Managing the social- and financial dimensions in Swedish gazelle companies
- A qualitative study from the founder’s perspective

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# ABSTRACT

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“You have no choice but to operate in a world shaped by globalization and the information revolution. There are two options: Adapt or die... You need to plan the way a fire department plans. It cannot anticipate fires, so it has to shape a flexible organization that is capable of responding to unpredictable events.” - Andrew S. Grove, CEO of Intel Corp., (1995).
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1. Introduction

The following section presents the empirical background of the study. Once the reader is introduced to the subject, we will continue to discuss the problem statement. This further leads to the purpose of the research and the research question. The section ends with a paragraph of the knowledge contribution that the research aims to achieve.

1.1 Empirical background

Today, we are living in a global world that is constantly changing. In order to survive and/or become successful, companies have to change in the same speed (Brynjolfsson & McAfee, 2014). The boom of globalization has lowered entry barriers for new rapid growing competitors to break through (Hirt & Willmott, 2014). Before the technological revolution, the competition was essentially based on price, quality, variation and distribution, which made it hard for new companies to enter the markets (Rise, 2018). The spread of globalization and Internet have made it possible for companies to reach more customers worldwide and thereby to grow in a faster pace than in the past (ibid.). Rapid growing firms are more likely to take greater risks and reinvest profits (Grundström et al, 2012), and subsequently they are in general more innovative than its low growth competitors (Schreyer 2000; Nightingale & Coad, 2016). A typical art of high growth firms are gazelle companies, which lately have received much attention because of their positive impact on the economy and their extraordinary ability to create new jobs (Henrekson & Johansson, 2010).

Henrekson and Johansson (2010) argue that the there are no clear definition of gazelles among the researchers, but it is commonly agreed that it refers to firms with a particular growth pace. The growth indicator can differ, e.g. in terms of employment rate, profits or sales. The gazelles are necessarily not young start-ups, but much of the existing literature support that gazelles are generally younger companies compared to the average (ibid.). It was initially the economist David Birch that created the term gazelles (Zamburn, 2009). Birch (1981) argued that a shift in innovation has changed the way new jobs are created, and that small- and medium sized firms were accountable for about two-thirds of all new jobs in the U.S.. However, during the 1990s, David Birch revised his claim about the net employment growth (Henrekson & Johansson, 2010). He distinguished three types of firms: Mices (less
than 20 employees), Elephants (more than 500 employees) and Gazelles (rapidly growing firms). He found that the fast growing gazelles contributed to a disproportionately large part of all new jobs (ibid.). Accordingly, several researchers agree that the gazelles are important job-creators and therefore crucial for the wealth of the society (Birch & Medoff 1994; Davidsson, Delmar & Wiklund, 2002; Henrekson & Johansson 2010; Schreyer 2000).

Moreover, according to Senderovitz, Klyver and Steffens (2012) gazelle companies are important in the sense that they contribute a lot to the general economic growth.

A study recently published by Swedish public employment service (2019) shows that Sweden are required to create almost half a million new jobs by 2030 in order to keep the economy going. The two main reasons for this are that the Swedish population is growing and that the average Swede lives longer today than before. To maintain the welfare and a strong economy, it is crucial that the Swedish government and companies are able to create new employments (Swedish public employment service, 2019). Studies have shown that the gazelles are rare, only about 4% of all the companies in the U.S. can be categorized as gazelles, even though they are accountable for more than 70% of all the new jobs in the U.S. (Zamburn, 2009). In Sweden they are even less, in 2014 the gazelle companies accounted for only 0,07% of all Swedish companies (Statistics Sweden, 2019). Thus, one reason for this might be that the criteria of Gazelle companies in Sweden require a minimum of at least ten employees (Dagens Industri, 2019). This requirement does not fit the Swedish business landscape, because it excludes almost 96% of all Swedish companies that have less than 10 employees (Poldahl, Andersson & Johansson, 2011).

1.2 Problem discussion

Previous studies argue that Gazelle companies are fundamental in many respects, such as being important job creators (Birch & Medoff 1994; Henrekson & Johansson 2010), but although only a fraction of all companies succeed in becoming gazelles due to the difficulty of creating and maintaining a high growth (Zamburn, 2009). For instance, the criteria set up by Dagens Industri (2019), which applies to Swedish companies, require that sales have increased for the past three years, and the growth must have been organic. Taken this into consideration, we acknowledge a dilemma for companies to retain a high growth and thereby be able to become a gazelle company several times or even once.
Existing literature mentions a row a different aspects that influence high growth in the long run. First of all the founders and the owners are declared as key components, but also things such as geographic location, industry specific features and legal forms are crucial (Parker, Storey & van Witteloostuijn, 2010; Storey, 1994) Another important factor for high growth, and for Gazelle companies in particular, are financial resources (ST-Jean, Julien & Audet, 2008). To sustain an organic growth companies are in need of a constant flow of capital (ibid.). Financial resources are however not easy to gain for high growth firms because there are a lot of risks involved for both sides (Audretsch & Lehmann, 2004). Most Gazelle companies tend to be highly innovative with innovative products that aim to generate future revenues, but in the early years only involve costs. So, external investors must be willing to take a risk since they act on their own predictions about a company’s ability to generate enough revenues in the future (ST-Jean, Julien & Audet, 2008). However, bringing in external investors can also lead to unexpected conflicts, Parker, Storey and van Witteloostuijn (2010) argue for the importance that the founder of a gazelle company must be able to lead and develop the company in accordance to his/her own agenda, without being controlled by an external owner. Hence, due to the rapid growth pace, it is common for the gazelle companies to face several managerial challenges, which forces managers to make shifts in organizational procedures (e.g. reward systems). The complexity of managing gazelle companies makes it interesting to explore how these founders have handled the high growth pace.

There are numerous studies about the criterea to be categorized as a gazelle company, and how these companies contribute to the net employment rate and their impact to the society. For instance, several quantitative studies examine the employment effects, and also how the performance of gazelles ar able to develop over time (Senderovitz 2012; Gjerlov-Juel & Guenther, 2013). However, based on the discussion above we acknowledge a gap in the research about the founders and leaders of the gazelle companies, and how they manage to drive the growth forward. There are several studies arguing that the leaders/founders have an important role for the company’s outcome (Davidsson 1989; Barringer, Jones, & Neubaum, 2005), but there are rather few studies made with this perspective. In a fast moving organizational development: how does the manager/founder select, measure and control the company? In our study we argue the gazelle companies are closely connected both to a social dimension (relationships, expectations, rewards, trust) and financial dimensions (funding and cash flows).
1.3 Purpose and research question

Gazelle companies are an important phenomenon, since they create a significant part of all new jobs, develop new products and have a positive financial impact on the economy (Davidsson, Delmar & Wiklund, 2002). Therefore, it will be of importance that gazelle companies will continue to increase in number in order to maintain the wealth of the society. However, not many companies manage to achieve such a high growth (Zamburn, 2009). This makes it essential to create a deeper understanding about the complex and dynamic management processes in Gazelle companies in relation to financial issues, e.g. funding and cash flow controls, and social dimensions such as company-specific strategies and corporate cultures. Hence, it is not adequate to look at these dimensions separately, since we argue that both social- and financial issues are closely connected to each other. Thus, it is not sufficient to handle them as rational, social- and financial processes that can be easily planned and executed. Our study have been conducted with a explorative aim in order to enhance understanding of how the founders have adressed and managed critical issues both in a social- and financial perspective. Further, this leads to our research question:

*How do founders of Swedish gazelle companies handle social- and financial dimensions to strengthen their corporate performance?*

1.4 Contribution

This study aim to further develop the knowledge that already exist about gazelle companies in a theoretical point of view by contributing to the previous literature, but also to enhance understanding of rapid firm growth for practitioners. We aim to achieve this by exploring what types of problems and challenges the founders of gazelles have experienced, and also how they have acted upon the critical activities that they have faced. Some researchers have argued that most of the gazelle companies drop their rapid growth after a while and return to the average growth of the industry (Acs, Parsons & Tracy, 2008). However, by conducting interviews with people who have created fast-growing companies that have succeeded in becoming gazelles, but also managed to maintain the title sequential times, we can provide an in-depth understanding of firms that are in the frontline of continuous growth.
2. Theory

The following section introduces the concept of Gazelle companies in Sweden. Subsequently, the section continues with the previous research in the field with emphasis on the framework made by Barringer and his colleagues (2005) about rapid growth firms, which essentially is related a social dimension. Thereafter we present some previous research regarding monetary- and financial challenges for gazelle companies. The section concludes with a description of our conceptual framework that we have developed during the study, from which the results will be discussed.

2.1 The management of high growth firms

Many new started companies are not capable of growing in line with the high expectations of their founders and investors, which to some extent can be due to that these founders are too late in changing to more structured management systems and processes (Davila, Foster, and Jia, 2009). Companies that grow in a fast pace, such as gazelle companies, must constantly adapt to the new changes that arises both within and outside their organizations (Gjerløv and Guenther, 2013). In order to maintain a high growth, or even to survive, the gazelle companies must be able to create stable organizations with clear procedures and routines (ibid.). During the early stages of many startups there may not be such a high need for formal control systems since decision-making are rather done through free-styling and everyone is doing everything (Davila, Foster & Jia, 2010). As companies mature and continues to grow in a rapid speed these organizations must be controlled and managed in more structured ways (ibid.). However, while this may be true, Brnjas, Vukiva and Divna (2015) argue that rapid growing gazelle companies are in need of more dynamic and flexible management practices that make them quickly adaptable to changes.

2.2 The Swedish definition of gazelle companies

Gazelle companies are distinguished by having a certain growth pace, but still there are a number of different classifications and definitions of gazelle companies. The definition also varies depending on the country (Poldahl, Andersson & Johansson, 2011). In Sweden it is Dagens industri that nominates the gazelle companies and they have done that since 2000
Additionally, the companies that are appointed as gazelles are also awarded at a gala every year (ibid.). In order to classify a gazelle company Dagens industri has conducted their own criteria based on the former definition established by the economist David Birch (ibid.). The box presented below summarizes the criteria for a gazelle company in Sweden that is formed by Dagens industri (2019).

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<td>A turnover exceeding 10 million Swedish kronor</td>
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<td>At least ten employees</td>
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<td>At least doubled its turnover, comparing the first and last fiscal year</td>
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<tr>
<td>A positive overall operating profit for the last four fiscal years</td>
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<tr>
<td>Increased its turnover every year over the past three years</td>
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<tr>
<td>Essentially grown organically, not through acquisitions or mergers</td>
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<td>Healthy finances</td>
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Hence, Dagens industri’s (2019) definition of gazelle companies in Sweden is associated with methodological problems and it has its inaccuracy. According to Poldahl, Andersson, and Johansson (2011) all commonly known definitions involve problems, and the definition above is problematic since it excludes companies with less employees than ten. This is an issue since the micro companies (fewer employees than ten) stand for almost 96% of all the companies in the Swedish corporate market (ibid.). Nevertheless, since Dagens industri is the unit in Sweden that determines and awards the gazelle companies it has been used for this study.

### 2.3 Gazelle companies in Sweden

A common misunderstanding perception about gazelle companies is that they are merely young start-ups with a high organic growth (Falkenhall & Junkka, 2009). However, the truth is that the majority of all gazelle companies in Sweden are mid-sized companies and not start-ups (Henrekson & Johansson, 2008). The number of gazelle companies in Sweden has varied over time due to regulations, crises and recessions (Kiepels, 2018). According to Kiepels (2018) Sweden reached its highest amount of gazelle companies in 2008 with a total of 1479. However, the economic crisis in 2008 hit the gazelle companies hard which lead to a decrease following years (Fig.1). Since 2016, the number of gazelle companies has started to increase again and between 2017 and 2018 the amount of gazelles went up with 12% (ibid.).
2.4 Rapid Growth model

Barringer, Jones and Neubaum (2005) have in their article constructed a model based on factors that do influence rapid growth in companies. This model is based on previous research that have been made on high-growth firms. Barringer, Jones and Neubaum (2005) identified a pattern with repeated factors that influence the rapid growth. When they had conducted an analysis of previously literature, the author divided growth-related factors into four different groups which then ended up in a model: (1) Founders characteristics, (2) Business practices, (3) Human resource management practices, and (4) Firms attributes.

The (1) founders characteristics aspect concern the entrepreneurial experience and what education the founder has. The second group in the model made by Barringer, Jones and Neubaum (2005) model is (2) business practices, which is related to customer knowledge and efficiency in production and internal operations. Hence, (3) Human resource management practices are related to one of the major issues for rapid growth companies, the struggle of finding suitable employees and how to train and maintain good human capital. The last group is (4) Firms attributes that are about the growth vision, relationships with other stakeholders and geographic location. With help of the model developed by Barringer, Jones and Neubaum (2005) we can acknowledge the differences between rapid growing firms, and firms with slower growth.
2.4.1 Founder characteristics

The entrepreneur of a company plays an essential role in the creation of growth (Davidsson, 1989). According to Barringer, Jones and Neubaum (2005) the founder’s previous entrepreneurial involvement is shown to be no different in Gazelles companies in comparison to low growth firms. On the other hand, the role of prior industry experience is significantly larger in the Gazelles. The previous industry participation engenders in a surplus of knowledge, but also by having build up a network of contacts within the industry. College education is crucial as it creates a social network and it provides the entrepreneur with necessary skills to create a growth business strategy (ibid.) According to Janzak and Barés (2010) the vision of the entrepreneurs’ are essential in order to create rapid growth, as it provides necessary guidance for the business as a whole of future goals. Cunneen and Meredith (2011) argue that the entrepreneurs of Gazelle companies often are the source of creativity that are made, and do not just involve other members of the organization to be creative.

2.4.2 Firm attributes

Barringer, Jones and Neubaum (2005) argue that a company's vision and commitment to growth is crucial for rapid growing firms, since then the growth strategy is incorporated into
the common values and central objectives of the business. Timing and planning are key factors for companies to grow and succeed (Janczak & Bares, 2010). However, these factors are really tricky to predict and target, therefore geographic location and positioning within the market is a more common strategy to focus on since it is easier to control (ibid.). Geographic location is a complex issue that depends on a lot of other factors, such as regulations, competitors, educational institutions etc. (Maillat, 1998). However, according to Barney (1995) companies can gain competitive advantage if they plan and position themselves correctly within the market. Hence, in contradiction to this Levitte (1983) argues, because of the globalization the world has changed and can now instead be seen as one big global market where everyone is allowed. According to Janczak and Bares (2010) gazelle companies are compared to regular companies more export oriented, so they are not so dependent on which market they establish the company in since they focus a lot more on the global export market (Poldahl, Andersson & Johansson, 2011).

2.4.3 Human resource management practices

To make rapid growth possible the employees play a crucial role, which pressures firms to have a strategy in the hiring process and also to maintain the right people (Barringer, Jones & Neubaum, 2005). One of the major issues with fast growing companies is their constant need for human capital (Brnjaš, Vulićević & Čanaićević, 2015). Slowly-growing companies can rely their success on standard procedures and exchange of tacit knowledge while fast growing companies like gazelles have to relay all their success on their employees (Janczak & Bares, 2010). A report made by Poldahl, Andersson and Johansson (2011) shows that gazelle companies have a higher percentage of post-secondary education employees than the average company. This is very important since Amat and Perramon (2010) argue that employees are one of the most important assets for gazelle companies to gain competitive advantages against their competitors. In order for the gazelles companies to survive and continue growing within a market it is important that the company obtain the maximum value out of their employees (Barney, 1995). Hence, the management of human capital is based mostly on soft skills like organizational culture, behaviors of the employees and ethical decisions (Janczak & Bares, 2010). The problem with soft skills is that they are hard to measure and therefore also hard to understand and replicate (Barney, 1995). Therefore, the corporate culture also plays a major role at these fast growing and dynamic companies. Heskett and Kotter (1992) argue about the importance of the corporate culture that is a must to adapt to in an ever-changing
environment. It is important for the organization to contain common values and norms that are aligned with an intelligent business strategy. If the corporate culture is not met within these criterions, it will rather make intelligent people behave destructive and reduces the possibility of survival for the company (ibid.).

2.4.4 Business practices

Barringer, Jones and Neubaum (2005) state that some relevant business practices are necessary to achieve a rapid firm growth, which essentially refers to the superiority of creating unique value. The value creation process can be in form of new products or services, or even new ways of solving a problem that have not been presented in the past (ibid.). A proactive strategy is thereby of great importance to manage the growth (Smallbone, Leigh & North, 1995), and essentially organic growth requires a high level of innovation (Antoncic, 2006). Hence, in today's global world and competitive landscape, companies cannot plan in the same way as they used to do two decades ago, since the environment is moving and changing so fast, companies have to plan for the unpredictable and they have to react quicker to the new challenges (Townsend, DeMarie & Hendrickson, 2011). Internet and new technology also help companies, as many products today are virtual in their nature and can thereby be delivered immediately to customers without any delivery delay (ibid.). This lowers the cost for the companies and since they do not have to invest in a warehouse, raw material etc., it also makes the company more efficient since there is no limit to their production capacity, and they can deliver their product immediately and thereby also get paid immediately (Osterwalder, Pigneur & Smith, 2013).

2.5 Financing practices

High growth firms like gazelles are in constant need for more financial resources to keep increasing their growth (ST-Jean, Julien & Audet, 2008). However, it is not always so easy for innovative companies to ensure financing since the banks usually do not want to take the risk (ibid.). So, most gazelle companies usually have a hard time to get a loan from the bank. Therefore, private investors are more common options for them (Storey, 1994). However, there is a fine balance between gathering enough finance resources and not to take in too much, so the founder loses control over the company (ST-Jean, Julien & Audet, 2008). Because of this issue many gazelle companies chose another way where they instead of
lending financial resources from external people. Instead they are using internal investors, e.g. share stocks, equity or bonuses with their employees (Barringer, Jones & Neubaum, 2005). Previously research has shown that gazelle companies usually have a higher profitability and higher profit margins than the Swedish average company (Poldahl, Andersson & Johansson, 2011). Hence, it also shows that the gazelle company’s have a lower solidarity which can indicate that the company might have problem paying off their long-term debt, and that they are taking a higher risks than the average Swedish company (ibid.).

2.6 Summary

Among the previous research made on this subject, most of the focus has been on the benefits of creating gazelle companies, and how long these companies can continue to grow in the same high speed. However, the gazelle companies’ ability to create new jobs has played a central role in research made about gazelles, and whether they contribute to the society as much as previous researchers have argued (Acs, Parsons, & Tracy, 2008). As earlier mentioned, according to the Swedish public employment service (2019) gazelle companies will have an even greater role in the future, since half a million new jobs must be created by 2030 to get Swedish economy going. This supports our claim that more research needs to be made in this subject.

In the research made by Barringer, Jones and Neubaum (2005) they highlight the important aspects for high growth firms, and conclude that there are four different aspects that are important: founder characteristics, firm attributes, business practices and human resource management. However, gazelle companies are not necessarily comparable to high-growth firms. According to Coad et al. (2014) only a small fraction of companies that grows rapidly can be classified as gazelles. Other literature made on gazelle companies have found that financial challenges are critical for gazelle companies, which will be analysed together with the other four aspects that Barringer and his colleagues mention (Barringer, Jones & Neubaum 2005; ST-Jean, Julien & Audet, 2008).
2.7 Conceptual framework

Our conceptual framework presented below (Fig. 4 Gazelle model) will serve as the basis for the study and the final analysis that the research expects to result in. This framework synthesizes the different contributions of the previous literature within the research area, which have allowed us to identify a wide range of relationships and patterns among the different variables. We chose to proceed from Barringer, Jones and Neubaum (2005) framework with their fourfold growth-related model. However, we also chose to add a fifth aspect to this framework (Financial practices). Since we aim to study gazelle companies in particular and not rapid growth firms we have further developed and readjusted our framework so that it serves in accordance to our purpose. When the literature review for this research were made we found that a crucial factor for high growth firms and gazelles regarding how they are financed (ST-Jean, Julien & Audet, 2008). High growth firms are highly dependent on a constant flow of increasing funds. However, there is also a challenge to gather these funds and how to balance the company so the external investors are not driving the company in different directions (ibid.).

To conduct the research we will explore both the social- and financial dimensions, in order to further investigate how big of an influence those have over the gazelle companies. Four of the
aspects are more social in its nature (1) Funders Characteristics, (2) Firm Attributes, (3) Human resource practices, (4) Business practices, while the fifth aspect is more about financial challenges (5) Finance practices. We aim to see if the founders of the gazelle companies are in agreement with the research made in these areas, but also explore how the founders have managed the challenges within these dimensions to enable continued growth.

Furthermore, we found that all these five aspects were connected and influenced by different internal and external stakeholders. For instance, the financing practises are depending on external stakeholders such as lenders and investors, while the human resource management aspect is connected through the need of labor, where the company needs to appeal to the society in order to attract future employees. Since the stakeholders have so much influence over these types of companies, we chose to add the stakeholder perspective to our conceptual framework.
3. Method

The following section presents and discusses the study's scientific starting point and research approach. Then our choice of research method is presented that have been used in order to achieve the purpose of the study. This further leads to a description of how the data collection have been carried out. The section concludes with a description of how the empirical findings have been analysed, and how the research quality has been evaluated.

3.1 Research methodology

The aim of our study has been to acquire a deeper understanding about both the social- and financial dimensions through the interpretations and processes of the founders of gazelle companies. We applied a qualitative research approach in order for us to answer the research question. Qualitative research is about words and to enhance understanding of the research context by exploring a social phenomenon (Bryman & Bell, 2011). It is a suitable method when the study's aim is to investigate how the participants interpret and perceive the social reality (Slevitch, 2011). Likewise, our participants aim to share their knowledge and experience of how they have managed critical phases and challenges as founders of rapid growing firms. To conduct the study we applied a multiple case study design, which is an appropriate design when the research subject will be discussed in a rich and detailed way on more than one case (Bryman & Bell, 2011).

3.2 Epistemological and ontological considerations

The qualitative ontological view stem from idealism, which stresses that our reality is socially constructed by the human being and thereby multiple of realities exist (Slevitch, 2011). From an epistemological point of view a distinction is made between positivism, in terms of objectivism and absolute truths as within quantitative research, and the hermeneutical perspective that are more focused on understanding the phenomenon being studied (Ryen & Torhell, 2004). Since our aim is to understand and gain knowledge in founder's perspective, this paradigm suites our research. Further, with a qualitative research approach it is not possible to achieve objectivity and to draw generalized conclusions, but instead it enables a form of transferability as the reader can benefit from experiences/understandings of the
phenomenon (Slevitch, 2011). Hermeneutics aims to explain how people perceive the world around them rather than explain how it actually is (Bryman & Bell, 2011). Qualitative epistemology is called to be subjective, since the truth is based on values and perceptions rather than facts (Slevitch, 2011; Ryan & Torell, 2004).

3.3 Selection of respondents

Our respondents for this study are founders of different gazelle companies. Every year since 2000, Dagens industri has presented a list of Swedish companies that have achieved their criteria that it takes to become a gazelle company (Dagens industri, 2019). In the theory section we have presented all the criteria in detail. We chose to select Swedish companies that have been awarded the Gazelle price by Dagens Industri for at least three sequential years or more, which have limited the amount of respondents down to 1400 companies (Dagens industri, 2019). Additionally, as we choose to make interviews with the founders of gazelle companies the number of suitable respondents have been reduced even further. Some founders may have left their companies or do not longer work operationally, which make them irrelevant for our study. To be able to investigate how these companies have manages to become gazelles sequential years we wanted the founders to have been a part of the company even since the initial start until today. We contacted a total of twelve companies and six of them wanted to participate in our study, see the respondent letter in appendix 1. Due to a drop-off the number of participants was reduced to five since one of the respondents had to cancel the interview late in the research process. However, in qualitative research sample size less important considerable since the aim is to understand the worldviews of a few numbers of participants rather than testing for statistical significance (Slevitch, 2011).

The reason for choosing gazelle companies that have won the price multiple times was to be able to get a deeper understanding of companies that have proceed to maintain a high growth during a long period of time. Some of the critique against gazelle companies have been that they are just startups that grow fast during a period of a time (Parker, Storey & van Witteloostuijn, 2010). However, we argue that if a company has managed to become gazelle year by year even after it matures, then it does something special and that is what we want to investigate on a deeper level.
3.4 Data collection

3.4.1 Semi-structured interviews

To gain our primary data we performed semi-structured interviews with founders of high-growth firms that have received the Gazelle award at least three times a row. Since we aim to analyze the founders’ perceptions of their reality, interviewing is a well applicable method (Ryen & Torhell, 2004). We chose to have semi-structured interviews as our method of research since it gave us the opportunity to prepare questions to the respondents in advance. However, since we were interested in our respondent’s point of views, we let their answers guide the interview further (Bryman and Bell, 2011). The reason for choosing this method was that it gave us the confidence to be able to answer our research question with our prepared questions. At the same time we had the opportunity to ask follow-up questions during the interview, which led to more subjective and in depth answers from our respondents.

The length of our interviews was between 60-90 minutes. We prepared twenty-four questions in advance as a guideline for us (appendix 2), but we also encouraged the respondent to speak freely and to broaden their reasoning about each question. According to Jacobsen (2002) this method can lead to more active respondents, truer and more in dept answers. We also chose to audio record the interviews, in order for us to focus completely on the respondents answers and to be able to respond with follow-up questions. This removed the possible risk of being distracted by taking notes or miss out on important information that could be crucial for the research. According to Bryman and Bell (2011) this is very important in qualitative studies with interviews since then both the answers themself but also how they are given are of interest.

3.4.2 Operationalization

Operationalization is the process in which central concepts regarding the research phenomenon are translated into more accessible factors (Saunders, Lewis & Thornhill, 2009). As earlier mentioned, in order to identify fundamental growth-related aspects for gazelle companies we conducted an extensive literature review and determined five main categories, i.e. (1) Funders Characteristics, (2) Firm Attributes, (3) Human resource practices, (4) Business practices and (5) Finance practices, from which we developed our conceptual
framework (figure 2). To be able to operationalize these concepts, our interview guide (appendix 2) is built upon these five categories. Further the questions within each category are based on the findings by previous research. For example, the fifth category about financial practices is further broken down into financial challenges (e.g. cash flows and liquidity) and internal/external investors. In addition to the interview guide, in line with our research question, we asked follow-questions during the interviews depending on the answers we got. This was to further expand the thoughts and reasoning of the research question.

3.4.3 Conduction of interviews

Our intention with this study was to have physical interviews with our respondents. When interviewing is used as a method of research more than just the respondent’s verbal words and phrases are important, such as how something is communicated and non-verbal behaviours (Saunders, Lewis & Thornhill, 2009). All of our interviews except for one were physical meetings and they were held at each respondent’s office, since it was beneficial for us to create our own picture of each company when we visited their head offices. This can also make it more comfortable for the respondents (Ryen & Torhell, 2004). However, the interview with company B was held through phone because of the geographic distance and respondent’s lack of time. Due to the difficulty of meeting face-to-face we conducted the interview with company B over the phone.

3.5 Data analysis

To analyse our data material we used a thematic analysis. We chose this approach since we wanted to understand the founders’ own experiences, and to identify potential patterns among the data gathered from all respondents. Thematic analysis is a beneficial approach in the search of themes in transcripts of qualitative data, but it is a rather unwritten process since the search of a certain theme among words, phases or incidents are not known in advance (Bryman and Bell, 2011). We transcribed the audio-recorded file as soon as we could after an interview had been conducted, since then we had the respondent’s answers fresh in mind and we were not overwhelmed with data from several interviews. This also gave us the opportunity to acknowledge if we had missed out on any information during the interview so that we quickly could ask complementary questions. Both of us authors were present during the interviews and we handled the transcription together. Initially we summarized the
transcribed data material apart from each other, so that we later could analyze and reflect over the data together from two perspectives.

We made a thematic coding by using different colors for the transcribed material. The data was sorted by color according to the five dimensions in our conceptual framework, i.e. (1) Funders Characteristics, (2) Firm Attributes, (3) Human resource practices, (4) Business practices and (5) Finance practices. We could then organize the answers from every respondent within each of the five dimensions, so that we later could look for patterns and themes. Beside this, we also summarized the empirical findings for each company in a separate data file. We made this in order to broaden our thinking in the search of themes. This also allowed us to see how the founder of each company had responded about each of the five dimensions, since then we could identify if some dimension were prominent to the others.

3.6 Method discussion

3.6.1 Criticism of research design and method

Much of the common criticism against the qualitative approach is the lack of objectivity since the research is much about the researcher’s priorities and objectives. (Bryman & Bell, 2011) On the other hand, in order for us to get in depth knowledge and understanding about the research subject we cannot quantify it by numbers. Since we are using interviews as our methodology of collecting data there is also a risk that the founders’ as a major part of the gazelle companies will present their business in a favorable manner. To minimize this potential risk of getting answers where the respondents’ respond in a defensive way, interview questions are rather open to give the respondents the opportunity to develop and shape the answers by themselves. Another aspect of interest that should be mentioned is the selection of companies, or the founders in particular, to participate in the study. We made a choice to only include Gazelle companies that had received the award at least three times.

One of the challenges with interviews and this sort of data collections is to be able to maintain a critical and objective view of the results especially when they are concluded and analysed later in the research (Bryman and Bell, 2011). In the study we put a lot of emphasize on the importance of anonymity regarding the interviews, since the subject we are investigating can to a large extent be a sensitive topic to discuss for our respondents. Our intention with the
research was to have an objective and critical approach to the results, but at the same time we needed to consider the essentials in never hurting the respondent or the company that participated in the research (ibid.).

### 3.6.2 Trustworthiness

Trustworthiness is an assessment of quality for the qualitative approach, since the validity and reliability that are two positivistic concepts are difficult criterion to meet in qualitative studies that observe a social phenomenon (Bryman & Bell, 2011). We aim to evaluate our study based on trustworthiness, which further is made up on four different sub-criteria: credibility, transferability, dependability and confirmability (Bryman & Bell, 2011).

According Bryman and Bell (2011) credibility is equivalent to internal validity, and transferability refers to external validity. Even though the qualitative approach observes a social phenomenon with multiple truths and realities, the observed reality must be describes in a complete and detailed way to achieve credibility (Bryman & Bell, 2011). Since the qualitative approach is subjective in its nature, credibility is achieved when the inquirer’s statements agrees with how other people perceive the world around them (Slevitch, 2011).

Our ambition is to strengthen our study’s credibility by choosing founders of Gazelle companies as our interview respondents, since they can thus be considered to have good insight and experience of the research area. Transferability, or applicability, requires a thick description of the data so that the reader can determine whether the study can be contextualized on other cases (Bryman & Bell, 2011). With this in mind, our research design have been thoroughly described so that the reader will be able to make a judgment if our results can be applicable to other contexts. Notwithstanding it is difficult to generalize the results from qualitative studies since findings are drawn upon a certain place and time, and with specific respondents (Bryman & Bell, 2011). To make our results as valid as possible we have recorded our interviews and then all the data material have been carefully transcribed and coded.

Moreover, dependability parallels with reliability and means that the researcher must ensure the reader about the accuracy in each step of the research process, e.g. problem statement, selection of interview participants, coding schemes, data analysis etc (Bryman & Bell, 2011). To make our study more reliable we have deliberately put a lot of effort to provide the reader...
with enough information from the beginning to the end of the research cycle. According to Bryman and Bell (2011) the best tool to ensure dependability is to use peers as research auditors, which we have applied since we have got regular feedback from other master students.

The last aspect of trustworthiness presented by Bryman and Bell (2011) is confirmability, which corresponds to the concept of objectivism dominated by the positivist paradigm. To make our research less biased we have presented an extensive literature review of rapid firm growth, which is separated from our own reflections. Moveover, during our interviews we have documented notes to give the respondent an opportunity to verify that the answers have been perceived correctly. Confirmability is much about ensuring that the researchers have been acting in good faith when they have interpreted the results (Bryman & Bell, 2011).

3.6.3 Ethical consideration

From an ethical point of view our respondents have been offered anonymity since the topic of research may be sensitive for them to answer. For instance, the respondents may not answer some questions fairly enough with the risk of affecting stakeholder relationships negatively if their identities are known. Some of the gazelle companies and their founders approved us to present their real identities in our thesis, while some of them did not. Therefore all of the companies including their founders became anonymous in our study. Bryman and Bell (2011) argue that researchers are obliged to minimize the risk that a participant gets personally harmed, and to have respect over the respondent’s privacy and requests. By doing so, we also hoped to create a better relationship between the respondents and us as interviewers. Moveover, according to Bryman & Bell (2011) anonymity can lead to more truthful answers by the respondents.

Before each interview we asked for permission to audio-record the interview, which all respondents gave us approval to do. We have also handled the data material by safety as the sound recordings and the transcribed data from the interviews were kept in private. Saunders, Lewis and Thornhill (2009) argue that the researcher must handle the collected data by strict confidentiality and assure the participants about that. When we prepared the interview questions we had the respondents’ integrity in mind so that none of the questions would be too private or uncomfortable in nature. We have thoroughy informed the respondents about
our ambition with this study, and the design of our research. Further, the interview questions have been sent to the respondents in advance to enable them to prepare themselves. The lack of information is an ethical dilemma within business research, or if the respondents get a misleading picture of what the study really is about, since this can make the study unreliable (Bryman & Bell, 2011).
4. Result and analysis

This section begins with a short description of each company that have participated in our study. Then we present our empirical findings, which also have been reconnected and compared with the literature review. All the data have been analyzed through our conceptual framework. The presentation of the companies and the empirical data are reported in the same section in order to facilitate and give the reader a clearer overview of the results.

4.1. Presentation of companies

4.1.1 Company A

Company A was founded in 2011 and the company operates within the Swedish accounting industry. They provide a mix of a proprietary IT-system and a consulting bureau. Company A has received the award as a Gazelle company three sequential times, from 2016 to 2018. We interviewed one of the three original founders, since our respondent (called founder A) was the only one working operationally within the company. Founder A does currently have the role as CEO and is a co-owner of the company. However, lately the founders of company A have brought in external investors and are no longer majority owners. The head office of company A is located in Stockholm, but they also have two smaller offices in other Swedish cities. The company has about 70 employees at the moment.

4.1.2 Company B

Company B functions within the IT industry with a platform developed as a digital tool for business planning. The company was co-founded by two study colleagues in 2000. Our respondent (founder B) is today the company's CEO and also a co-owner and a member of the board. The founders of company B are still the majority owners of the company. Company B has global market as their product has launched in about 35 countries, but most of their profits are still generated through the Swedish market. The total amount of employees is more than 160 people, with four offices located in different cities in Sweden. In 2018 they received the Gazelle award for the fourth time in a row.
4.1.3 Company C

Company C operates within the conference- and event industry since 2000, and provides an online software system for organizations in order for them to manage events and meetings. They have been awarded the price as a Gazelle company five times in a row between 2013 and 2017. Their head office is located in a city close to Stockholm. The total amount of employees is about 40 people, whereof most of the employees work at the head office and a few people are positioned in Germany. Company C works globally, but Sweden is still their largest market. Founder C is one of two of the company's initial founders. The second founder brought capital to get the company running in the early stages. Founder C is today the company's Head of New Markets and also a co-owner.

4.1.4 Company D

Company D was founded in 2007. The company provides a web-based software tool and solution for organizations within the recruiting industry. They operate essentially within the Swedish market, but they do also have customers in other Nordic countries. They are headquartered in Stockholm with roughly 25 employees, but they also have one employee in another Swedish city working with sales in order to expand. They have received the Gazelle company award four times, each year from 2015 to 2018. Our respondent (founder D) is one of two founders of company D, but the respondent is currently also a co-owner and the company's CMO. The two founders of company D still own the whole company.

4.1.5 Company E

Company E was awarded as a gazelle company the years between 2015 and 2018. It is a consultancy bureau within digital analytics with medium-size firms, large firms and organizations as their customers. The number of employees is about 15 people with offices located in two Swedish cities. Company E was founded 2010 by our respondent (founder E), which is one of the company's two founders. Founder E is today the company's CEO. Already at the start in 2010, the founders brought with them some guaranteed business that would generate sales. They decided to bring an external majority owner as provided them with facilities, related knowledge etc., but the founders were still co-owners of the company. However, in 2014 the external owner was bought out due to that the founders considered that the expected sales had not been achieved. Thereafter the company was run by the the two
original founders for about three years until the middle of 2018, since then the company was fully acquired by another external owner.

4.2 Presentation of empirical results and analysis

As previously explained our conceptual framework will serve as an analysis model, which is based on the four-factor model of high growth made by Barringer, Jones and Neubaum (2005). The model is further extended as it also includes theories about financial aspects, and how the social- and financial aspects interact with different stakeholders. We have chosen to quote the respondents abundantly to be able to present the results detailed as possible. After the empirical analysis has been performed on the basis of the model's five parts, we end up in a brief summary where some conclusions can be drawn.

4.2.1 Founder characteristics

The founder of a gazelle company plays a crucial role, since he/she is the one driving the company forward (Storey, 1994). According to previous research, education and previous work experience are two major qualities for an entrepreneur to create a successful rapid growing company (Barringer, Jones & Neubaum, 2005). This is interesting since the answers from our respondents are partly aligned with the previous research. Former experience seems to be a common pattern among most of our respondents. Both the founder of company A and B had driven smaller businesses during their time as students, by which they considered themselves to have learned to organize and to create a functioning business.

“I ran a company in high school, I went to the entrepreneurship program when I was studying, started floorball association when I was 15, and always thought it was fun to organize” - Founder of company A

“I had some smaller businesses going on during my time as a student, such as small shop” - Founder of company B

Our result showed that most of our respondents (company B, C, D and E) had some kind of previous work experience from related industries in which their companies were founded. Likewise, Barringer, Jones and Neubaum (2005) argue that previous work experience before
starting a business of your own generates a better professional network and related industry knowledge, which consequently will boost growth. The founder of company A, which is functioning within the accounting industry, argued that his/her former job at a large auditing firm provided the company with crucial knowledge and contacts. Likewise, Founder E argued that previous work experience enabled them to keep up with a rapid growth, since they had a social network with guaranteed businesses even from the beginning. Also potential customers were more willing to trust in their knowledge and skills.

“I have studied digital analysis at a university in Canada. I started an educated at Stockholm university as well, but I dropped off for work. I have worked with everything from customer service to market, sales etc. I have been trained through the different types of jobs” – Founder of company E

“I didn't have that long experience before. I had worked a little before with system development before, but maybe more at hobby level, But I was involved in an e-commerce tool. Then I worked a little extra while I studied.” - Founder of company C

However, there seem to be a lack of prior education among our respondents. Founder B was the one with the most extensive education, since both co-founders had a degree in economics from a Swedish university. In addition, the other founders (A, C, D and E) had graduated high school, and some of them had studied some individual courses at a university, or dropped out from a university programme before the studies had even been completed. Instead we can acknowledge a new theme among the founders, which is the curiosity about the industry or product that they are creating. This is more in line with Janzak and Bares (2010) who argue that the vision is one of the most important qualities for the founder in order to create a successful company. If the founder has the knowledge and the charisma to inspire others to follow, the company will drive itself forward (ibid.).

“I'm not really educated, I studied 3 years of economics in high school. That's it, had huge data interest, so I was a real computer nerd.” - Founder of company D
4.2.2 Firm attributes

The firm attribute aspect concerns the growth vision of companies, geographic location and overall strategy. However, one can argue that the geographic location does not matter for gazelle companies since they operate in a world today are globalized, and the fact that previously studies claim that most gazelle companies are export companies (Poldahl, Andersson & Johansson, 2011). Hence, there are also other aspects to consider when it comes to geographic location, aspects such as regulations, politics etc. All gazelle companies in our study were located with their headquarters in the Swedish capital Stockholm, except for company C that had its head office in another Swedish city close to the capital. Most of our respondents, especially founder B and D claimed that the most important factor in their choice of location was the place of residence rather than a strategic decision. However, founder A argue that the choice of being positioned in Stockholm was an obvious decision for them, since the capital had by far the largest market, and to grow fast it would be much easier to be close to the potential customers.

"In the earlier days it was needed for companies to have their accounting agency nearby, since it simplified the transfer of physical documents. However, even though this is not a problem today, we notice that our customers want their accountants close” – Founder of company A

According to Barringer, Jones and Neubaum (2005) a common factor for rapid growing firms is that they have a high commitment to growth, which is incorporated into their visions and goals. On the other hand, some researchers argue that an too excessive growth often lead to failure for several reasons, e.g. the risk of financial default due to the cost of growth (Gjerlov-Juel & Guenther, 2012). When we asked our respondents about their approach on growth, most of them argued that growth is an necessity in order to survive and to not be overrun by competitors.

“Survival. As in many SAls industries, it's going to be a few big players. And if you want to be one of them then you need growth.” - Founder of company A

In our study it appears that the gazelle companies have a rather high commitment to growth. The majority of our respondents (founder A, B and E) claimed that growth have been a target
of their companies even since they were startups, and that they have had a clear ambition to grow year by year. One of the respondents (founder C) stated that growth as a target especially was set up when they became a Gazelle for the first time in 2013. When company C was a startup in 2000 it was more about profitability, but now much focus is about keeping a high growth pace. Founder D argue that growth in itself was not a target for company D in the initial beginning, but it has rather become a proof of that they have done something good. It is primarily the consumers and product that are in the focus, but growth in itself have become more and more central for the organization over the years.

“It has now been a period of prosperity since 2008. Sooner or later it will be a recession and then it will hit hard on all of us. One cannot take growth for granted as it depends so much on how the outside world looks like” - Founder of company D

One thing that all our respondents expressed was that all new people that become a part of their organizations, due to new recruitments, must enjoy working in a place where one day is not like the other. Smith (1980) argues that to build a strong organization where the staff strives towards the same goals, both knowledge and clear guidelines are required at all levels, and it can often be a challenge to reach out with the communication at the different levels of the organization. Likewise, most of our respondents argue that having a rather high commitment to growth and also spread this out throughout the entire organization are necessary, since the people are the ones that will make high growth possible.

“What it is that gives growth? I think somewhere that it is about basically having a business idea that flies. But then you need a gang that can do it. So the short answer is that you have the right people and that you can keep them motivated” - Founder of company C

“You have to take enough risk and dare to expose yourself to it, and then it is also pure will. We have built a corporate culture where we are a growth company, nothing else.” - Founder of company B

4.2.3 Human resource practices

Much of the previous research about high-growth firms, and gazelle companies in particular, argue that firms that aim to grow fast need to adopt strategies for hiring people, but also make the right people stay (Barney, 1995; Barringer, Jones and Neubaum, 2005). Firms that grow
fast have to acquire and also maintain employees within the business, which differ from many slower growing firms that rather are in need of people that are capable of doing standardized tasks (Janczak & Bares, 2010).

“It is very difficult to find people. You may have heard about the fruit bowl - one rotten banana make the whole fruit bowl rotten. That is very true about organizations. We therefore put a lot of work on our recruitment.” - Founder of company A

All of our respondents claim that recruiting new people are one of the most challenging tasks as a high growth firm, since new people must constantly be hired to enable continuous growth. Then it is necessary to find people that like work within a high growth firm, since in such organizations it happens a lot from day to day.

“Here at our company, everyone likes to work in growth companies. If you work here have to like that it is a bit messy, all routines are not there, you also have to create their own routines. You will also get very much responsibility already from the beginning which can be scary. It's a classic start-up feeling.” - Founder of company B

Another essential factor is to create corporate culture that make people willing to stay and work hard for the business, but it also crucial according to Heskett and Kotter (1992), otherwise the employees will act after their own agenda and that will split the company into different directions and reduces the companies effectiveness and competitiveness.

“The corporate culture has been shaped by itself, familiarly. It has just become so, a little loose rein. You do what you want when you want”. - Founder of company D

“We have free-seating, so an economist can sit next to a developer one day. And that's when things happen. That was what happened between us founders. When a developer eats lunch with an economist, or even becomes friends outside the job. One can then solve problems more easily together and create a better solution.” - Founder of company A

Working with so-called "Employer branding" can strengthen a company's competitiveness (Martinez & Del Bosque, 2013). A corporate strategy where the corporate culture is well developed internally can contribute to more motivated and committed staff and thus to more
efficient processes and a stronger overall company performance (ibid). It can also help the company communicate their vision to appeal different stakeholder. All companies highlighted the importance of a strong corporate culture, however the founders of company C, D and E emphasised it more than the others. These companies did all have a tendency of hiring younger people. According to the founders, younger people usually had an easier time to adapt to a already existing corporate culture. For all the companies it was important that their employees would felt like they were part of family. At company D, they had e.g. a shoe border at the front door, this to make the employees feel more at home during their time at the office.

“It is a big challenge now that we have grown so much, at the same time it is something that I think we have succeeded well with, the people we have recruited we have managed to keep and that is a good group. Not least now, when we have gone from 25 to almost 40 in just over half a year, it is very good. So I think we've found something there.” - Founder of company C

Much of the previous research argues that Gazelle companies are the major creators of new jobs, which is of interest to the economic welfare (Birch, 1981; Swedish public employment service, 2019). Although, all our respondents argue that they have had a hard time finding people to hire, even though they had a constant need to recruit.

“*We spend almost as much work and money on employer branding and recruitment as marketing and selling.*” - Founder of company A

However, there seems to be two different strategies on how to deal with the need of human resources. Company A and B who have the highest number of employees invest a lot of time and money on employer branding to appeal future employees, while Company C, D and E use a different strategy were they have used internships and networks to attract future employees. It also seems like company C, D and E put more emphasis on how to improve motivation and retaining the employees.

“To get people more motivated we have tested the bonus system before. At the moment we have no bonus systems and we do not want to offer it. We have tested both model as commission bonus or bonus if we together achieve goals, but in the end all the bonus models had problems.” - Founder of company E
As founder E talked about motivation, extrinsic motivation was a subject that was described to be problematic as external rewards such as money and bonus systems have lead to incentives that are not desirable. It can further change the company's corporate culture, since the bonus systems may increase internal rivalry instead of getting more helpful teams. Team-based rewards do also have disadvantages since it usually is based on the company's performance, because when the company's performance is well for a long time, people begin to expect the rewards instead of taking it as a bonus. The loss of not getting a bonus affects a person more than the satisfaction to get it.

4.2.4 Business practices

When it comes to business practices it is important that the company has unique products and continues to innovate its products so that competitors do not catch up to them (Barringer, Jones & Neubaum, 2005; Antoncic, 2006). According to Smallbone, Leigh and North (1995) it is important for gazelle companies to have a proactive strategy to be able to retain their high growth.

“I would like to say that we had the world's best plan, but almost everything has been reactive” - Founder of company D

“The biggest challenge is really not knowing what challenge will be, instead they just show up.” - Founder of company A

Based on the answers from our respondents, we acknowledged a pattern that most of them had a plan for the beginning, which is in agreement with Smallbone, Leigh and North, (1995). However, when the companies started to grow in a rapid speed they had no time to plan ahead and instead, they needed to adapt to the situation and work in a more reactive way to deal with the challenges that appeared. All our respondents had the same approach to this, since there is no room for preparation in advance and they must be prepared to make quick decisions. Based on the answers we got from the respondents, it seems like a proactive way of controlling a company is not suitable for the gazelle companies, and instead they have to take a more reactive approach. This might be explained by the fact that gazelle companies operate in very innovative and heavy industries, and they usually target global markets (Schreyer 2000; Nightingale & Coad, 2016).
One of our respondents describes the business environment as follows:

“I think you will read about this in the history books, it will be like the industrial revolution. The companies that existed before the industrial revolution, before spinning Jenny etc, were not there after. When such a change takes place, one has great potential to start new companies. And I think we are in such a shift now, and then it is important to run as fast as you can. It's my analysis” - Founder of company A

The statement above in line with the argument by Townsend, DeMarie and Hendrickson, (2011) that companies can no longer plan ahead as they could before, which force them to rely on their own products and to outperform opponents. To be able to do this they have to trust in their ability to respond to the unpredictable, and at the same time keep driving the company forward to maintain their competitive advantage. However, it can be very costly to do this, since the gazelle companies have to invest a lot of capital into innovations to stay in the frontline. This involves a lot of risk since there is no guarantees that invested capital will lead to something revolutionary (Nightingale & Coad, 2016).

“We have spent sick amounts of money on innovation and development.” - Founder of company D

As we mentioned before it seems like our respondents have a tendency of taking higher risks than the average company. The founders also have to put a lot of faith and trust on their employees to invest their money wisely by choosing the right innovation projects. However, even if they have the capital to invest on innovation there is still another issue to consider which is time.

“Today, the big challenge is to make enough time, so that we can develop stuff” - Founder of company C

We found another similarity among the participants in the study. They all had virtual products, which is beneficial since they do not need to warehouse to store their products and the production capacity are limitless, which also is argued by Townsend, DeMarie & Hendrickson (2011).
Another interesting thing is that almost all the companies that participated in the study had a subscription product. This is an important factor since it can give the company a less volatile cash flow, and at the same time they can charge their customers before they deliver the product, which give them a better working capital (Osterwalder, Pigneur & Smith, 2013).

“Our product that is a subscription product is good in the long run but often expensive at the beginning.” Founder of company C

We could also see a pattern that the older and larger the companies became their focus shifted from products to sales and customer relationships. For instance, at company D they only had developers, and no sales department, during the early stages of the company's development. However, several years later they have established a sales department that focuses on the customer relationships. The reason for this was that competitiveness within the market has increased, and customers have higher requirements now than before. The founder of company C mentioned a similar story by stating the following:

“The majority of all those who worked here have worked with the product, previously we had a lot of focus on the product and very little focus on sales. But now we have tried to control a little more towards sales, but we still have very large product focus. With frequent releases, we release new functionalities every week.” - Founder of company C

4.2.5 Financing practices

As previously discussed in the theory section, the financial dimension is about the monetary- and financial challenges that the gazelle companies faces. Previous research also highlights the difficulty of borrowing money, and the balance between bringing in external funding and still being able to control the gazelle company (ST-Jean, Julien & Audet, 2008).

Our data shows similar results as much of the previous research that there is a challenge for gazelle companies to find early finances that are needed in the startup phase (ST-Jean, Julien & Audet, 2008; Storey, 1994). However, it appears to be different strategies regarding how to find finances in the early stages of a company’s development. We asked all of our respondents the following question during the interviews; “Why did it become this financial structure when the company was created (e.g. internal investors or external investors)?”
Some of the respondents answered that they chose to bring external investors, while others claimed that external capital was not even an opportunity for them.

“There were no external investors at the time. You worked for free for a couple of years and lived on the other half in the relationship.” - Founder of company B

“Only me and my companion put in the share capital that was needed to start the company, and then we used our time. In the beginning we worked with consulting assignments on side before the company started to rolling by itself.” - Founder of company D

The founders of Company B, C and D expressed that external investors were not an option for them when their companies were founded. In contrast, according to founder A and E it was easy for them to find external investors that were willing to invest in their ideas. Hence, the result indicates different approaches to funding (internal vs external investors) among our respondents. By analyzing the result we found that the strategies of funding seem to be different for the companies that were founded after the financial crisis in 2008. The founders of the gazelle companies that had been founded before the financial crisis experienced trouble finding capital as startups, which forced them to make great sacrifices to be able to even start a business. They had to invest a lot of their free time, and most of them did not even take out any salary during the first year. For example, some of them had to take extra jobs to survive. However, our respondents that founded their companies after the financial crisis (Company A and E) did not considered to have the same issue of finding external capital.

“Our plan was to take in investors who have really high commitment, it should almost be that they risk being homeless if the company goes to hell, i.e. entrepreneur spirit. We will never find that in a external investor. Insted we realized that they need to own a lot in the company, for them to have the same commitment that we wanted.” - Founder of Company A

Another interesting discovery in our study is the fact that the gazelle companies that were founded after the financial crisis had sold most of their company’s shares during their years as gazelles and are today not majority owners. However, these founders still own a little bit of their companies today, but they are not the majority owners anymore. Meanwhile, the rest of our respondents (founders of company B, C and D) that founded their companies before the financial crisis, are still the majority owners. This can be consequence to lot of different
variables, e.g it can be depend on the fact that company A and E never has encountered a recession. Another explanation can be that after the financial crisis it seems to have been easier for companies to find external investors. However, as we analysed the interviews we acknowledge two things that may explain this. Either people were willing to take higher risk after the crisis since they had already hit the bottom, or they saw it as an opportunity to start over and to gain capital. Today, with the help of digitalization more companies are funded with external investors, and there is a new method established called “crowdfunding” (Belleflamme, Lambert & Schwienbacher, 2014). Crowdfunding means that different individuals are funding the company, either they invest small amounts of money or they invest bigger amounts. The funding is shared through web pages that everyone around the world can reach (ibid.).

“Today we are owned by another company... A deal that was made to secure the company's future survival in a changing market where size is becoming increasingly important.” - Founder of company E

We also recognized that globalisation seem to have affected the way companies are financed, as the founder of company E mentions that it is important that they have capital to be able to compete and be a head of their competitors in a globalized landscape.
5. Conclusion

In this chapter, we reconnect to the research question that was stated in the introduction. Our main findings will be summarized. The research question will be linked to the analysed data and our conceptual framework.

The purpose with the research was to explore how the founder/owner of sequential gazelle companies managed to steer these successful businesses through social- and financial dimensions, this with the help of our research question:

How do founders of Swedish gazelle companies handle social- and financial dimensions to strengthen their corporate performance?

By analyzing the results, we can acknowledge that many of our respondents have pointed out similar difficulties the as previous research claim. A pattern that we found was that all the companies that participated in our study had a very loose control over their employees, which is in line with Amat and Perramon (2010) who argue that human resource is one of the most important factors for gazelle companies to gain a competitive advantage. Hence, Barringer, Jones and Neubaum (2005) mention the difficulties with finding and attracting employees, and to keep them motivated. After we had completed the interviews we can clearly see how important it is to hire the right people and also how hard it is to find and attract people. However, if you want to succeed you need to have the right people and to be able to motivate them, so they continue to drive and develop the company forward. Something that all our respondents seems to have struggled with from time to time is cash, some struggled in the beginning and others struggled in later phases. The cash aspect also seems to have been a make it or break it deal for many gazelle companies, either you get the cash somehow and keep growing, or you do not and then you lose it all since as we mentioned before the gazelle companies have lower solidity which can indicate that they are taking a higher risk long-term (ST-Jean, Julien & Audet, 2008; Poldahl, Andersson and Johansson, 2011). Hence, it is not unfamiliar that high growth companies encounters these types of challenges since they are moving so fast and as Bush et al. (2009) define them “cash hungry machines; the faster they grow, the greater appetite for cash” (Bush et al., 2009 p. 486).
Innovations seem to have been a key factor for these gazelle companies. They have been reinvesting huge amounts of money into research and development year after year. This is in line with Amat and Perramon (2010) who argues that the gazelle company needs to keep continuing investments into research and development, since otherwise they might lose their competitive advantage and thereby also lose their high growth. Another aspect that we found in our data was that the companies seems to have moved so fast at times that they had no time to plan ahead and use a strategy instead they had to become more reactive, agile and adapt faster to the surrounding environment. However, in our data we also found things that went against the model and what previously research claimed. The previously research claimed that gazelle companies are more export oriented (Amat and Perramon, 2010). While our data shows that our respondents started and are still operating in the Swedish market. Hence, we still have to bear in mind that we cannot draw any generalized conclusions and that not our aim either even if it is an interesting discovery.

Nevertheless, we analysed the data through our conceptual framework, we acknowledge some patterns as well as differences amongst our participated gazelle companies. Furthermore, we could clearly see that two of our five dimensions were evaluated higher then the other three. The two highest valued dimensions for our respondents were (1) Human resource practises which is a social dimension, and (2) Financial practises which is our financial aspect. It seems like these two aspects were the most difficult challenges to manage. We also found differences depending on if the were founded before or after the financial crisis, the ones that were founded before had a different approach towards ownership and willingness to take in other stakeholders into the company, while the gazelle companies that were founded after the financial crisis were more willing to let other stakeholders into their company to share the risk. Finally we believe that we are in need of more Gazelle companies in the future and therefore we also need to understand the core of Gazelles companies in order to know how to successfully create them. This research has contributed with knowledge of how important both social- and financial dimensions are, and what challenges high growth firms might encounter. It seems like the most important thing today is to hire the right people and then have the ability to connect them and lead them towards a higher goal.
6. Implications for the future research

This is the last section in the research. In the last section we discuss the limitations with the study and problems we have encountered. Lastly we are providing suggestions for further research to be made.

6.1 Limitations with the research

Our ambition with this study was to have 6-12 interviews with founders of gazelle companies that have received the award sequential times, and that the interviews would be carried out by meeting the respondents face to face. We would do this in order to be able to collect as good quality data as possible. However, because of the delimitations with the study due to that the selection of suitable respondents was so narrow, the number of respondents was not as large as we wanted. At one of the interviews, we did not succeed to meet them in person due to time issues for the respondent, instead a phone interview were held. Due to the problems discussed above we can acknowledge limitations with our study and problem with its scope, and it would have been desirable to have a larger quantity of companies as well as doing this for a longer period of time. On the other hand, we got good quality data from our interviews with a lot of detailed answers that contributed to an in-depth knowledge within the research area.

6.2 Suggestions for further research

The result and conduction of our study shows that there are issues regarding gazelle companies, how we can manage to create more of them but also how the term gazelle company is formed since it does not seem to fit the Swedish corporate market (Poldahl, Andersson & Johansson, 2011). Hence, there is of major importance for the society to be able to create more gazelle companies since we need them more than ever in the future, due to the new technology that will replace some of our current jobs. At the same time, job creation is essential since our population is constantly growing and we live longer. To uphold a healthy economy it is of major importance that the Swedish society achieves to create more gazelle companies. In order to do this we believe that we need more knowledge about the gazelle companies so that we can create an environment for them to thrive in. Therefore, our first
suggestion for further research within this area is to investigate if the value of the different dimensions depending on whether we are in a boom or regression. Will gazelle companies value the different aspects of social- and financial dimensions differently if we are in a regression? Since the definition of gazelle companies has its limitations if we e.g. look at Sweden as a research area, it would be beneficial to redesign the definition so it suits the Swedish market better. Our last suggestion for further research is to compare different countries to investigate if there is a difference in how the social- and financial dimensions are managed in different countries.
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Hi xxxx!

We are two students who are currently writing our master's thesis in business administration with specialization in financial management at Uppsala University. In our essay we have chosen to investigate gazelle companies and which factors that have influenced their development, both in a social- and financial perspective.

To answer our research question, we have chosen to conduct interviews with the founders of prominent gazelle companies in Sweden, and more particularly companies that have received the award for several years in a row. Since you are one of these companies, we would like you to be part of our research.

This would be done by answering some questions about your company and how you have managed to achieve such a strong growth for a long time. We have full understanding that it is difficult to set aside time, and we are very flexible with how interviews or answers are carried out. The interviews and answers will, of course, be anonymous if desired.

Would you be interested to participate in this research?

If you have any questions, do not hesitate to contact us.

Best regards,

Josefine Ryss & Elsa Edberg
Appendix 2, Interview guide

Interview questions

Fundamental questions

• What has been the biggest challenge with this company according to you?

• Why do you think your company has managed to become a Gazelle company sequential times? And why these years?

Founders characteristics

• What experience/background did you have before you started this company?
  • What education do you have?
  • What was your previous working experience?

Financial practises

• How does/did your company’s financial structure look like? (e.g. internal investors or external investors).
  • Why did it become this financial structure?
  • If you would re-create the company, would you have done anything differently?

• Have you had any financial challenges during your time as a rapid growing firm? (finding finances, cash flow, liquidity etc.)

• Do your external/internal investors have influence over your company? How?

Firm attributes

• What is the geographic location for your company?
  • Are you located in several parts of Sweden? Other countries?

• What does growth mean for you?

• What is your vision and goal with the company?

• What has been your market strategy, and has this strategy changed during the years?
Business practises

- How do you look at innovation in your company?

- How are your products/services unique compared to your main competitors?
  - Do you export your products/services? (if yes, how much?)

- How do you create and retain your customer relationships?

Human resource management practises

- How does the organisational corporate culture look like at your company?

- How does the process of recruiting people look like?

- How do you motivate your staff?

- What is your view on trust and control? (e.g. when it comes to work tasks and decision making processes)