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PRESS RELEASE

Up or out? Portrait of young high-growth firms in Belgium

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In a context of limited growth potential, it is important to understand the factors that encourage or encumber the rapid expansion of young enterprises, and in particular those that facilitate the emergence of what is referred to as “gazelles”, that is, young firms that post high growth rates. These gazelles are in fact often frontrunners when it comes to using new technologies and/or putting new business models in place and their performance makes a significant contribution to job creation. The article analyses some characteristics of the development of young firms’ in Belgium that do not belong to a group (up to their fifth year of business activity).

It appears that gazelles account for a very small share of young enterprises in Belgium (roughly 3 %). This percentage proves to be quite stable over time. These firms are active in many different branches of activity and are mostly concentrated in Brussels and Flanders. In this regard, there is a trend towards clustering of young high-growth firms around the port of Antwerp as well as Brussels-National airport.

The survival rate of young high-growth firms is higher after five years. Experiencing a spurt of strong growth between the first and the fifth year of activity raises the probability of going through a second one between the sixth and tenth year in business.

There is no single model leading to strong growth. It actually depends on many idiosyncratic factors. Under certain conditions, some factors are nevertheless likely to make a positive contribution to the development of young firms

First of all, it appears that gazelles often have more professional clients and suppliers within Belgium, right from the start of its activities, and their numbers go up as the company expands. They also have greater product specialisation. In addition, gazelles have more trade links with the rest of the world. And relatively more of them export and import. They are also more diversified, in terms of number of destinations/origins and products traded. Being better integrated into not only the domestic but also international production network tends to make the gazelle less dependent on one particular client or supplier, which in turn diversifies the risks to which it may be exposed. In addition, gazelles employ more highly-skilled staff right from the beginning of their business life. Lastly, gazelles tend to invest more in tangible and intangible assets, and the sums invested go up sharply during the first few years of activity.

So, it is important to encourage business creation, an entrepreneurial culture and innovative behaviour, so as to enable ideas with good growth prospects to flourish. There is also a need to encourage young firms to go international and put in place measures to stimulate intangible investment as well as access to venture capital. Well-balanced and complementary support measures in these areas can contribute to an efficient allocation of resources which, quite apart from the increase in productivity that it generates, is also a precondition for a sustainable recovery, inclusive growth and the prosperity of the entire Belgian economy.