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Shaping Policy Supporting High-Growth Entrepreneurship: Reflections on EU SME Policy

Summary:

This article is a summary of recent research findings regarding small and medium-sized enterprise (SME) growth drivers and success factors. It is based on a literature review concerning the theoretical background and research results on high-growth companies/ entrepreneurship and the structure and impact of the European Union's (EU) SME policy. There is a lack of substantial evaluation studies on policies to promote high-growth SMEs; there is a need for the specific design of such policies, and to systemise support in different lifecycle stages with a better understanding of individual needs and the degree of policy and instrument effects. A strategic framework must be developed that defines the main target groups of SMEs to be supported. Recent SME research findings presented in the article may deliver a target grid to optimize EU SME policy, based on knowledge about the corporate lifecycle of high-growth companies.

KEYWORDS

European Union, entrepreneurship policy,
SME policy, economic policy, high-growth

companies, hidden champions, small and medium-sized enterprises (SMEs)

KSZTAŁTOWANIE POLITYKI WSPIERANIA
PRZEDSIĘBIORCZOŚCI O WYSOKIM POTENCJALE
WZROSTU – REFLEKSJE NA TEMAT POLITYKI UE
NA RZECZ MŚP

Streszczenie

Artykuł ma formę raportu podsumowującego najnowsze wyniki badań dotyczące czynników wzrostu MŚP i ich sukcesu. Jest oparty na przeglądzie literatury dotyczącej teoretycznych studiów i empirycznych badań przedsiębiorczości i przedsiębiorstw o wysokim potencjale wzrostu (*high-growth*) oraz nad strukturą i wpływem polityki UE na MŚP. Brak jest istotnych badań ewaluacyjnych polityk dla MŚP notujących wysoki wzrost, a co za tym idzie istnieje pilna potrzeba konkretnego projektu takiej polityki, a także usystematyzowania wsparcia w różnych etapach cyklu życia przedsiębiorstw wzrostowych w celu lepszego zrozumienia indywidualnych potrzeb i stopnia efektywności polityki i jej instrumentów. Ostatnie wyniki badań MŚP zaprezentowane w artykule mogą pomóc w modelowaniu optymalizacji sieci docelowej polityki UE na rzecz MŚP na podstawie wiedzy na temat cyklu życia przedsiębiorstw o wysokim potencjale wzrostu.

SŁOWA KLUCZOWE

Unia Europejska, polityka na rzecz przedsiębiorczości, polityka na rzecz MŚP, polityka gospodarcza, przedsiębiorstwa *high-growth*, *hidden champions*, małe i średnie przedsiębiorstwa (MŚP)

INTRODUCTION

EU economic policy at a macro-level targets economic growth to generate an increase in employment, and it targets micro-level SMEs as the main leverage for achieving quantitative macro-level objectives. In particular, the recent economic crisis, triggered by the financial crisis, has clearly shown that economies which have developed a broad SME basis were relatively stable. In contrast, the economies most subject

to the fluctuations in the world economy were those in which the number of SMEs has decreased in recent years.

Therefore, SMEs seem to be once again the backbone of a healthy economy and are thus important for an efficient economic policy. However, as shown in this paper, SME policy is often not driven by research findings and target definitions, but is fragmented and unfocused.

The main objective of this paper is to present a substantial review and evaluation of studies on policies that promote high-growth SMEs, high-growth entrepreneurship and offering recommendations for specific designs of such policies in the future. The article is based on a literature review concerning the theoretical background and research results on high-growth companies and high-growth entrepreneurship, as well as its impact and implications for entrepreneurship and SME policy. The research hypothesis is: The current EU SME policy is not the way to reach macro-level targets of EU economic policy. A strategic framework must be developed that defines the main target groups of SMEs to be supported in accordance with their different requirements in their specific corporate lifecycle situations.

1. THE NORMATIVITY OF ECONOMIC POLICY

Economics is taught in two main dimensions: firstly as economic theory. and secondly as economic policy. Economic theory again can be divided by methodological criteria into microeconomics and macroeconomics (sometimes also mesoeconomics). Macroeconomics is applied in economic policy and finds application in monetary theory, growth theory, allocation theory, international economics and environmental economics. Microeconomic theory is the main tool for analysing price and competition policy issues on matters concerning tax-effects, cost externalisation assessment, or the effect of activities to promote entrepreneurship and SMEs [Negishi 1985, p. 170; Bayoumi et al. 2004, p. 2].

Economic policy can be initially defined as the application of theory in practice. However, theory and practice differ, as there is no 'true' and 'false' in practice. Policy *per se* is human action and not the observation of objects and descriptions, in terms of a causal nexus.

Instead, economic theory describes the behaviour of economic agents. Theory can distinguish between “true” and “false” by means of economic statistics, econometrics, etc. and thus verify or falsify a theory or a model. Furthermore, politicians and policymakers can use theory to achieve their goals. However, goals are a matter of principle, in the sense of distinctions between “good” or “bad” and “appropriate” or “inappropriate”. In this respect, SME or entrepreneurship policy can never be “true” or “false” but “appropriate” or “inappropriate”, in relation to policy goals [Simpson 2005, p. 199]. Therefore, in the field of economic policy, value judgments largely have to be made. Thus, a supporter of monetarism declares price stability as an objective of economic policy, while a Keynesian economist or politician proclaims the goal of creating jobs. Economic policy pursues normatively justified objectives and intends to implement them by specific means.

Objectives in economic policy can be distinguished by their target quality as follows [Fatás, Mihov, Rose 2006, p. 5, 30; Rosenblatt, Kinder 2006, p. 62]:

1. Qualitative Targets: These are usually inaccurately defined goals such as job security, reliable monetary policy and low government debt.
2. Comparative Targets: A comparison between the specification of a variable in the actual target comparison, such as the temporal change of a size, such as an increase in exports by x% and the reduction of unemployment by y%. Comparative objectives are therefore more accurate than qualitative goals.
3. Quantitative Targets: Accurate quantitative targets in absolute or relative numbers or as a target range.

It will be shown later that in the field of SME policy in particular, target quality is relatively low. Today, comparative or quantitative targets are defined – but only in terms of budgets. However, theory can answer the question regarding what activities might have an effect and thus provide a forecast for the efficiency of certain activities by means of a cause-and-effect relationship. Thus, economic theory can support economic policy in the choice of means; however, it cannot decide if the objectives are “right” or “wrong.” Economic policy can be defined as the allocation of scarce resources based on collective goal decisions, with the assumption that the market is inefficient in certain areas. If a specific market is efficient, then no political

intervention is necessary. In Germany (currently the most successful economy in the EU), four objectives are derived from the Constitution, which are [Klump 2011, p. 255]:

1. adequate and steady economic growth (benchmark: economic growth in percent),
2. a high level of employment (benchmark: the number of unemployed),
3. stability of prices (benchmark: the increase in consumer prices in percent) and
4. external balance (benchmark: the current account surplus).

The EU's objectives cannot be derived from a constitution, but has been defined by the Governments of the Member States in 2000 in the "Europe 2020 Strategy." Four priority objectives were defined for 2020, and these are [European Commission 2012a, p. 5]:

1. sustain economic growth,
2. more and better jobs,
3. greater social cohesion, and
4. the introduction of sustainability.

Most of the targets are quantitative targets. Therefore, for example, investment in education and research should rise to 76% of the gross national product (GDP) in each member country, and the employment rate should rise to 75%. The success of the measures taken will be reviewed through regular evaluation and benchmarking at the Member State level.

Instruments to achieve these goals are the so-called flagship initiatives. The flagship initiative, "Smart Growth" is particularly relevant for the SME sector, with a focus on innovation ("Innovation Union") and digitisation. As part of this flagship initiative, the so-called "Small Business Act for Europe" (SBA) was adopted in 2008, based on the statement that SMEs are the backbone of the implementation of the "Europe 2020 Strategy" [European Commission 2008, p. 2]. It has been stated that EU economic policy should follow the "Think Small First" principle and promote family firms and family entrepreneurship [Wach 2013, p. 107-133], as well as international entrepreneurship and the internationalisation of small and medium-sized enterprises within the "Global Europe" programme.

2. FINANCING THE ENTREPRENEURSHIP AND SME POLICY IN THE EUROPEAN UNION

Planned and partially executed activities must first be surveyed to decide whether the EU SME Policy is appropriate or not to achieve set macro-level targets.

Since the financial crisis, it has been clear how important SMEs are in Europe for value creation and the marketability of Europe. The EU has long sought to strengthen the competitiveness of small and medium-sized enterprises in Europe with multiple instruments. Small and medium enterprises (SME) are the backbone of Europe's economy. There are 23 million SMEs in Europe, representing approximately 99% of all companies and 57% of them are sole proprietorships. They provide two-thirds of total private-sector employment, representing 80% of total job creation and produce more than half of the EU's added value.

During the 1970s, the British economist, Schumacher, coined the phrase "small is beautiful," but the same cannot be said of EU SMEs. According to a 2008 study by the EU, their lacklustre (bad) performance raises concerns, as their productivity and growth is lower than in the USA, where productivity levels are on average 30 to 40% higher. Therefore, since 2008, a new EU policy strategy looks very much to the regional innovation systems as the main factor of competitiveness [Commission of the European Communities 2007]. The aim is to build world-class clusters with the necessary dimensional strength, since too many clusters are too small in size to compete globally.

The current European Union's support to SMEs is available in different forms such as grants, loans and guarantees. Support is available directly or through programs managed at the national or regional levels, such as the European Union's Structural Funds. The "European Union Support Programmes for SMEs" (2012a) concept distinguishes four categories (Table 1):

1. Thematic Funding Opportunities: Funding is mostly thematic (e.g., environment, research, education); SMEs or other organisations (e.g., industrial groups, business associations, business support providers and/or consultants) can usually apply directly, generally on condition that they present sustainable, value-added and transnational projects; the support of the EU

- usually consists of subsidies that only cover part of the costs of a project.
2. **Structural Funds:** The European Regional Development Fund (ERDF) and European Social Fund (ESF) are the largest funding instruments benefiting SMEs; the beneficiaries of structural funds receive a direct contribution to finance their projects; the programmes are managed and projects are selected at the national and regional levels.
 3. **Financial Instruments:** Most of the financial instruments are only available indirectly, via national financial intermediaries; however, some of are managed by the European Investment Fund.
 4. **Support for the Internationalization of SMEs:** Generally delivered for assistance to intermediary organisations and/or public authorities in the field of internationalisation, to help SMEs access markets outside the EU.

Table 1: Type of SME support, programmes, budgets in the EU for the years 2007-2013

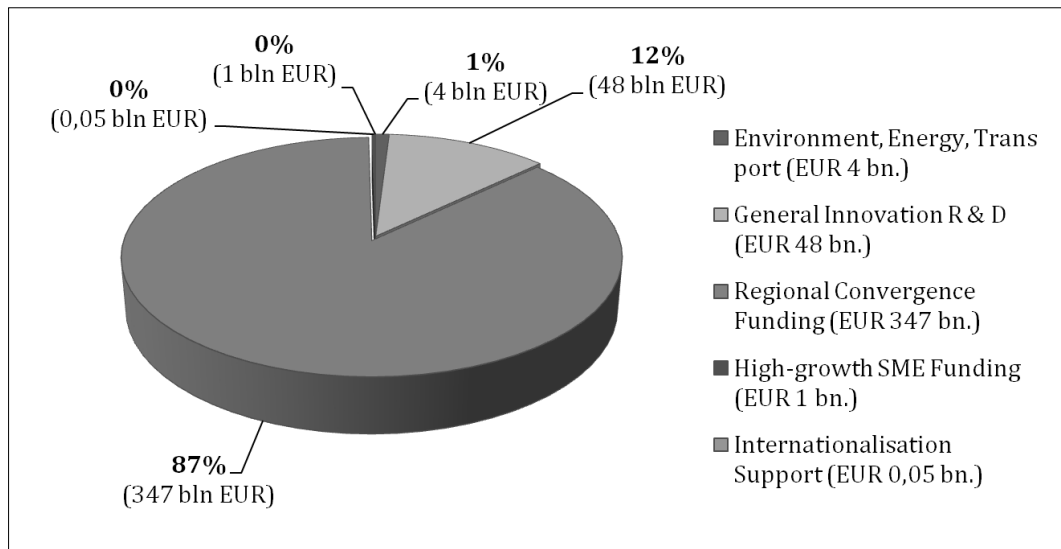
Type of Support	Program	Budget
Thematic Funding Opportunities	Environment, energy, transport	EUR 2.1 billion
	<i>Life +</i> : Nature and diversity, environmental policy and governance, information and communication	EUR 3.6 billion
	<i>CIP</i> : Eco-innovation, intelligent energy, information and communication technologies	EUR 450 million
	policies	
	<i>Marco Polo II</i> : Reduce road congestion, improve environmental performance	EUR 48.5 billion
	Innovation and research	
	<i>7th Framework Program for R & D</i> : Joint technology initiatives, industry-academic partnerships	

Structural Funds and Cohesion Fund	<i>European Regional Development Fund (ERDF), European Social Fund (ESF), European Cohesion Fund (CF)</i> – to speed up economic convergence, regional competitiveness and employed, and cross-border cooperation – ESF (81% of EUR 347.4 billion) strongly focusing on mentoring, technology and management system subsidies	EUR 347.4 billion
Financial Instruments	CIP High-Growth and Innovative SME	EUR 1.13 billion
Support for the internationalisation of SMEs	Indirect funding to SMEs by facilitating access to loans, leasing and equity operations, through cooperation with international financial institutions (European Investment Bank) <i>AL-Invest IV (Latin America):</i> support the internationalisation of SMEs in Latin America <i>EU Gateway Programmes</i> supported by means of networking and providing information	EUR 50 million n/a

Source: own compilation based on [European Commission 2012b, p. 3-20].

The focus on activities is very interesting (figure 1). It is apparent the largest part of the budget is for regional convergence activities and, one assumes, will be allocated in a very fragmented way (probably in thousands) to small regional projects with the focus on levelling regional disparities. In contrast, internationalisation and high-growth companies are funded in negligible portions.

Figure 1: Share of Each Activity of the Total Budget



Source: own compilation based on the data of [European Commission 2012b, p. 3-20].

The second largest share is for supporting “non-thematic” innovation (this means: not for innovations in the field of environment, energy, or transport), which is primarily technological innovation (i.e., not sales, business models, or other non-technological innovations). Aside from the question of whether only technology innovation drives growth, the question arises here regarding who decides and on what basis the decision is made about whether a proposed innovation is truly marketable at the end of the R & D process and should therefore be encouraged by loans, subsidies, grants, etc. The answer is: regional authorities. The question then is: Has there been any regional administration expertise in business development, or is there rather a significant risk expected that only the particularistic interests of political parties prevail here? This may be the main issue when evaluating the efficiency of the policy approach: Can the regional focus really produce an efficient allocation of resources? [OECD 2007, p. 78, 93; Wach 2008, p. 397-406]. Finally, regional disparities are an expression of market developments. Can it be useful to counter this politically, or rather to accept the structural change and to strive for an appropriate re-allocation and focusing of resources on the new or existing regional growth centres, rather than on structurally weak areas and prolonging only decline with tax money? It has at least become clear that SME policy needs a more strategic approach. This, at least, is the

conclusion of an Organisation for Economic Co-operation and Development (OECD) evaluation on the impact of SME policies in different countries [OECD 2007, p. 93]. Concerning the EU, this evaluation is supported by further studies [Tödting-Schönhofer et al. 2011, p. 71].

It is possible that particularistic interests at the level of regions and party-bound industrial policy biases may prevent an allocation into growth-sectors and industries or growth companies and may, for instance, support mature industries and companies. This assumption is also supported by the fact that the decision for allocating the budget is made at the regional and national levels. In any case, it is not the 'market' that decides. Additionally, it is remarkable that no comparative or quantitative targets are given anywhere in the "European Union Support Programmes for SMEs" [European Commission 2012b].

3. FINDINGS OF RESEARCH: HIDDEN CHAMPIONS AND HIGH-GROWTH COMPANIES

The following section summarises the findings on what types of companies generate jobs and how they do it. The goal is to decide if current SME policy activities are, in terms of preliminary considerations on the normativity of economic policy, "inappropriate" or "appropriate" for achieving macro-targets of economic growth for the purpose of job growth. To anticipate the results: The EU SME policy has provided little in the way of support, high-growth companies are the job engine and are not successful through technological innovation, but by soft innovation and internationalisation, which are areas only slightly promoted in EU SME policy, as was just shown (figure 1).

3.1. High-Growth Companies as the Job Engine

Two recent meta-analyses summarise the status of research on high-growth companies [Henrekson, Johansson 2010; Daunfeld, Elert, Johansson 2010]. A total of 28 studies on high-growth companies (1988-2007) are largely based on statistical data from the end of the

1970s until the mid-2000s. Definitions of high-growth companies can be distinguished in terms of criteria such as growth indicators, measurement methods, the time period considered and the introduction of additional criteria. The two most common economic growth indicators are the number of employees and turnover [OECD 2007, 2008; Fritsch, Mueller, Weyh, 2004; Autio, Arenius, Wallenius 2000].

The type of growth measurement differs, such as absolute, relative and a combination of absolute and relative growth can be used as benchmarks. Regarding the measurement period, definitions differ only slightly. The growth period is three years in the majority of the investigations. However, all surveys since 2000 have produced the same results: Fast-growing companies generate, on average, significantly more jobs:

- Autio, Arenius, Wallenius [2000]: Rapidly growing firms increase their employment by more than 400% (Data basis: Statistics Finland).
- Brüderl, Prisendörfer [2000]: A small proportion of 4% are fast-growing businesses (companies with more than 100% revenue in 5 years). They have created a disproportional higher share of jobs.
- Schreyer [2000]: Among all the German non-listed companies, 10% of companies with the highest sales growth made a significant contribution to job creation.
- Halabisky et al. [2006]: Canadian companies with more than 50% revenue growth between 1985 and 1999 created the majority of all new jobs in this period.
- Acs, Parsons, Tracy [2008]: U.S. companies that doubled their sales in the four-year period of 1998-2002 (around 3% of all companies) created almost all new jobs over the period. (Data base: Business Information Tracking System, American Corporate Statistical Library).

Other studies, however, do not make precise quantitative statements, but also come to the result that high-growth companies have a significantly disproportionate share in the creation of new jobs [Ahmad, Petersen 2007; Fritsch, Weyh 2006; Littunen, Tohmo 2003; Davidsson, Delmar 2003, 2006].

3.2. High-Growth Challenges: Innovation and Internationalisation

Fast growth is a rather temporary phenomenon within the corporate lifecycle (CLC) [Hölzl 2008; Acs, Mueller 2008]. Smaller companies have a tendency to grow faster, due to size-related efficiency advantages [Wach 2012, p. 41-42]. Therefore, higher-growth companies are, on average, younger than slower-growing companies. By contrast, 'young' does not necessarily mean start-ups: 70% of the companies with a growth rate of at least 20% over a 3-year period are at least 5 years old [Acs et al. 2008]. Instead, companies that have doubled their revenue over 3 years are, on average, 25-years-old. Fast-growing companies are not necessarily young companies or start-ups. Fast-growing, young companies can be found in all sectors – not just in technology or knowledge-intensive areas [Hölzl 2009]) and internationalising companies grow faster [Henrekson, Johansson 2009].

Simon [1996, 2007, 2012] conceptualised the category of companies he called hidden champions. Since 1996, he has analysed leading companies in a panel that includes 1,316 companies. This sample consists of firms that are No. 1, 2 or 3 in their markets, in terms of revenue, in relation to total market volume. They have revenues of less than EUR 3 billion and are not usually stock-listed companies (i.e., the companies' management is not subject to short-term profit interests) [Simon 2007, p. 29 ff]. Hidden champions generate a significantly higher yield in a narrow and clearly defined market niche [Simon 2007, p. 90 ff]. The companies of Simon's sample are the backbone for German economic success of the last few years. As indicated by research on high-growth companies, hidden champions mostly grow in the corporate lifecycle steadily and organically (on average, 8.8% p. a. in revenue [Simon 2012, p. 113]. This means that growth does not exceed their financial resources over a prolonged period in the CLC, but their growth is still significantly and steadily above market growth [Raisch, Probst, Gomez 2010, p. 17]. These longer phases of organic growth are repeatedly interrupted by very erratic growth, mostly driven by internationalisation offensives. The companies of Simon's sample have a revenue growth rate of 200% in 10 years and have generated 0.5 million jobs in this time [Simon 2012, p. 121]. Most companies belong to the low-involvement industries [Simon 2012, p. 234].

In addition to Simon's studies, other research on medium-sized German companies, which are European or world market leaders, still exists. In particular, consulting firms such as McKinsey, Ernst & Young and Droege & Company have undertaken similar research. The publications of Meffert & Klein (2007) (McKinsey), Ernst & Young (2008), Age & Kalkbrenner (2010) or Blommen & Bothe (2008) are examples of this trend to examine success factors of mid-sized German companies.

The McKinsey survey on leading German companies is based on the McKinsey database, which includes financial data on the 5.000 largest mid-sized German companies, as well as interviews with CEOs of 800 companies out of the data set [Meffert, Klein 2007, p. 12]. This survey segment represents the most successful segment of the German economy. Companies in this segment experience annual sales growth of 4.6% p. a. and an average 5% p. a. return on sales in the period from 1998 to 2003.

The success of the McKinsey sample companies cannot be explained by the correct market choice or with the selection of the correct entry strategy [Meffert, Klein 2007, p. 187]. McKinsey developed a CLC model out of the survey data. Successful companies begin as specialisers then become innovation leaders. At this stage, some companies manage to make the transformation to competence leaders in the later phase of the CLC. To pass the growth barrier, the innovation champion develops new products, often associated with the introduction of new processes. Thus, the innovation champion evolves from a single-product specialiser to the innovation champion that finds the key to continuous innovation. Innovation does not mean technology breakthrough innovation, but new processes and marketing approaches, as well as step-by-step improvements of existing products. Only on the way to being an innovation champion does the focus move away from improving existing products to real new developments. This is to gain the first-mover advantage and become a technology leader in existing technologies or by the application of existing technologies in a new use context [Meffert, Klein 2007, p. 86-92].

The innovation champion establishes the process of internationalisation. As a specialiser, the champion has realized first experiences and key learnings on how to internationalise. Then, as a competence

leader, the champion becomes a market leader in various segments, is fully internationalised and on the way to a group structure with several independent business units [Meffert, Klein 2007, p. 48, 61, 88, 135].

High-Growth companies and hidden champions are two species of the same breed. Innovation and internationalisation are the engines for revenue and job growth. Both categories of companies outperform the markets in which they are engaged; however, a different breed is the Born Globals. They are also high-growth companies, but with a degree of higher internationalisation from the outset, and thus are not job engines in their home countries. Additionally, their growth driver is real new technology [Hollensen 2007, p. 77; Kutschker, Schmidt 2006, p. 1162, Haric et al. 2013, p. 101 f.] and not incremental innovation. Rennie [1993] has introduced the category, "Born Globals." The term has often been defined differently [Jones et al. 2011]. Common sense suggests that Born Globals are companies that need to use swiftly at the start-up stage their competitive advantage that stems from the company's specific resources and skills. This is due to their advantage being so specific that either the home market is too small to benefit from it any longer, or the advantage will not last long enough because of the competitive intensity in their markets [cf. Wesseley 2010, p. 37; Pock 2011, p. 24]. This means that Born Globals do not first grow step-by-step in one country like hidden champions and most of the high-growth companies, but pursue a world market strategy from the outset.

Born Globals have special skills and knowledge that allow them, and ultimately force them, to build up the export business from the start-up phase. This leads to a significantly higher export rate in relation to the company's age, compared to market performers, high-growth companies or hidden champions.

Although many companies internationalise relatively early in the corporate lifecycle, that does not necessarily mean they are a Born Global. Many companies, particularly from countries with smaller domestic markets such as Denmark, Sweden and Singapore, repeatedly "produce" companies that internationalise early in the CLC [Autio, Sapienza, Almeida 2000, p. 909]. Here, it is better to distinguish between Born Globals and "global start-ups" [Mathews 2002, p. 29], "instant internationals" or "global start-ups." However, these

types of companies pursue an internationalisation strategy but not a world market strategy (i.e., not a step-by-step internationalisation but rather a global roll-out approach) [Oviat, McDougall 1994, p. 49].

It is essential, however, that Born Globals differ from high-growth companies and hidden champions in that they are extremely technology-focused and contribute only slightly to job growth in the home country, due to their rapid globalisation.

4. HIGH-GROWTH ENTREPRENEURSHIP AND IMPLICATIONS FOR SME POLICY

Efficiency in entrepreneurship policy and SME policy is, at first, simple to define: to achieve with a given amount the highest outcome. In terms of the topic of this paper, the recommendation may be to find the 6% to 10% of companies with the highest growth potential (high-growth companies), or companies that sustainably outperform the market (hidden champions) or have the potential to sustainably outperform the market (specialisers, innovation champions), because they produce the most jobs. Born Globals or technology leaders are not part of the group of companies that create many jobs. Growth motivation is a necessary factor for actual firm growth.

High-Growth Entrepreneurship is characterised by growth motivation that is determined by the perceived ability, need and opportunity for growth [Davidsson 1989]. Although some objective factors directly affect actual growth, the entrepreneur's perception of the ability, need and opportunity for growth is of major importance for explaining the motivation-mediated effects on growth. Therefore, several potential crucial differences between generic entrepreneurship policies (SME policies) and high-growth entrepreneurship policies should be noted (table 2).

Table 2. Trade-Offs between SME and High-Growth Entrepreneurship Policies

Criteria	SME Policy Generic Entrepreneurship Policy	High-Growth Entrepreneurship Policy
Policy Goals		
Objectives in relation to entrepreneurship	Entice more people to become entrepreneurs	Entice the right people to become entrepreneurs
Objectives in relation to entrepreneurial firms	Increase the number of new entrepreneurial firms	Increase the growth of entrepreneurial firms
Objectives in relation to operational environment	Facilitate the environment for small business operation	Facilitate the environment for entrepreneurial firm growth
Resource Provision		
Source	Mostly from public sources	Combination of public and private sources
Type of financial resources	Grants, subsidies, soft loans	R&D loans and innovation grants, business angel finance, venture finance, IPOs
Dominant service	Basic (standard) advice for firm creation, business planning, small business operation	Experienced-based advices for venture finance, strategic planning; internationalisation; organisational growth
Resource distribution principle	Ensure equal access for everyone (resource spread)	Select promising recipients (resource focus)
Regulatory Emphasis		
Lifecycle focus	Remove bottlenecks to new business entry	Remove bottlenecks to entrepreneurial firm growth
Compliance bottleneck addressed	Reduce cost of compliance for small business	Smooth compliance requirements for growing firms
Fiscal regulations	Reduce VAT for small firms	Accommodate dramatic changes in firm scale; treat share options neutrally

Attitude towards failure	Avoid failure, bankruptcy	Accept firm failure and bankruptcy, but reduce the economic and social cost of these
Links to other policy domains	Industrial policy, social policy, labour policy	Industrial policy, innovation policy, labour policy

Source: [Autio 2007, p. 38].

However, the study of growth companies is not and will not be an exact science, if that is defined in terms of clear cause-effect relations. Referring, however, to the preliminary considerations on the normativity of economic policy, the findings of recent research on growth companies suggest the impact of the current EU SME policy may be relatively weak and has room for improvement. This means, the conclusion of this paper is not that the EU SME policy is right or wrong, but seems to be inappropriate in terms of the macro-level targets. From the perspective of the analysis executed and presented above, the EU SME policy gives the impression of a scattered bundle of activities, whereas the main topics of the job growth agenda (internationalisation but not a world market strategy, high-growth in niche markets but not mass market cost leadership, innovation leadership but not technology leadership) are completely underrepresented. Aside from this, a technology-focused SME policy seems questionable.

According to several findings on high-growth companies, the period of 5 to 25 years seems to be the decisive age of a company [Acs, Parsons, Tracy 2008; Anaydike-Danes et al. 2011]. At this stage of a company's CLC, it is decided more or less whether a company has the potential to become a high-growth specialiser and innovation champion, and thus grow into a Hidden Champion, or will only follow business and market cycles without steady revenue and job growth. This time period can be referred to as the Archimedean point for SME subsidies, loans, grants, etc. Thereafter, when the shift to a sustainable growth company is completed, a growth company has better access to debt capital [cf. López-García, Puente 2009], so that the market may be a better "expert" to decide what is "right" or "wrong" to invest in, as this can be done by regional, national or

transnational “experts”. Additionally, it can be asserted that the pre-start-up phase is also an Archimedean point (mostly neglected by funding institutions at the national level [see e.g. Institut für KMU-Management 2012, p. 10]). Subsidies are meant for kick-starting the founding of a business, but not for initial business growth [Koski, Pajarinenin 2011]. At these two points of the CLC, subsidies and loans may be most efficient. Thereafter, it should be “the market as discovery process” (Hayek), which selects “good” from “bad”.

The same applies to technology funding. A growing specialiser is the best proof of a correct assumption on what the market needs and is willing to pay for. Therefore, a technology-dependent loan (thematic funding) or subsidy is, seemingly, not the best way to promote high growth in terms of the free market paradigm. Additionally, the fact that most growth companies arise in low-involvement industries supports this view. This is especially true for Born Globals. Fast-growing technology companies are precisely not the companies that should be promoted, because they do not create jobs at home. Therefore, one has to ask whether it is just the high-tech or rather low-involvement industries companies (hidden champions) that should be supported.

CONCLUSIONS

There is a lack of substantial evaluation studies of policies to promote high-growth SMEs; however, there is a need to specifically design such policies, due to the increased risk of government failure [Aghion, Hemous, Veugelers, 2009, p. 5; Lilischkis 2011, p. 87]. Although the findings and reflections presented here are incomplete, they may suggest the present EU SME policy, which is the core of EU economic policy, is not the way to reach macro-level targets of the “Europe 2020 Strategy.” That is, at least not “intentionally,” if only because there are no qualitative targets (benchmarks) mentioned anywhere and thus the achievement of objectives cannot be ascertained [Tödting-Schönhofer et al. 2011, p. 77 f., 81]. This means, EU SME policy is not right or wrong, but presumably inappropriate in terms of their own targets, because the focus is on the wrong companies and not on the needs of the companies that create the most jobs. Tödting-Schönhofer et al. [2011, p. 102] stated:

There is a need to systemize support in different lifecycle stages with a better understanding of the individual needs and the degree of effects policies and instruments have ... A strategic framework has to be developed which defines the main target groups of SMEs to be support.

Therefore, it can be stated that the initial thesis of this paper was verified, but it must be noted at the same time that further research is necessary for a precise ideal typical model of corporate lifecycle of high-growth companies. On the other hand, there are already significant empirical findings in success factor research and in research on hidden champions (referred to in this paper), so it can be assumed that enough empirical material is generally available for a valid formulation of a model.

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