

# Does Ownership Matter: Nexus Between Entrepreneurial Orientation, Network Capability, Financial Resources Diversity and Financial Performance of HGCs

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**Background/Purpose:** This paper aims to analyse the nexus between selected growth determinants and the financial performance of high-growth companies (HGCs) in relation to their ownership. In line with principal-agent theory, we try to determine if the differences exist between managers who are also (co)owners and those managers who are not (co)owners. Also, we analysed if additional equity-based compensation, through different growth determinants, could increase HGC's financial performance.

**Methods:** The study was conducted on a sample of 119 HGCs from the Republic of Slovenia and was carried out in 2022. The empirical analysis was performed using regression analysis based on exploratory factor analysis (EFA). Analysis was performed using IBM SPSS Statistics 27 software.

**Results:** Results showed that considering the importance of organisational networking capability for HGC's financial performance, there are statistically significant differences between owner-managers and managers, implying that ownership (and equity-based compensations) could positively shape HGC's financial performance. In addition, results show that when analysing the owners-managers group of HGCs, risk-taking and organisational networking capability positively and statistically significantly impact HGC's financial performance.

**Conclusion:** Our paper highlights the importance of organisational networking capability as a growth determinant through which equity-based manager compensations can positively influence HGCs' financial performance. The study contributes to diverse literature related to HGCs and contributes to relevancy for the policymakers aiming at enabling better financial performance of HGCs.

**Keywords:** *High-growth company, Entrepreneurial orientation, Network capability, Financial performance, Principal-agent theory, Equity-based compensation*

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## 1 Introduction

HGC research is a heterogeneous and vastly diverse research area to which researchers and government policymakers have paid particular attention in recent years, as

HGCs can contribute to prosperous future development. Based on Penrose's (1959) theory of the firm's growth, a company's growth is not inherent and can be constrained (Chen et al., 2019). Penrose (1959) understands growth as a process resulting from a knowledge-based team that

learned how to identify and manage opportunities enabling growth. Due to this, the theory of the firm's growth has strongly marked the development of later theories, especially the resource-based theory (RBT) (Lau & Michie, 2024). RBT considers the company a set of heterogeneous, valuable, rare and immobile production resources that the competition cannot wholly emulate (Barney, 1991), thus forming a competitive advantage for the company. Additionally, possessing adequate and superior production resources will enable them to distinguish themselves from others through efficient and innovative applications of resources that will allow economic value creation (Barney et al., 2021), leading to higher financial performance. These resources can also cover social components and other tacit knowledge and could be directly related to our research model determinants – entrepreneurial orientation, network capability, and financial resources obtained. Companies seeking and trying to achieve growth must thus manage several growth determinants affecting their business and financial performance. The research model defined by entrepreneurial orientation (focus on risk-taking and innovativeness with proactiveness), organisational networking capability, external financial resources diversity and financial performance was developed to analyse some of these determinants. Further based on the principal-agent theory and possible differences between owners and managers, already pointed out by Smith (1776), the article aims to answer the main research question: “Do owner-managers and managers have different perspectives regarding selected HGCs growth determinants?” to determine if ownership (owner-manager vs. manager) of HGC could cause different levels of impacts between selected growth determinants and financial performance of HGC. With this, we want to contribute to previous findings suggesting that company performance is positively related to the percentage of equity held by managers (Bouras & Gallali, 2017), by determining for which growth determinants, equity-based manager compensation or ownership, can have a positive influence on HGC's financial performance. Previous studies on this topic are rare and subjected to heterogeneity, and our paper tries to fill this gap.

Results show that when analysing owners-managers group of HGCs, risk-taking as one of the critical entrepreneurial orientation determinants (Wach et al., 2023; Correa et al., 2022; Putninš & Sauka, 2020) and organisational networking capability defended by Mu & Di Benedetto (2012), have a positive and statistically significant impact on HGCs financial performance. Compared to the owner-manager's group of HGCs, only risk-taking was found to have a statistically significant effect on financial performance in the manager's group of HGCs. Results also indicate that when considering the importance of organisational networking capability for HGC's financial performance, there are statistically significant differences between owner-managers and managers. Our paper complements rare

previous research, supporting Mosleh Shirazi et al. (2013) findings.

The topic of differences between owner-managers and managers in relation to growth determinants and financial performance is in the high interests of policymakers and HGCs decision makers; as shown by Haubrich (1994), correct incentives for managers can significantly enhance a company's performance. The paper aims to verify previous theories and extend previous findings by focusing on selected growth determinants. With this, it contributes to and fills the research gap by determining for which growth determinants, equity-based manager compensation, can positively influence HGC's financial performance. In the best case, research on this topic is rare or non-existent at the moment. Our paper highlights the importance of organisational networking capability as a growth determinant through which equity-based manager compensations can positively influence HGCs' financial performance. The paper also has practical importance to HGC decision-makers seeking to achieve and sustain financial performance and their competitive advantage that enables growth in challenging high-growth environments, focusing on the growth determinants highlighted in the research.

## 2 Theoretical background

### 2.1 High-growth companies and growth determinants

The beginnings of studying company growth in entrepreneurial theory date back to the 1950s when Edith Penrose (1959) published the theory of the firm's growth, contributing to Birch's findings on the economic significance of small HGCs (Landström, 2010). HGC research is now a vastly diverse research field covering entrepreneurial behaviour, companies' main characteristics and impacts on economic development, growth and employment. HGCs are defined as a tiny proportion of all companies achieving high growth in the selected period. Despite numerous findings regarding the importance of HGCs for economic development and employment (Bisztray et al., 2023; Coad et al., 2022; Laur & Mignon, 2021; Santoleri, 2021), a generally accepted definition of them does not exist, as was shown thru Rocha & Ferreira (2022) bibliometric analysis. Differences arise as growth is a complex phenomenon, which is not inherently present as it's subject to different constraints (Chen et al., 2019). HGCs seeking to sustain growth and contribute to economic development must thus manage numerous factors that influence their growth and financial performance. One of these factors is the entrepreneurial orientation – involving at least innovativeness, risk-taking and proactivity (Miller, 1983), later completed with competitive aggressiveness and autonomy (Lumpkin & Dess, 1996) – which becomes the driving force of or-

organisational tendencies to fulfil entrepreneurial activities, and thus one of the fundamental aspects of the study of entrepreneurship (Covin & Wales, 2012). Likewise, entrepreneurial orientation is also one of the critical determinants for the emergence and existence of HGCs (Sheppard, 2023; Sorama & Joensuu-Salo, 2023; Chaston & Sadler-Smith, 2012), as it originates from the assumption that entrepreneurial orientation is formed as a factor (variable or group of variables) based on which companies can be distinguished, based on their level of entrepreneurial orientation capacity, on more or less successful (Covin & Wales, 2012: 677). Entrepreneurial orientation is one of the leading indicators of the company's ability to operate in an entrepreneurial way, as it is one of the critical dimensions of a company's entrepreneurial capacity (Alvarez-Torres et al., 2019). Thus, it can be one of the main determinants enabling high growth and fostering their financial performance.

The next one is organisational networking capability, which is the ability of a company to leverage its existing linkages (both strong and weak) and establish new connections (both strong and weak) with external entities to achieve resource (re)configuration and strategic competitive advantage (Mu & Di Benedetto, 2012), supporting their high-growth aspirations. If HGCs want to achieve and sustain high growth, financial resources and their adequacy will also be necessary. Insufficient or inadequate financial resources may lead to the inability to operate correctly or to reduce the realisation of business opportunities, leading to reduced growth and company development (Kim-Soon et al., 2017; Fraser et al., 2015).

## 2.2 Principal-agent theory and company performance

Agency theory is one of the most commonly analysed theories in entrepreneurship, which can be traced back to Smith's (1776) findings of dangerous differences between owners and managers. Agency theory covers a wide range of topics, from markets and companies to different research fields – for example, organisational behaviour (Effelsberg et al., 2014), knowledge hiding (Khoreva & Wechtler, 2020) and family business (Kowala & Šebestova, 2021) – where organisational governance has historically focused mainly on the perspective of principals and agents with the persuasion of the goal of maximising owner wealth, i.e. principal-agent research (Caldwell et al., 2006). Agency theory teaches us that whenever the principal (i.e. company owner in the case of the paper) engages with another agent (i.e. manager in the case of the paper) to whom some decision-making is granted, a potential agency problem could exist, shown as agency costs that can shape company performance (Ahmed et al., 2023), as one of the parties can have a different approach to solve a particular prob-

lem (Jensen & Meckling, 1976). The expected outcome of this behaviour should lead to outcomes specified by principals; however, self-interest behaviour could lie at the core of the agency problem. The problems arising from principal-agent cooperation cause divergence in the area of risk-sharing and create possibilities for information asymmetries, which in turn reduces the principal's ability to monitor and control agent behaviour, leading to situations where it is inherently difficult to create and sustain an ideal contract between the principal (i.e. owner) and the agent (i.e. manager) (Bendickson et al., 2016). Considering HGCs, this could lead to differences in the company's performance and growth possibilities between owner-managers and managers HGCs. It is shown that when agents have equity (or (co)ownership) in the company, they are more likely to embrace and fulfil the actions desired by principals and behave in principal interests (Eisenhardt, 1989), leading to higher HGC performance, compared to a situation where perceived inequity exists, as their, agents are more likely to engage in self-interested behaviour and may not loyally serve their principals (Wagner, 2019). There is no surprise that the correct incentives for managers can significantly enhance a company's performance (Wijeweera et al., 2022), as company performance is positively related to the percentage of equity held by managers and to the percentage of their compensation that is equity-based (Bouras & Gallali, 2017; Haubrich, 1994).

## 2.3 Hypotheses development

Previous studies have shown that company performance can be positively related to the percentage of equity managers (agents) held. In our paper, we want to examine if managers who are also (co)owners (owner-managers) can contribute to HGC's financial performance through selected growth determinants better than managers who are not (co)owners of HGCs (managers). Even though there are some concerns regarding moderating effects analysis in past theories, as moderator relationships regularly confront challenges, moderated regression analysis still represents the most popular procedure in the context (Helm & Mark, 2012).

### 2.3.1 Risk-taking, financial performance and ownership

Risk-taking as a dimension of entrepreneurial orientation is defined by Rauch et al. (2009: 763) as "making bold moves, diving into the unknown, when acquiring (borrowing) large amounts of financial assets and providing significant amounts of resources for the realisation of undertakings in uncertain environments". Within entrepreneurial orientation, risk-taking is implemented at the level of the

company or the decisions taken by the company (i.e. upper management) for various uncertain undertakings (Schillo, 2011). Risk-taking is one of the critical determinants of successful entrepreneurs and companies (Putninš & Sauka, 2020) as risk-prone companies combine the search for opportunities with taking risks by creating strategic conditions for their exploitation, leading to higher success either in terms of financial performance or company growth (Frešer, 2022). Risk-taking can thus positively enhance future company goal-setting and financial performance expectations (Mahto & Khanin, 2020). However, companies must be careful that risk-taking is driven by the right strategic management decisions and careful consideration of cost–benefit balance (Kreiser et al., 2013), as otherwise, risk-taking can have unwanted results.

There could also be different risk-taking propensity levels between owner-managers and managers. Some arguments suggest that as managerial ownership increases, the level of risk-taking decreases (Chen et al., 2014), supporting the risk aversion hypothesis, where in the presence of owner/manager agency problems, managers could be more risk averse in some cases. In usual circumstances, managers will not maximise shareholder wealth. Thus, their compensation must be designed so that when managers increase the company's value (take risks), they also increase their expected utility – i.e. their own goals (Smith & Stulz, 1985). These differences could create an uneven impact on financial performance. On the other hand, Brockhaus (1980) found no differences regarding risk-taking propensities when comparing managers who quit their managerial jobs and became owners and regular managers.

*H1a: Risk-taking positively and statistically significantly affects the financial performance of owner-manager and manager HGCs.*

*H1b: There is a moderated effect of (co)ownership on the relationship between risk-taking and HGC's financial performance.*

### **2.3.2 Innovativeness and Proactiveness, financial performance and ownership**

Innovativeness as a determinant of entrepreneurial orientation can be most commonly defined as a benchmark of novelty (McGrath et al., 1996), which can cause radical changes, altering the status quo on the market, or change companies' levels of proactiveness, risk-taking propensity and competitiveness. As such, innovativeness is often seen as one of the critical determinants of a company's entrepreneurial behaviour and performance (Hurtado-Palomino et al., 2024; Suifan, 2021). The sample of large companies (Scherer, 1965) found that innovativeness can positively impact achieved sales and, thus, the company's profitability. Some other authors (e.g. Ng et al., 2020; Shashi et al. 2019) also reported positive relations between innovation

and a company's financial performance in their studies, while others found a negative direct impact of innovation on financial performance (e.g. Gök & Peker, 2017). Different levels of innovativeness propensity between owner-managers and managers could exist. As shown by Aghion et al. (2013), ownership is associated with more innovation, which aligns with the “lazy” manager hypothesis. Innovation can require many efforts, and “lazy” managers might not exert enough of it (ibid.: 227). Innovation is also extremely risky, as large projects require extensive resources. On the other hand, the effects of innovativeness are uncertain and can most likely be seen more in the long term (Ghanbarpour & Gustafsson, 2022). This could lead more risk-averse managers to be intimidated by innovation (Kuczmariski, 1996) and unwilling to admit to large innovative projects. Conversely, this could represent the opportunity and challenge that will motivate them. Differences in levels of innovativeness between owner-manager and manager could lead to different impacts on a company's financial performance. The same can also be said for proactiveness, which refers to the company's view of the future, in which the company wants to proactively search for business opportunities that will enable the benefits of making the first move and changing the competitive environment (Hughes & Morgan, 2007). Proactiveness can thus be often analysed as interconnected with innovativeness (Covin & Wales, 2012).

*H2a: Innovativeness and proactiveness positively and statistically significantly affect the financial performance of owner-manager and manager HGCs.*

*H2b: There is a moderated effect of (co)ownership on the relationship between innovativeness and proactiveness and HGC's financial performance.*

### **2.3.3 Organisational networking capability, financial performance and ownership**

Social capital is essential for entrepreneurship research as a driving force to perceive and exploit business opportunities (Shane, 2003). Nahapiet & Ghoshal (1998) define social capital as a construct of three dimensions – structural, cognitive and rational. Organisational networking capability is defined by Mu & Di Benedetto (2012: 5) as the capability of the company/organisation to exploit its existing network connections (weak and strong) and explore new network connections in order to achieve a (re)configuration of resources and competitive strategic advantages, lies in the core of structural social capital. Organisational networking capability has a decisive impact on the company's performance (Sasmito et al., 2023; Kurniawan et al., 2021). There is no doubt that this determinant is positively linked with better financial performance (Wang et al., 2021). Theoretically, this could be explained by the fact that social capital and networking capability have often

been shown as factors influencing financial resource availability (Lukkarinen et al., 2016), as they can also build trust which can reduce the cost of financing (Meng & Yin, 2019). Previous literature research regarding social capital differences among owner-managers and managers is not standard. In one of the rare studies, Mosleh Shirazi et al. (2013) found out that managers who are not owners are weaker in social capital than owner-managers. This could lead to different effects of organisational network capability on financial performance.

*H3a: Organizational networking capability positively and statistically significantly affects the financial performance of owner-manager and manager HGCs.*

*H3b: There is a moderated effect of (co)ownership on the relationship between organisational networking capability and HGCs' financial performance.*

### 2.3.4 External financial resources diversity, financial performance and ownership

The importance of financial resources as one of the essential resources for the exploitation of opportunities has already been stressed by past theories (Shane, 2003), as insufficient and inadequate financial resources will lead to all sorts of problems related to companies' development, growth and existence. In line with resource-based theory, adequate financial resources will create competitive advantages and the long-term preservation of companies (Eisenhardt & Martin, 2000) and will shape their business strategies (Belenson et al., 2020). The importance of financial resources is even more highlighted with HGCs. HGC will require extensive financial resources to manage opportunities that will enable growth. In that aspect, Brüderl & Preisendörfer (2000) found that the amount of financial capital invested will significantly impact the likelihood of the company achieving high growth. This will lead HGC to implement different financing strategies as a non-growth company. The critical feature concerns external financial resources (Frešer, 2022), as HGCs are in some cases not able to cover all of their financial requirements using only their sources of financing – retained profits (Vanacker & Manigart, 2010); instead, HGCs are more likely to use a cocktail of financial resources from various providers (Brown & Lee, 2014). There is no doubt

that sufficient financial resources can positively contribute to financial performance as an essential link between access to external financial resources and financial performance was shown in past (Memon et al., 2020). Diversity and accessibility of financial resources can also more efficiently distribute risks, leading to better performance. There could also be different levels of propensity between owner-managers and managers to use different external financial resources. Thus, owners could be more prone to finance through their sources (retained profits) and with negligible debt levels to control the company (Hamilton & Fox, 1998). On the other hand, it was found that managers' ownership status has a statistically significant and positive association with their level of preference towards different sources of financing (Zabri et al., 2015). The possible existence of differences between owner-manager and manager could lead to different impacts on financial performance between the two groups.

*H4a: External financial resources diversity positively and statistically significantly affects the financial performance of owner-manager and manager HGCs.*

*H4b: There is a moderated effect of (co)ownership on the relationship between external financial resources diversity and HGCs' financial performance.*

## 3 Methodology and data

### 3.1 Sample and data collection

The research model is based on the population of companies that were recorded as HGCs (and thus fulfilling multiple criteria on which HGCs are determined) at least once between 2011 and 2016, based on the methodology of the Agency of the Republic of Slovenia for Public Court Records and Related Services (SI: AJPES; Slovenia). Based on this population, 8,194 HGCs were identified. Data was collected in May and June 2022 using the online survey, where 4,049 HGC e-mail addresses were publicly available. The final sample size was  $n = 119$  HGCs after considering all assumptions: (i) the questionnaire was completed by competent individuals, i.e., individuals with experience at the top management level of HGCs (one of the questions in the questionnaire was the position of respondent in the

Table 1: Sample distribution - external financial resources diversity (FRD)

Number of different external financial resources used by HGCs	0	1	2	3	4	5	6	7	Together
fk	5	19	23	30	30	8	4	0	119
fk %	4.2	16.0	19.3	25.2	25.2	6.7	3.4	0	100 %

Source: Own

company, based on which we were able to filter and select just the respondents with top management experiences). We assume that these individuals are responsible individuals in HGCs (managers), as they have the most knowledge about what is happening in the HGCs where they are employed, and (ii) we asked respondents to answer the questions from the perspective of the whole company as one organisation (in the questionnaire preface).

The characteristics of the sample show that out of 119 respondents, 75 (63 %) were male, while 44 (37 %) were female. Ninety-two respondents were also (co)owners of HGC, i.e. owner-managers (representing 77.3 %), while 27 (22.7 %) respondents were managers in HGCs and had no ownership claims. As shown in Table 1, 5 HGCs (4.2 %) included in the survey did not use any external financial resource, while 12 HGCs (10.1 %) did use five or more analysed external financial resources in their operations. On average, HGCs included in the survey used 2.8 different external financial resources out of the seven analysed: (i.) suppliers and other business partners, (ii.) business angels, (iii.) venture capital investors, (iv.) banks, (v.) national programmes and subsidies, (vi.) European Union funds and (vii.) non-formal sources of financing (financial resources from friends and family).

### 3.2 Measurement scales

The measurement instrument for the survey was designed on existing and validated measurement scales. The basis for measuring entrepreneurial orientation is Hughes and Morgan's scale (2007), which is also recommended by Covin & Wales (2012) as one of the better scales. Organisational networking capability was developed by Mu & Di Benedetto (2012). The measurement of HGC's financial performance was developed based on recommendations in the literature (e.g. Chen et al., 2005). The survey also analyses seven external financial resources based on experiences most common in the Republic of Slovenia. A complete list of measurement items is provided in Appendix A.

Based on measurement scales, exploratory factor analysis (EFA) was conducted ( $m$  = number of items included in factor,  $\alpha$  = Cronbach's alpha, KMO – Kaiser-Meyer-Olkin Measure of Sampling Adequacy, BT – Bartlett's Test of Sphericity-Chi Square).

1. Entrepreneurial orientation was defined with two factors in line with previous literature (e.g. Hughes & Morgan, 2007). First factor is EO\_1 (risk-taking),  $m = 3$ ,  $\alpha = 0.707$ . The second factor is EO\_2 (innovativeness and proactiveness),  $m = 9$ ,  $\alpha = 0.905$ . EFA for EO shows that KMO is 0,876 and BT (Chi-Square = 750.744;  $p = 0.000$ ), total variance explained = 60.44 %.

2. Organisational networking capability was defined as one factor. NC\_1 (organisational networking capability),  $m = 9$  (two items were excluded to match the corresponding

EFA criteria),  $\alpha = 0.945$ , KMO = 0.888, BT (Chi-Square = 1,005.605;  $p = 0.000$ ), total variance explained = 70.02 %.

3. Financial performance was defined as one factor. FP\_1 (financial performance),  $m = 5$ ,  $\alpha = 0.951$ , KMO = 0.820, Bartlett's test (BT) (Chi-Square = 699.029;  $p = 0.000$ ), total variance explained = 83.92 %.

### 3.3 Data analysis

The empirical analysis was performed using regression analysis based on EFA results. Analysis was performed using IBM SPSS Statistics 27 software. EFA was designed with key recommendations in past literature: KMO > 0.5; BT significant with Chi-square statistically significant; communalities > 0.4 total variance explained > 60 %; factor loading > 0.50 for samples with a size larger than  $n = 100$  (Yong & Pearce, 2013: 88; Costello & Osborne, 2005). A comparison of two regression models based on ownership of HGC (group one – respondents are also (co) owners, and group two – respondents are not (co)owner of HGC) was made according to guidelines from UCLA (2021) for the analysis of moderated effects of (co)ownership on selected determinants.

## 4 Results

The results of the regression analysis are presented. Regression analysis was performed in two steps. The first regression analysis was prepared separately for HGCs where respondents were owner-managers (model 1) and the second for HGCs where respondents were managers (model 2). The next step was to check if statistically significant differences between model 1 and model 2 exist (model 3). The results presented below show some important findings.

### 4.1 Regression models based on (co) ownership

Using a split file, two regression models were created. For both correlation coefficient (R), the adjusted coefficient of determination (adj. R Sq.) and standard error of the estimate (std. err.) were checked.

1. Model 1:  $R = 0.662$ ; adj. R Sq = 0.413; std. Err. = 0.798. The overall regression was statistically significant,  $F(4, 87) = 17.003$ ;  $p = 0.000$ . R of 0.662 indicates that there is a moderate correlation (Schober, 2018) between independent (EO\_1, EO\_2, NC\_1, financial resources diversity) and dependent variable (FP\_1). Adj. R Sq indicates that independent variables explain 41.3 % of the variation in the FP\_1.

2. Model 2:  $R = 0.678$ ; adj. R Sq = 0.362; std. Err. = 0.678. The overall regression was statistically significant,

$F(4, 22) = 4.678$ ;  $p = 0.007$ .  $R$  of 0.678 indicates the existence of a moderate correlation. Adj.  $R$  Sq indicates that independent variables explain 36.2 % of the variation in the FP\_1.

In both regression models' null hypotheses,  $H_0: R^2 = 0$  is rejected at a statistically significant level  $p < 0.05$ .

Results of statistically significant independent variables from model 1 and model 2 are presented in Table 2.

Both models show that EO\_1 has a statistically significant and positive impact on FP\_1. In model 1, where respondents are also (co)owners, one additional statistically significant impact is recorded, i.e. between NC\_1  $\rightarrow$  FP\_1 ( $\beta = 0.317$ ,  $p = 0.002$ ), while in model 2, the impact between two variables is not statistically significant ( $\beta = -0.193$ ,  $p = 0.290$ ).

Table 2: Regression models based on (co)ownership

		$\beta$	Std. error	t stat	P-value	VIF statistics**
Model 1	Constant	0.251	0.185	1.355	0.179	
	EO_1	0.418	0.096	4.341	0.000	1.407
	EO_2	-0.004	0.094	-0.038	0.970	1.075
	NC_1	0.318	0.097	3.277	0.002	1.432
	FRD*	-0.093	0.060	-1.552	0.124	1.021
Model 2	Constant	0.409	0.385	1.061	0.300	
	EO_1	0.632	0.159	3.984	0.001	1.099
	EO_2	0.163	0.155	1.053	0.304	2.097
	NC_1	-0.193	0.178	-1.084	0.290	1.441
	FRD*	-0.123	0.113	-1.090	0.288	1.535

Dependent variable: FP\_1

Note: \* FRD – financial resources diversity (see Table 1), \*\*VIF statistic  $> 5$  would indicate a high existence of multicollinearity (Shrestha, 2020: 40)

Source: Own

Table 3: Comparison of regression coefficients

		$\beta$	Std. error	t stat	P-value
Model 3	Constant	0.273	0.166	1.649	0.102
	EO_1	0.632	0.181	3.500	0.001
	EO_2	0.133	0.152	0.877	0.382
	NC_1	-0.183	0.200	-0.914	0.363
	FRD	-0.086	0.064	-1.339	0.183
	EO_1*OWN	-0.215	0.203	-1.058	0.292
	EO_2*OWN	-0.136	0.176	-0.772	0.442
	NC_1*OWN	0.500	0.221	2.265	0.025
	FRD_OWN	-0.014	0.052	-0.265	0.791

Dependent variable: FP\_1

Source: Own

## 4.2 Comparison of regression coefficients between model 1 and 2

A comparison of regression coefficients was done based on UCLA (2021) guidelines. First, a dummy variable was created called OWN (value one was set to respondents who are also (co)owners, and value zero was set to respondents who are not (co)owners of HGC). Second, variables representing the product between the independent variable and variable OWN were created: EO\_1\*OWN, EO\_2\*OWN, NC\_1\*OWN, and FRD\*OWN. A new regression model with starting and newly calculated variables was formed to analyse moderated effects (model 3:  $R = 0.666$ ; adj.  $R Sq = 0.403$ ; std. err. = 0.772. The overall regression was statistically significant,  $F(8, 110) = 10.972$ ;  $p = 0.000$ ). The results of the regression coefficient comparison are shown in Table 3.

With model 3, the null hypothesis  $H_0: \beta_1 = \beta_2$  for each original independent variable was tested, where  $\beta_1$  is the regression coefficient for respondents who are also (co) owners of HGC (model 1) and  $\beta_2$  is the regression coefficient for respondents who are not (co)owners of HGC (model 2). As the results show, the regression coefficient for variable NC\_1\*OWN is statistically significant ( $p = 0.025$ ), meaning that NC\_1 will have statistically significant different impacts on FP\_1 in relation to (co)ownership. The result implies that when managers are also (co) owners of HGC, NC\_1 will have a statistically significantly more pronounced impact on FP\_1 and that, thus, a moderated effect of (co)ownership on the relationship between risk-taking and HGC financial performance exists.

## 5 Discussion and conclusion

### 5.1 Key findings and theoretical implications

The paper analyses the relationship between selected growth determinants highlighted in previous literature as one of the most critical determinants enabling HGC growth and development, with a meaningful connection to financial performance and HGC ownership. Our paper is based on findings from previous literature (e.g. Bouras & Gallali, 2017) that show that company performance is positively related to the percentage of equity held by managers and the percentage of their equity-based compensation. We want to contribute to these findings by determining for which growth determinants, equity-related manager compensation, can positively influence HGC's financial performance.

Not surprisingly, results showed that risk-taking (EO\_1) has a statistically significant and positive impact on the financial performance of both owner-manager and

manager HGCs, supporting findings from previous literature (Mahto & Khanin, 2020). As suggested in previous literature and in line with agent-principal theory, there could be different risk-taking propensity levels between owner-managers and managers, as when managerial ownership increases, the level of risk-taking could decrease (Chen et al., 2014), leading to different impacts of risk-taking on financial performance for owner-manager and manager HGC. Even though it can be seen from Table 2 that there are some differences between owner-managers and managers' HGC regression coefficients analysing influence of risk-taking on financial performance, the results, in this case, show that (co)ownership does not have an essential impact on forming the influence of risk-taking on HGC's financial performance, suggesting that regarding risk-taking as a growth determinant additional equity compensation or ownership, will not have a significant impact on HGC's financial performance.

Results show that for both cases – owner-manager and manager HGC – innovativeness and proactiveness (EO\_2) do not significantly impact HGC's financial performance, supporting previous findings that innovativeness studies are vastly diverse, with different impacts recorded. Some authors (e.g. Ng et al., 2020; Shashi et al. 2019) reported positive relations between innovation and a company's financial performance, while others found a negative direct impact of innovation on financial performance (e.g. Gök & Peker, 2017). Past literature also suggests that different levels of innovativeness and proactiveness between owners and managers may exist (Aghion et al., 2013; Kuczmarski, 1996), which could lead to different impacts of innovativeness and proactiveness on the financial performance of owner-manager and manager HGCs. It's also critical to emphasise that innovativeness was analysed in our paper as one construct. On the other hand, innovativeness can be divided into many conceptual approaches covering technology-, behaviour-, and product-related innovativeness (Salavou, 2004). Owners and managers could have different desires for innovativeness (Aghion et al., 2013) and thus also have a different propensity to technology, behaviour or product-related changes. Thus, analysing and measuring innovativeness as separate factors could also be beneficial. In addition, our results show that (co)ownership does not have an essential impact on forming the influence of innovativeness and proactiveness on HGC's financial performance, suggesting that regarding this growth determinant, additional equity compensation or ownership in HGC will not significantly impact financial performance.

Regarding organisational network capability (NC\_1) for owner-manager HGCs, results support the previous findings that this growth determinant can positively affect financial performance (Wang et al., 2021; Kurniawan et al., 2021). Organisational networking capability as the capability of the company/organisation to exploit its existing network connections to achieve a (re)configuration



of resources and competitive strategic advantages (Mu & Di Benedetto, 2012) is, in that way, directly connected to RBT, as it can provide the company with the set of heterogeneous, valuable, rare and immobile production resources that the competition cannot completely emulate (Barney, 1991), thus forming a competitive advantage leading to economic value creation and leading to higher financial performance. Results also show that organisational networking capability has statistically significant different impacts on financial performance when analysing groups of owner-manager and manager HGCs, suggesting that in owner-manager HGCs, organisational networking capability will have a more pronounced impact on company financial performance. As it was already pointed out by Mosleh Shirazi et al. (2013), managers who are not owners are weaker in social capital. This finding is not only validated in our study, but it is also extended to the company's financial performance. The results show that (co)ownership has an essential impact on forming the influence of organisational networking capability on HGC's financial performance, suggesting that regarding this growth determinant, additional equity compensation or ownership in HGC will significantly impact the company's financial performance. This is an essential theoretical contribution to the research field. Regarding organizational networking capability, our paper builds upon previous literature and RBT, supporting previous findings regarding the significant importance of networking capability to enable companies' resources that will enable competitive advantage and, thus, better performance. In addition, our paper builds on Mosleh Shirazi's (2013) findings, suggesting that different levels of network capacity exist between managers and owner-managers. The difference was shown in our paper as having a decisive role in shaping the financial performance of HGCs. The difference between managers and owners-managers regarding network capability and its relationship to financial performance can also be viewed by the principal-agent theory perspective, where when agents (managers) have equity (or (co)ownership) in the company, they are more likely to embrace and fulfil the actions desired by principals and behave in principal interests (Eisenhardt, 1989), meaning they would be more willing to use their network capability and social capital knowledge and skills to gain profit for the company.

External financial resources diversity (FRD) was found not to have a statistically significant effect on HGCs' financial performance in both groups – i.e. owner-manager and manager HGCs, and there is no relation of (co)ownership on forming the influence of external financial resources diversity on HGC's financial performance. Even though there are findings that sufficient external financial resources can positively contribute to financial performance (Memon et al., 2020), their diversity in our study was shown as a statistically unimportant factor.

As is shown with principal-agent theory, differences be-

tween principals (owners) and agents (managers) can lead to different goals, as in usual circumstances, managers will not maximise shareholder wealth (Smith & Stulz, 1985). Here, ownership or equity-based compensation can have an important role. When agents have equity (or (co)ownership) in the company, they are more likely to embrace and fulfil the actions desired by principals and behave in principal interests (Bendickson et al., 2016; Eisenhardt, 1989), leading to higher HGC financial performance. Our study made a significant contribution, showing that (co)ownership and, with this equity-based compensation, can significantly contribute to better HGC financial performance through organisational networking capability.

## 5.2 Practical implications

Our study has practical implications for HGCs and policymakers seeking higher financial performance and development. Penrose (1959) pointed out that financial performance is crucial and can be compromised with extensive growth. The first contribution of our paper is thus to figure out which growth determinants positively influence HGC's financial performance. Concerning this, decision-makers can focus more on the growth determinants highlighted to shape financial performance positively. In the case of our paper, these are risk-taking and organisational network capability. Managers and owner-managers can thus build on their network capability and other determinants of entrepreneurial orientation by participating in different supporting programs prepared by and driven by government policies. Examples of successful programmes that promote the motivation to achieve more remarkable growth through a supportive environment come from Ireland (the Going for Growth in Ireland programme) and Sweden (Mentor Eget Företag) (OECD/European Union, 2015: 14). These programmes encourage and support entrepreneurs in their entrepreneurial pursuits, through appropriate mentoring and education, supporting the development of entrepreneurial orientation (including innovativeness) and networking capability.

The second contribution, in line with the paper's aim, can be derived from findings that show that growth determinants, such as equity-related manager compensation, positively influence HGC's financial performance. The results confirm previous literature suggesting that correct incentives for managers can significantly enhance a company's performance (Bouras & Gallali, 2017). Decision-makers can thus strive to enhance equity-based compensations, as it was shown that (co)ownership has a crucial positive influence on shaping HGCs' financial performance through organisational networking capability. It is also vital that (co)ownership and equity-based compensation will not statistically significantly worsen the HGC financial performance through other growth determinants.

Table 4: Overview of Hypotheses Acceptance

H1a	H1b	H2a	H2b	H3a	H3b	H4a	H4b
Accepted	Rejected	Rejected	Rejected	Accepted	Accepted	Rejected	Rejected

Source: Own

This is essential for policymakers aiming to create a business environment enabling growth, development and financial prosperity. Policymakers can support equity-based compensations through different tax systems, enabling tax benefits for equity-based compensations, as past theory suggests tax rules can significantly affect equity-based compensation behaviour (Widdicks & Zhao, 2014). Additional equity-based compensations could also support the innovative tendencies of companies, as they will successfully build company financial performance through different determinants – meaning there will be more money available in the future to cover extensive needs to finance large innovative projects.

Thus, policymakers could encourage policies promoting equity ownership among high-growth companies' managers and employees (HGCs). This can be in the form of stock options, equity-based compensation, or other ownership structures. Such policies can align the interests of managers and employees with those of the company, potentially leading to better financial performance. To support organisational networking capability, policymakers can support initiatives that enhance the organisational networking capability of HGCs. This can include providing resources for training, fostering business networks, and facilitating partnerships to help HGCs build robust and effective social capital. This is especially relevant for owner-manager HGCs, where networking capability can significantly impact financial performance.

Additionally, implications that may be important for HGCs may include the following viewpoints. HGCs should consider implementing equity-based compensation for managers and employees. This can serve as a tool to align incentives, motivate, and engage key personnel in the success and growth of the company. HGCs, especially owner-manager HGCs, should invest in building and leveraging their networking and social capital (for example, actively participating in industry events, forming strategic alliances, and fostering relationships with key stakeholders).

HGCs should also focus on risk-taking by carefully balancing their risk-taking strategies, especially in owner-manager HGCs, where the relationship between managerial ownership and risk-taking may be more complex. While the study found that external financial resource diversity did not significantly impact HGCs' financial performance, policymakers can still encourage HGCs to diversify their funding sources. This can help HGCs better

navigate financial challenges and access various types of financial support. A diverse funding base can provide financial stability and reduce dependence on a single source. Considering the implications of management structure and (co)ownership on financial performance, HGCs should evaluate whether a combination of equity-based compensation, (co)ownership and organisational networking capability can contribute to improved financial outcomes.

### 5.3 Limitations and directions for future research

The research paper examines the specific context of HGCs to contribute to previous theories suggesting that company performance can be positively related to the percentage of equity managers hold and fill the research gap by including growth determinants. We do this with the empirical model combining selected growth determinants with financial performance and including the moderated effect of (co)ownership. This research paper is subjected to a few limitations. The first limitation concerns the analysis of moderated effects, which are the most popular procedure in the context but are often subjected to some concerns and challenges (Helm & Mark, 2012). The second limitation is related to the research model, where only selected growth determinants were analysed. Another limitation arises from the sample – even though the study is based on a representative sample, there are some limitations regarding online surveys, i.e., email address availability. It is also important to note that measurement scales, even though they are recognised in past literature to measure analysed determinants, represent subjective measures. More objective measures could be implemented in the future, to measure analysed determinants better – e.g. innovativeness could be additionally measured with objective measures like patent counts, R&D investments, etc., adding validity and reliability to research findings. Several future research directions are also possible. As HGC research is a diverse and heterogeneous research field, an open issue for further research is analysing research models across other datasets. As the generally accepted definition of HGCs does not exist (Moreno & Casillas, 2007), the research findings are limited to the specific selected context of Slovenia, and comparison with findings of international or other specific country contexts can be limited. As growth is a very heterogeneous phenomenon, criteria defining HGCs differs

between countries and could also be subjected to cultural, institutional or other economic factors. This leads to differences in samples and hardens the direct comparison of the research findings. Thus, the suggested research model could also be used on other samples of HGCs from different countries and contexts to confirm the model's validity. Next, another possibility lies in including and analysing growth determinants not primarily included in the model. Our research only covers a few of the most important ones in relation to article context. Selected growth determinants could be analysed more in-depth, adding additional context. The determinants of entrepreneurial orientation could be additionally divided. For example, innovativeness as one of the critical determinants of a company's performance could be analysed more in-depth by examining the importance of different innovation types. Adding additional growth determinants and other in-theory emphasised factors or analysing existing determinants in more depth would result in a more sophisticated research model that could contribute to theory and practice even more. Additionally, to the quantitative approach presented in the paper, qualitative research methods could also be used. With qualitative methods like case study analysis or in-depth interviews, better insight into the analysed topic could be obtained, providing a better understanding of any additional challenges, limitations or best practices that could be used to develop theoretical and practical implications.

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## Appendix – measurement items

Entrepreneurial orientation was measured on a 7-point Likert scale (1 -I disagree entirely, 7 – I agree completely). The questionnaire consisted of the following statements (EO\_q1–12): Q1: The term “risk taker” is considered a positive attribute for people in our business; Q2: People in our business are encouraged to take calculated risks with new ideas; Q3: our business emphasises both exploration and experimentation for opportunities; Q4: we actively introduce improvements and innovations in our business; Q5: our business is creative in its methods of operation; Q6: our business seeks out new ways to do things; Q7: we always try to take the initiative in every situation (e.g., against competitors, in projects when working with others); Q8: we excel at identifying opportunities; Q9: we initiate actions to which other organisations respond; Q10: our business is intensely competitive; Q11: in general, our business takes a bold or aggressive approach when competing; Q12: we try to undo and outmanoeuvre the competition as best as we can.

Organisational networking capability was measured on a 7-point Likert scale (1 -I disagree entirely, 7 – I agree completely). The questionnaire consisted of the following statements (NC\_q1–11): Q1: we search locally to find proper network partners; Q2: we search globally to identify appropriate network partners; Q3: we search widely to look for the right partners; Q4: if something seems to be going wrong in relationships with partners, we try hard to figure out why; Q5: if the relationship with a partner is successful, we try to understand what makes it work well; Q6: we constantly assess and analyze our relationships with partners so that we know what adjustments to make; Q7: dynamically integrating networking activities into the business operational process is part of our firm’s strategy; Q8: we can find partners to count on in time when the need arises; Q9: we can be pretty accessible to our partners in a timely fashion; Q10: we can get the needed assistance from our partners in an accurate and timely manner; Q11: our partners can refer us to a third party who could help if the partners cannot provide direct help.

Financial performance was measured on a 7-point Likert scale (1 -I disagree entirely, 7 – I agree completely), where the respondents would express their agreement with the statement, “Compared to directly competing companies, we believe that our company shows better”. The questionnaire consisted of the following statements (FP\_q1–5): FP\_1: net profit; FP\_2: ROE—return on equity (income before taxation/average value of capital); FP\_3: ROA—return on assets (income before taxation/average assets); FP\_4: revenue growth percentage (revenue of the current year/revenue of the previous year); FP\_5: value added per employee.