

THE ROLE OF STRATEGIC AND / OR OPERATIONAL CHOICES IN THE MANAGEMENT OF ROMANIAN FAST GROWING FIRMS. DECISION-MAKING AND INVESTMENT DECISIONS

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ABSTRACT: This paper presents a current image of the management of Romanian fast-growing firms, highlighting the role of strategic and / or operational choices of the entrepreneur-managers to achieve rapid growth. The paper discusses two major issues: (1) The main managerial decisions in the years of rapid growth, which have proved their efficiency, over time, in relation to business development and entrepreneur-managers' expectations; we grouped them into favourable decisions and less favourable decisions; (2) Discussing strategic choices and / or operational choices of the entrepreneur-managers in the years of rapid growth. Research issues were examined through a qualitative research. To achieve the research goals we used interview as a research tool and content analysis as a method of analysis. The results presented in this paper come to explain and highlight the importance of entrepreneur-managers choices at one point in time, that over time have proven their strategic and / or operational efficiency or on the contrary – inefficiency – in relation with the rapid growth of companies.

KEYWORDS: *strategic choices, fast-growing company, management.*

1. INTRODUCTION

Many publications in the field have examined various research issues related to fast-growing firms. These are ranging from discussing how to define fast-growing companies to issues regarding attributes of the fast-growing company, fast growth factors, practices of fast-growing firms and up to aspects of finesse such as the vision of fast-growing firms managers.

Considering the fact that we have not identified until this moment a detailed research on strategic and / or operational choices of the fast-growing firms managers and yet, no analysis of the manager's decisions in the rapid growth period, we considered it appropriate to approach these issues for the Romanian fast-growing firms. In our opinion, our results present a new perspective on the process of rapid growth of the Romanian fast growth oriented firms from Timiș County, which would help us to better understand how the rapid growth of companies can be achieved in the Romanian context.

2. LITERATURE REVIEW SUMMARY

Wennberg (2013) presents that, with few exceptions, we do not know much about the management of high growth firms. [9]. Fischer and Reuber (2003) believe that management issues associated with the company's rapid growth can lead to poor performance and that rapid growth is more difficult to sustain than to obtain. Firms's growth is limited by capital and managerial constraints according to Barringer, Jones and Lewis (1997). [3], [1].

Fischer and Reuber (2003) discloses that in the literature, common management problems associated with rapid growth are associated with people, processes and resources. In connection with issues related to processes, the authors show that communication, decision-making systems and processes existing in the company rarely are well adapted at the moment of rapid growth. [3].

Zhang, Yang and Ma (2008) believes that rapid growth is not random, being associated with company-specific attributes, behaviours, strategies and decision-making. The authors present that in literature it is specified that when the perception of the environment is accurate better strategic decisions will be made. [10].

OECD (2012, p. 49) present that most high growth firms are undergoing a succession of changes in their evolution and these high growth firms have a hybrid structure allowing harmonization of functional and product management. About important decisions and strategy choices decisions it is referred to as being decided in a general consensus. [7].

Branka and Boštjan (2004) consider the decision-making as being one of the key determinants of survival and success of small firms. Branka and Boštjan (2004) also emphasizes that in the literature it is presented that in the small firms entrepreneur usually acts as a strategic manager, making all operational and strategic decisions. [2].

In their paper, Miozzo and DiVito (2016) present how manifestations of technology development act as signalling devices to attract funding and management, which according to the authors, influences the speed of firm growth. [5].

About assets and capabilities that businesses need to develop to be able to grow rapidly, Mason, Robinson and Bondibene (2012) present that these bring forward some skills challenges that however accompany the rapid expansion. Firm's growth rates may be affected by firms' choices of specialist products and target markets that are considered to be key components of strategic decision-making. The authors found a strong positive correlation between product strategy and average annual growth rates of employment and sales at the firms with higher growth rates of sales and number of employees. [4].

Wennberg (2013) on Nicholls-Nixon (2005) present that companies should build their capacity to make things to be done even when the formal structure and systems do not keep up with the rapid growth of the firms. To build such capacity it means to develop new skills and capabilities which may mean hiring personnel and obtaining resources such as new sales, accounting, or information systems, to improve organizational efficiency and effectiveness. [9], [6].

3. RESEARCH METHODOLOGY

For selecting fast-growing companies from the Romanian context, more precisely from Timiș Country, we used definition criteria according to OECD (2007, p.61). [8]. As it is presented in the literature, there are many discussions regarding the appropriate method by which to identify companies with high growth or rapid growth. Considering that there is still no consensus on the definition of fast-growing firms, but as many researchers apply into their studies the OECD definition criteria for identifying fast growing firms, in this research we applied the criteria of the definition to which we referred above.

First, we identified Romanian companies from Timiș County that achieved rapid growth in the reference period, 2008 - 2013. We verified the companies that had rapid growth in terms of turnover during the reference period. The result was that 153 companies had a rapid growth by turnover calculated as annual turnover growth rate and as average annualised growth. Please note that not all companies had a rapid growth in all consecutive calendar years in the baseline period, but all companies had rapid growth for at least 4 consecutive calendar years in the reference period such that at least three years to be considered years of fast growth. Next, we used the second OECD criteria which was related to the number of employees at the beginning of the growth period, being at least 10.

Of the 153 companies, only 17 companies were noted as having rapid growth in the reference period both, by turnover and number of employees. The growth of these companies was calculated as average annualised growth as shown in the paper of the OECD (2007, p.62). [8]

Further, collecting information for studying the research problems, the analysis and the interpretation of collected data / information were performed through a qualitative research methodology.

After establishing the research sample fast-growing companies, were organized in-depth interviews with entrepreneur-managers from the 17 Romanian fast-growing firms or fast growth oriented firms that were selected from the population of 153 companies. Top priorities

at selection for conducting the interviews were the 17 companies that met both criteria: turnover and number of employees. Of the 17 firms where interviews were conducted, 5 firms had rapid growth, both by turnover and number of employees. The remaining 12 companies where interviews were conducted, were satisfied the criterion of turnover. As regards the second OECD recommended criteria which was related to the number of employees, being at least 10, 12 firms out of 17 where interviews were conducted respected this criterion.

For each interview we wrote the transcript (where possible) or we wrote the sheets of paper containing the details of discussions during the interviews. To find answers at the research questions we applied the content analysis method of transcripts / sheets of papers.

For the written text being contained in transcripts / sheets of papers, the main type of analysis unit used in the content analysis was the word, the sentence or the paragraph. We grouped the words, the sentences and the paragraphs according to the specific subject so that to catch the hidden meanings of text on the research problems that we have proposed to examine in this research.

Further, we used the metaphorical reduction to determine each symbol or key pathway actions of each entrepreneur-manager based on a retrospective exercise, setting out the classification of each entrepreneur-manager and by default, of each analysed company.

4. RESULTS AND DISCUSSIONS

4.1 Analysis of the main managerial decisions in the years of rapid growth in terms of their effect on the rapid growth

In our opinion, the analysis of decision-making, whereby strategic decisions and operational decisions were adopted by the entrepreneur-managers during the rapid growth period helps us to achieve a better understanding of rapid growth. Moreover, identifying certain decisions that proved to be less favourable for rapid growth of the companies, decisions that can be brought to the light by the means of this analysis, and from which useful lessons can be learned for the management of the fast-growing firms and firms that intend to engage into a fast growth process.

The first research problem presented in this paper refers to the analysis of the main management decisions made in the years of rapid growth through the effects or consequences that occurred over time from when deciding, starting from the assumption that the experience gained over time makes people look with different eyes opportunities that they have passed over. In order to investigate it, we asked the entrepreneur-managers what would they do differently in the management of the company in the period of rapid growth if they would have the chance to go back in time, at a specific moment. The purpose of the question was to find out whether entrepreneur-managers have situations where, if it would be possible to do otherwise they would act otherwise to support / manage the rapid growth of the company.

We analysed the decisions of entrepreneur-managers that were taken during the rapid growth period in connection with investments during the period of rapid growth. Starting from issues such as directions toward entrepreneur-managers oriented to, key steps that entrepreneur-managers went through the years of rapid growth, investment and changes made in the years of rapid growth, we delivered a list of the most favourable decisions from the years of rapid growth in relation to the rapid growth of Romanian fast-growing firms.

The results of the analysis of the interviews validate that in decision-making, entrepreneur-managers have done the following: (1) analysed the opportunities and threats in the external environment, in parallel with the analysis of the firm's internal capabilities, using SWOT. (2) They were interested or were looking for relevant data and information for making the most appropriate decisions. (3) They had done considerable thinking on the importance and future effect of their growth-related decision.

The analysis that we performed highlights that during the rapid growth period entrepreneur-managers not only made good decisions in relation to the company's activity and implicitly, in

relation to rapid growth. All entrepreneur-managers stated that during rapid growth period they made decisions that, during that period, proved to be less favourable than expected, being ranked below the anticipated expectations when making decisions.

Following the findings of the analysis we considered appropriate to present in Table. 1. a brief summary of the research results in an antagonistic approach: favourable decisions and less favourable decisions for rapid growth of the company.

Analysing decisions that, over time, proved less favourable for rapid growth of the companies, meaning that they caused some delays, tensions or difficulties during the implementation of the decision or in the immediate aftermath of the decision, as stated some of entrepreneur-managers at the interviews, we could draw several best practices, such as:

- employing specialized and competent personnel from the beginning;
- better prioritization of major / strategic investment using specific situation criteria (for instance, avoiding focusing only on the investments, without paying attention to the earlier development of agricultural exploitation);
- maintaining a balance between growth and company earnings;
- promotion / to-market products or services;
- diversifying earlier the range of products or services offered;
- minimizing losses when making decisions
- avoiding (as possible) problems in cashing;
- earlier making decisions for decisions;
- a much rigorous organization / management of the company;
- a greater attention to be paid to lifelong learning of employees.

It is important also to specify that the analysis performed reveals that all the entrepreneur-managers of companies in the sample have assumed all the decisions. Next, they also used them as support for their future decisions, founding appropriate to learn especially from the decisions that proved to be less favourable in relation to expectations of entrepreneur-managers vis-a-vis the efficiency and effectiveness of the aftermath of the decisions made, in relation to the rapid growth of the company.

Table 1. Example of useful or favourable decisions and less useful or less favourable decisions for rapid growth in the management of Romanian fast-growing firms

Useful or favourable decisions
-decision to reinvest every year profits in the company -prioritizing investments and their funding in order to achieve them -decision to make periodic changes in the firm: organizational changes, changes in functioning and changes of personal -decision to execute some less profitable works but necessary for customer retention -decision to gradually increase the percentage of profit of the company contracts, while increasing the effectiveness / efficiency / quality
Less useful or less favourable
-development of related activities that over time proved unprofitable or less profitable -maintaining too friendly relationships with customers, which led to delays in payment collection from some customers who have failed to inform the manager about the problems faced -continuing collaborative relationships to companies that could not pay their debts, which caused some financial losses -purchase for larger amounts of money less efficient equipment or equipment with limited functions

Source: author's own processing based on information from interviews

4.2 Discussion of the main strategic and / or operational choices of the entrepreneur-managers in the years of rapid growth

As regards the second research problem presented in this paper – analysis and discussion of the role of main strategic and / or operational choices of entrepreneur-managers in the years of rapid growth we proceeded as follows. To understand the ways of action during rapid growth

we analysed the strategic and / or operational choices undertaken by entrepreneur-managers in the years of rapid growth and we drew several findings. In reaching findings we have carefully reviewed the investments made by entrepreneur-managers during rapid growth, by field of activity of each firm from the sample.

The main strategic and / or operational choices presented in the paper, stemming from the initiative and the decisions made by the entrepreneur-managers in the years of rapid growth, sheds new light on the steps taken by entrepreneur-managers to achieve and to support rapid growth of the firm. In Table 2 we present the most representative examples of strategic and / or operational choices of the Romanian fast-growing firm's managers.

Table 2. Synthesis of the main strategic and / or operational choices of Romanian fast-growing firm's managers.

Investing in tangible assets (buildings, land, assets, inventory and so on)
<ul style="list-style-type: none"> - investment in fixed assets for exploitation - second hand (at first) and new (after) - investing in buildings, own head office / certain annexes to the head office, land - investing in opening new workstations (in other locations) - investing in renovation / modernization - investing every year in equipment and the latest technology, efficient and yield: tools, machinery work (a track of what is new: improvements / innovations in the field) - investing in better logistics, machinery, warehouses - investing in quality products offered - investing in diversification of products / services - investment in increasing production capacity
Investing in know-how, software technology or marketing
<ul style="list-style-type: none"> - investing in the creation and product development - investing in new features of the services (consulting and so on) - investing in achieving a Management Systems Certification - investing in IT infrastructure of the company - investing in the development of database (suppliers, customers, collaborators) - investing in a performance management system (the transparency of objectives) - investing in computer software - investing in marketing and promotion (website, visual appearance, catalogues, marketing research, promotional campaigns and so on)
Investing in human resources
<ul style="list-style-type: none"> - investing in maintaining specialization of the employees and employees authorizations - investing in quality human resources training, specialization - investing in employees specialization and employees improvement of work technique - investing in improving knowledge and learning how to use new technologies

Source: author's own processing based on information from interviews

Referring to the findings that emerged from the performed analysis, we present the followings conclusions.

First, there is a major difference between companies in terms of how investments were made during the rapid growth period and in terms of their magnitude. By investments magnitude we mean number of investments made, the scale of investments. For example, while some companies in the sample had considerable investment in functioning and development, developing actually a series of investments, others companies actually did not need to invest a lot in the company's technical infrastructure and their assets.

In our opinion, the specificity of the company's field of activity, explains why, some firms, during the rapid growth period, needed to undertake a larger investment in tangible or intangible assets and why the other firms had smaller investments in tangible assets. The firms that were not marked by large investments in tangible assets appeared to invest in the company's human resources: specialization and training. For example, organizing and paying for periodical coursework where specialists in the field were invited; hiring specialists in some specific areas of competence such as sales, marketing.

Secondly, we can distinguished several main areas for investment, using investment's types made during rapid growth. Analysing the undertaken investments types made by Romanian fast-growing firms during the rapid growth period, we distinguished between: investment in

tangible assets (buildings, land, assets, inventory and so on), investing in know-how, software technology, management or marketing, and investment in human resources.

Thirdly, good investment prioritization was one of the main concerns of entrepreneur-managers of Romanian fast-growing firms. The analysis results show that all interviewed entrepreneur-managers have prioritized investments depending on the goal that chased.

5. CONCLUSIONS

În our opinion, the rapid growth of Romanian fast-growing firms is the result of entrepreneur-managers decision-making and of strategic choices and / or operational choices of the entrepreneur-managers. The firms were carried to the rapid growth under the guidance and with the intention of the entrepreneur-managers.

Analysis results on the strategic choices and / or operational choices of Romanian fast-growing firm's managers, presented in this paper, come to explain and highlight the importance of strategic thinking in relation to the rapid growth of the company.

The results highlighted and helped us to better understand, the decisions and the entrepreneur-managers' ways of action during rapid growth.

As regards the decision-making, one of the most important things that can be drawn from this research is that in decision-making, managers thought about the firm's development and analysed every important decision for the firm's development. So, previsioning of certain different futures in relation to a decision or another played a significant role in decision-making of Romanian entrepreneurs-managers.

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