportunities. It is always a risky decision to be made. Considering it the best choice for a company is always a matter of both rational and inspirational decision making. Several types of risks are involved into a fast growing situation, and therefore, taking them into account when deciding is important for the success of the company. A rapid growth may be more attractive on the short time, but implies some risks on long time, mainly if managers don't have appropriate strategies which allow the company to reorient and diversify in different moments of its evolution.

Entrepreneurs, managers aim fast growth for different reasons: to increase company's value, increase the notoriety, gain more power due to "big is powerful", and gain more money.

Rapid growth is a major step in the life cycle of companies. Older companies could have several growth stages in their life. Capabilities are different in various stages of growth. After the first successful growth, the experience accumulated by the people of the company represents a predictor of success for a subsequent growth, stimulated by a new opportunity. In conclusion, fast growth is just a step, shorter or longer, in the evolution cycle of a company. It can appear/disappear and appear again due to new and different opportunities. What we suggest is to keep the entrepreneurial spirit alive in the company, to actively search for relevant opportunities (for the entrepreneur and /or for the company), to rapidly evaluate them when identified, to take the decision to exploit it and to boldly act for its implementation.

In our research, we have identified that companies which had opportunities to export and have acted swift in doing it managed to grow faster than companies in the same industry focused only on domestic market. We have found that a favourable factor for fast growing is the novelty and attractiveness of an industry, of a niche: a newer and more attractive one generates a faster growth compared to existing, mature industries.

Another finding is related to company behaviour in times of economic growth (before 2008) and in times of economic crisis, such as after 2008 in Romanian context. We have found that fast growing companies in times of economic growth reacted differently after 2008. Only a few have managed to keep growing, so going counter the industry trend. Most of them, less competitive, have come to stagnate and to reduce their turnover, mostly due to loss of customers, financial difficulties, increased competition both internally and externally. To avoid bankruptcy, most of them have restructured their activity, reduced the number of their employees, cut costs, mainly labour costs in order to maintain profitability, mostly to reduce their losses. The cash crisis, generated by financial factors, led to bankruptcy for many underperforming companies, mainly deeply indebted to banks, with all the negative effects.

In a time of economic crises, a good managerial team, well harmonized is necessary for maintaining growth. Companies that managed to keep growing, have acted differently, mostly optimizing their processes, their costs, have innovated their products, their technologies, their processes, including their management methods and systems. Fast grow allow managers and employees to expand their perspective and encouraged them not to be satisfied with less and pursue bigger organizational and personal goals. Successful fast growth became a self-motivating factor for company's employees, providing more interesting career opportunities for them, too. Rapid actions need an appropriate leadership which assume three major things: inspiration, influence and impact. Leadership refer to making important thing rapidly through strategic thinking, networking, managerial dynamism, know-how, innovation and swift, flexible action.

In our opinion the results of the research seem to indicate that there is a pattern in the behaviour of fast growing companies.

6. Conclusions

This study contributed to a better understanding of the most representative favourable factors, which have impacted on the Romanian fast growing companies. The research should expand to other regions, in order to find which of the regional cultural differences have an impact on the SMEs growth process.

Growth of young companies is the result of a strategic choice made by entrepreneur (how to create and maintain a sustainable competitive advantage, how to manage growth, how to overcome barriers for growth) in an turbulent environment.

7. Future research

We want to extend our studies in the western part of Romania and maybe to realize a comparative study between Romania and central and East European gazelles.

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