

High Growth Firms as Objects of Desire for Regional Policy

A micro-data based landscape of Austrian firms 2002–2011

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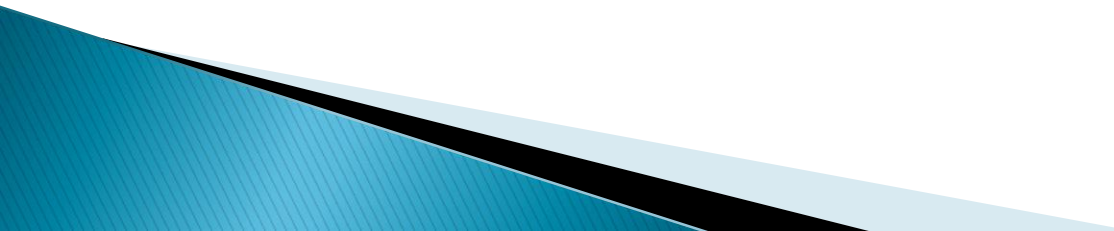
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HIGH GROWTH FIRMS AS „OBJECTS OF DESIRE“ FOR SUTAINABLE DEVELOPMENT

- ▶ regional development and resilient territories dependent of formation, growth and survival of firms
 - ▶ diverse forms of firm behavior – across sectors and size
 - ▶ long term growth perspectives of regions in need of firms with sustainable dynamism
 - ▶ in search of firms revealing capacities of continuous development processes
 - ▶ landscape of firms with different growth patterns
 - ▶ relevance for policy support and firm promotion along the paths to sustainable development
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FAQ

with different answers

- ▶ which type of firms drive aggregate growth and support sustainable development
- ▶ Gazelles: high-growth firms – young? small? high-tech?
 - Acs, Parsons, Tracy 2008: High-Impact Firms: Gazelles Revisited
 - Henrekson, Johansson 2010: Gazelles as Job Creators
 - answer: rather young age than small size, in all industries*
- ▶ Mice: importance of small firms
 - Birch 1981: Who creates jobs?
 - Birch 1987: Job Creation in America: How ours smallest companies put the most people to work
 - Davis, Haltiwanger, Schuh 1996: Small Business and Job Creation: Dissecting the Myth and Reassessing the Facts
 - Neumark, Wall, Zahng 2011: Do Small Businesses Create More Jobs?
New Evidence for the United States
 - answer: yes, but many grow little and die soon*

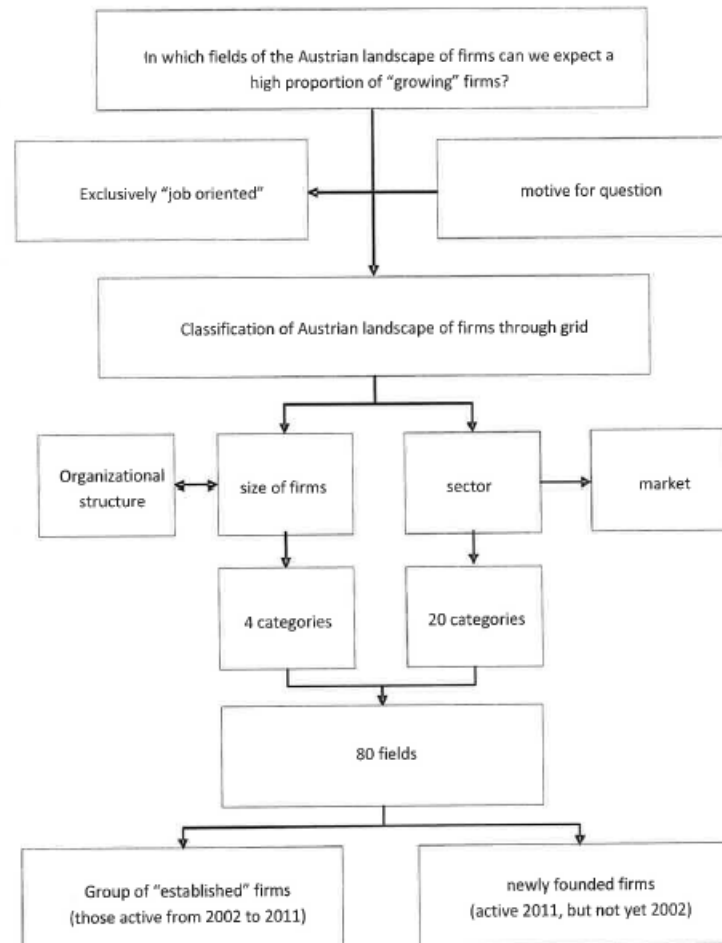
FAQ

with different answers

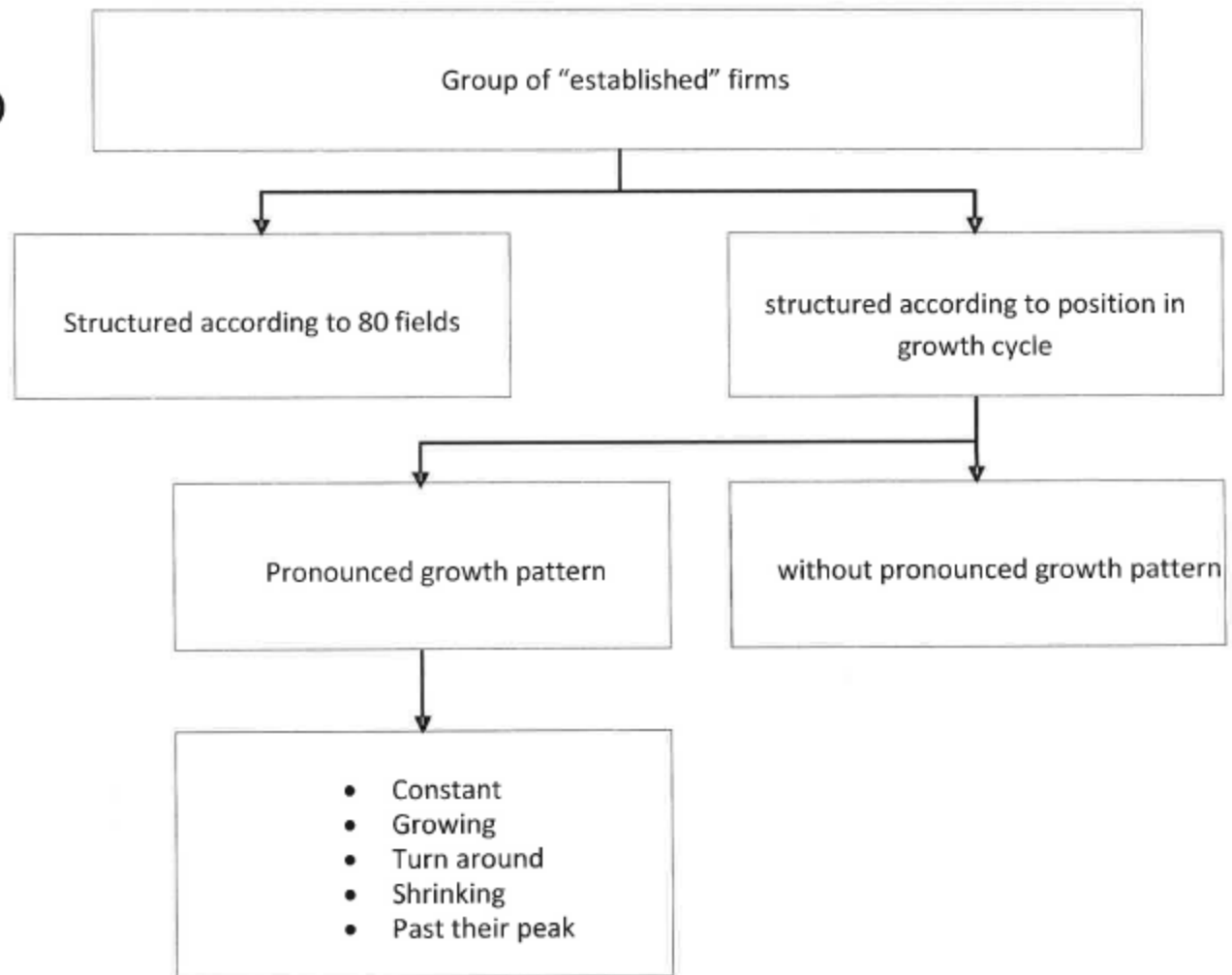
- ▶ Elephants: large employment share but few new jobs
- ▶ entrepreneurship and job creation
 - Acs, Armington 2006: Entrepreneurship, Geography, and American Economic Growth
 - Fritsch 2008: How does new business formation affect regional development?
 - Tsvetkova 2012: Innovation, entrepreneurship, and regional economic outcomes
 - Vaan Praag, Versloot 2007: What is the value of entrepreneurship?
answer: different types of entrepreneurs, some grow, many die – skeptic view
- ▶ all kinds of methodological and data questions
 - Davidsson 1996, Okolie 2004, Hölzl 2013
 - duration of period, definitions, change in size, data set, comparability...

OUR APPROACH

Developing a grid
for a landscape
of Austrian firms

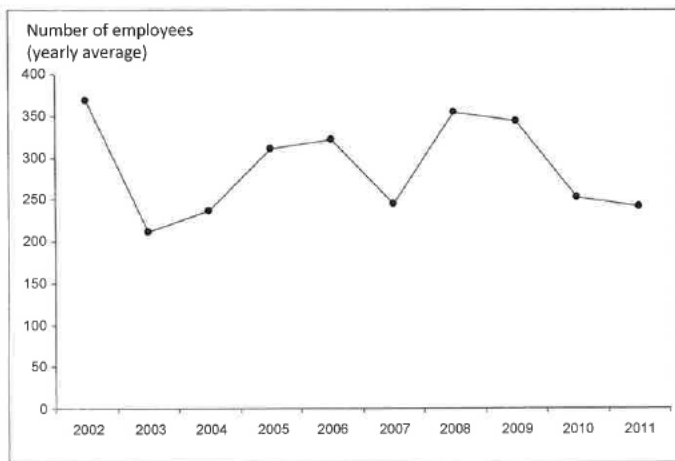


GROUP OF ESTABLISHED FIRMS AND THEIR POSITION DURING GROWTH CYCLE

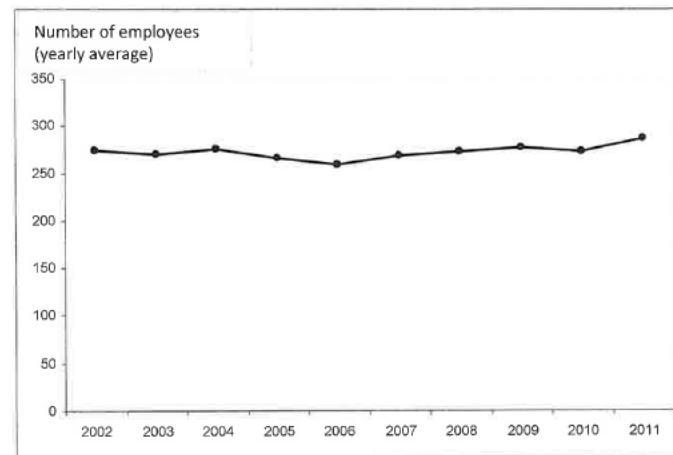


GROWTH PATTERNS: DEVELOPMENT OF EMPLOYMENT 2002 TO 2011 FOR AN EXEMPLARY FIRM

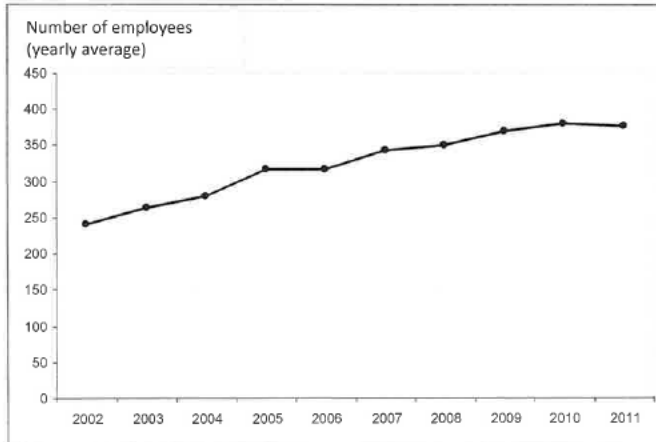
STRONGLY FLUCTUATING



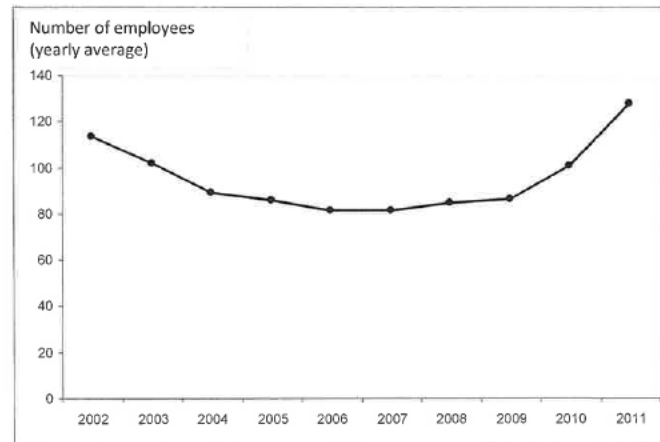
CONSTANT



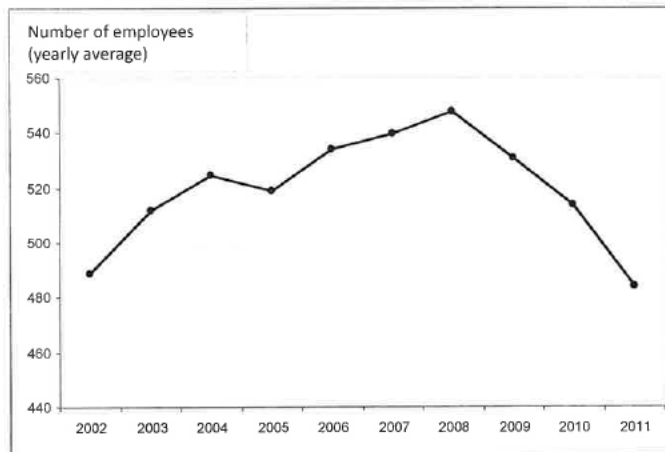
CONTINUOUS GROWTH



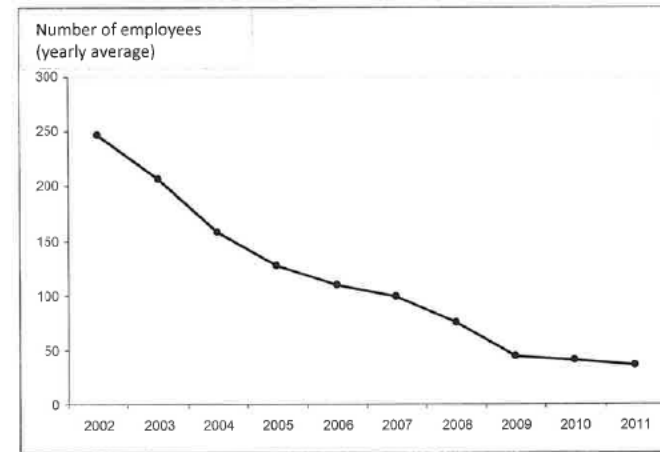
TURNAROUND GROWTH



PAST THEIR PEAK



CONTINUOUS SHRINKING

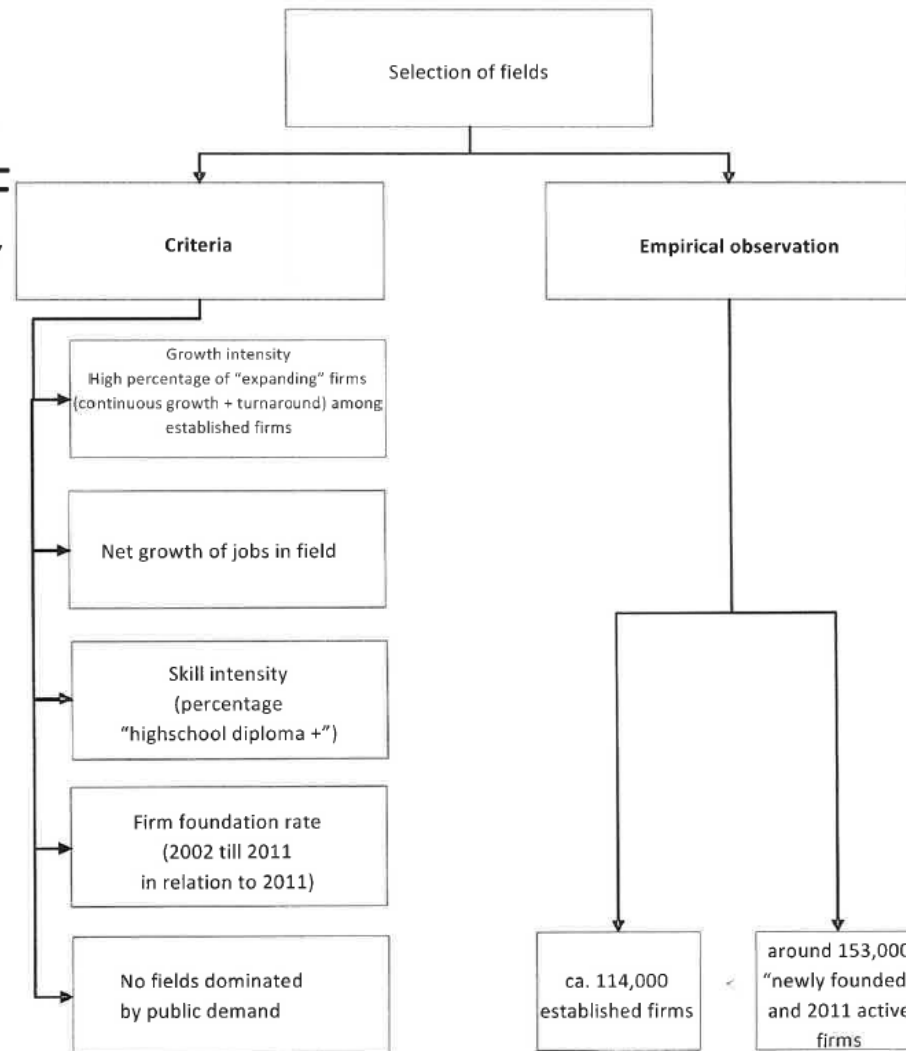


TYPE OF GROWTH PATTERNS

An example: growth patterns of SMEs (10-49 employees) - shares							Total
Type of growth patterns							
sector	no pronounced trend		pronounced trend				
	strong fluctuations	constant	continuous growth	turnaround	beyond zenith	cont. shrinking	
Agriculture	28,6%	9,0%	22,2%	7,9%	13,8%	18,5%	100,0%
Mining	—*	14,3%	25,7%	—*	21,4%	20,0%	100,0%
Manufacturing	14,3%	13,5%	28,1%	6,6%	15,2%	22,3%	100,0%
Energy.	24,6%	—*	—*	—*	—*	42,1%	100,0%
Water supply/W.d.	12,9%	15,6%	46,3%	—*	9,5%	12,9%	100,0%
Construction	20,0%	10,9%	22,1%	7,0%	18,7%	21,2%	100,0%
Retail	15,3%	12,6%	31,7%	7,1%	14,5%	18,7%	100,0%
Transport	22,8%	10,8%	29,9%	7,3%	17,2%	12,0%	100,0%
Tourism	18,5%	12,9%	28,5%	8,0%	17,8%	14,3%	100,0%
Inform./Comm.	26,7%	5,9%	27,6%	15,5%	13,3%	11,0%	100,0%
Finance/Insur.	9,4%	30,5%	31,0%	5,4%	9,2%	14,5%	100,0%
Real estate	19,4%	9,3%	34,3%	5,9%	11,4%	19,7%	100,0%
Ind. Prof. serv.	22,3%	8,8%	33,1%	10,5%	14,0%	11,4%	100,0%
Other business s.	28,7%	6,0%	28,6%	8,7%	15,7%	12,2%	100,0%
Education	22,6%	10,2%	33,3%	10,2%	13,6%	10,2%	100,0%
Healthcare/Welf.	17,1%	8,8%	47,7%	7,4%	12,5%	6,4%	100,0%
Arts/Entertainm.	30,3%	10,7%	29,9%	4,7%	16,7%	7,7%	100,0%
Other services	21,7%	9,8%	20,5%	6,6%	18,9%	22,5%	100,0%
Priv. Households	—*	—*	—*	—*	—*	—*	—*
Exterrit. Org.	—*	—*	—*	—*	—*	—*	100,0%
All sectors	18,2%	12,0%	29,7%	7,6%	15,4%	17,1%	100,0%

* Fewer than 10 Firms.

OUR FOCUS: CRITERIA FOR SELECTION OF „PROMISING“ FIELDS OF LANDSCAPE



RATING OF ACTIVITY FIELDS OF FIRMS

System of indicators which show for specific fields of firm landscape their index value:

Index value for field with maximum characteristic value = 100
All other values are quotients derived from the characteristic value of the specific field (numerator) divided by the maximum characteristic value (denominator) $\times 100$

4 basic indicators:

- ▶ growth intensity
- ▶ absolute increase of jobs
- ▶ skill intensity
- ▶ firm foundation

FIRM GROWTH PATTERN AS INDICATOR

Value of indicator (from 1 to 100) for growth intensity of field characterized by sector and firm size

Sector	Firm active 2011/founded before 2002			
	Size (number of jobs)			
	up to 9	10 to 49	50 to 249	250+
Agriculture	21	30	—*	—*
Mining	28	—*	—*	—*
Manufacturing	16	35	38	41
Energy	22	—*	—*	—*
Water supply/waste disposal	23	—*	—*	—*
Construction	15	29	41	40
Retail	20	39	42	55
Transport	17	37	47	30
Tourism	20	37	43	—*
Information/Communication	17	43	42	—*
Finance/Insurance	19	36	45	24
Real estate	8	40	—*	—*
Indep. prof. serv. scient./techn.	19	44	56	—*
Other business services	17	37	38	48
Education	22	44	—*	67
Healthcare, welfare	24	55	69	74
Arts, entertainment, recreation	21	35	—*	67
Other services	12	—*	—*	—*
Private households	15	—*	—*	—*
Extraterritorial organisations	14	46	—*	—*

Basic indicator A: Value of index (highest value of one of the 80 fields =100) of share of growing firms and turnaround firms among all 2002 to 2011 firms

THE 'TOP FIELDS' OF LANDSCAPE OF FIRMS ACCORDING TO SECTOR AND SIZE

Order of fields according to indicators				
	Rank 1	Rank 2	Rank 3	Rank 4
Basic indicator A: »growth intensity«	ind. prof, sc/tech. services 50-249	retail 250+	o. business serv. 250+	transport 50-249
Basic indicator B: »growth of jobs«	retail 250+	manufacturing 250+	o. business services 250+	retail 50-249
Basic indicator C: »skill intensity«	ind. prof, sc/tech. services 50-249	info/com 50-249	info/com 10-49	finance 250+
Basic indicator D: »firm foundation«	info/com -9	o. business services -9	finance -9	construction -9
Total indicator (sum of index values)	nd. prof. sc/tech. services 250+	o. business services 250+	retail 250+	manufacturing 250+

THE 'TOP FIELDS': OVERVIEW

Selected criteria of the 4 top firms of landscape of firms	4 fields according to sector and size (number of employees)			
	Firms of size 250+			
	ind. prof., scientific/ technical serv.	manufacturing	o. business serv.	retail
• number of firms	12	333	69	158
• number of »dynamic« firms	8	135	27	84
• number of additional jobs 2002-2011	+3,500	+22,300	+21,700	+3,300
• share of jobs with skill »highschool diploma +«	58.7%	20.3%	20.4%	13.9%

Due to the size of firms (250+) the foundation rate is in none of the fields of greater importance

SPECIFIC RESULTS

Empirically definable and delimitable group of firms which are

- ▶ long enough established (at least 10 years) to become reliable partners for economic policy
- ▶ continually growing (or having mastered turnaround) over longer period
- ▶ active in fields of the landscape of Austrian firms which contribute to job growth

This group of firms comprises mainly big firms in a few sectors:

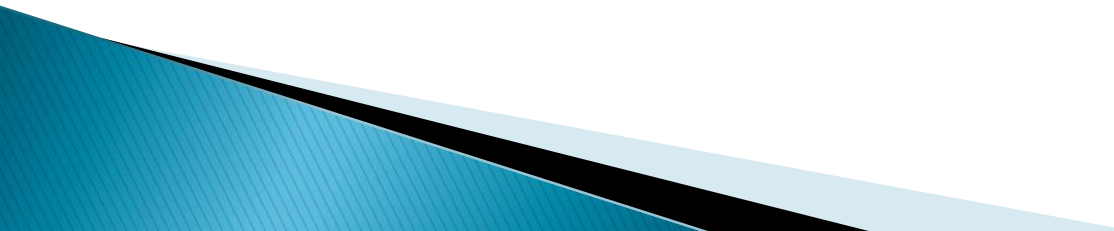
- ▶ firm size larger than 250 employees – „elephants“
- ▶ main drivers in creation of jobs are manufacturing (+22.300) and other business services (+21.700) – **across industries**
- ▶ yet it is a limited number of firms within these fields which are drivers – **big but few**
- ▶ neither skill intensity (except independent professionals and scientific/technical services) nor the firm foundation rate are of greater importance in these fields – **entrepreneurial?**

CHALLENGES FOR POLICY

Positive news: obvious drivers do exist and are important players within their specific region.

Yet: news do not correspond to usual expectations and believes
– should we start to love elephants again?

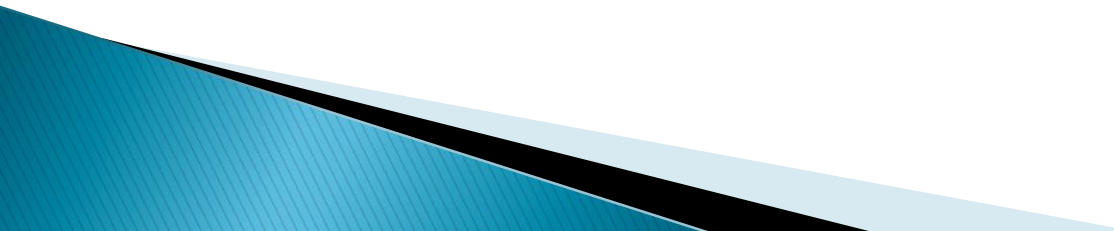
How to reach elephants, but also gazelles and mice?

- ▶ high risk of loss in case of criteria based programmes
 - ▶ these spreading losses increase with declining size of firms
 - ▶ at the same time the number of potential firms looking for promotion and subsidies is growing
 - ▶ risk is especially high with regard to firms with small number of employees – in every sector this field is losing jobs over longer periods – subsidies here may lead to competitive crowding out
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CHALLENGES FOR POLICY

- ▶ findings favour selective forms of support – instead of criteria based programmes (small versus big) rather competition based („calls“)
- ▶ selective forms of support more suitable than programs on basis of general criteria
- ▶ concentrate on specific forms of behaviour inducing sustainable development
- ▶ support also for elephants
- ▶ final caveat: job creation not only purpose of territorial approach in policies

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► Other challenges and questions?

► Thank you for your attention!