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The determinants of firm growth and profitability: Comparative case study between stable and high growth firms in Nigeria

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ABBREVIATIONS

B2B	Business-to-business
B2C	Business-to-consumer
CEO	Chief executive officer
VC	Venture capital

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ABSTRACT

Firm growth has been receiving a lot of attention from researchers over the years. This is because of their significant contribution to the economy through job creation and economic development. However, there is still no single theory that can adequately explain the growth of new ventures (Gibb & Davies 1990). This research aims to find out the factors that contribute to firm growth and profitability in emerging economies.

The research is approached by first reviewing the previous literatures on firm growth with a specific focus on four categories of growth variables: founder characteristics, strategy, finance, and business environment. Each of the growth variables are examined in detail to find out how they contribute to firm growth as well as interact with each other. The theory concludes by examining the relationship between growth and profitability because only a few studies have investigated this relationship (Davidsson et al. 2005).

The empirical data was collected in five semi-structured interviews. The case companies of the research are Printivo, Wakanow, Jobberman, Drinks.ng, and OList. The founder/CEO of the firms provided the research data. The results of this study revealed that founder characteristics is the most important growth factor, it influences all other variables. The thesis also identified several growth challenges in emerging economies and suggests ways for managers to navigate them.

KEYWORDS: firm growth, founder characteristics, strategy, finance, business environment

1 INTRODUCTION

Growing firms are creators of new jobs and they contribute to the development of an economy (Kirchhoff 1988). Over the years, entrepreneurship researchers have devoted significant amount of time on the research to explain the factors that contributes to the performance of a firm (Littunen & Virtanen 2009). Sandberg (1986) is perhaps one of the earliest authors to carry out the research on the factors that influences new venture performance. Sandberg & Hofer (1987) developed a venture performance model that specified that new venture performance is a result of the confluence of factors that includes the attributes of the entrepreneur, industry structure, and strategy. Herron (1990) provided empirical evidence that the entrepreneur is an important variable in determining the performance of a new venture. In a study of 17 ventures funded by venture capital firms, Sandberg & Hofer (1987) found evidence that industry structure and strategy influences the performance of a new venture, but they found no evidence to support entrepreneurial characteristics. Several authors also supported Sandberg & Hofer's findings on the importance of industry structure and strategy (Feeser & Willard 1990; Keeley & Roure 1990; McDougall 1987).

However, there is still no theory that can adequately explain the growth of new venture despite the models that have been proposed by different authors (Gibb & Davies 1990). Chrisman, Bauerschmidt & Hofer (1999) opined that other variables that go beyond the entrepreneur, strategies and industry structure can also affect new business performance. They added that resources, organizational structure, processes, and systems are also essential elements that should be included in a comprehensive model of new business performance. Furthermore, most studies merely highlight the determinants of new venture performance without examining how the variables interact with each other (Chrisman et al. 1999). In addition, growth studies have mainly been conducted in western economies. Hence, there is a need to conduct more research in emerging economies because of the difference in the level of development. Lastly, most growth studies focus on sales growth without much emphasis on other performance dimensions such as profitability. This is probably because growth is mostly viewed as a parallel phenomenon with profitability. However, profitability correlates negatively with external finance which is thought to be the prerequisite for a firm's growth (Birley & Westhead 1990).

Due to the lack of adequate theory to explain firm growth in emerging economies and the contradictions between the different theories of growth and profitability, this research area appears to be an attractive area to examine. The research will focus on four categories of growth-facilitating variables namely founder characteristics, strategy, finance, and business environment. Growth firms are crucial to the Nigerian economy as they contribute 48% of national GDP and they account for 96% of businesses and 84% of employment (Agbeyi & Omosomi n.d.). Despite their contributions, SMEs in Nigeria do not receive adequate financial support (Central Bank of Nigeria). They lack necessities needed for smooth business operation such as electricity, good road, transportation system, and internet. Firms are forced to provide these services themselves which increases their operating cost. This research aims to find out the factors that contributes to firm growth and profitability in Nigeria despite the numerous economic challenges. Thus, the research question is how do determinants of firm growth and profitability interact in emerging economies? The research is a comparative case study between Nigerian firms. Semi-structured interview method will be used to collect the data.

This thesis contributes to the research on firm growth in four ways. Firstly, the thesis examines the determinants of firm growth from emerging economies unlike most research that were conducted in western economies. Secondly, while prior studies reported that external finance is necessary for firm growth (Denis 2004; Littunen & Virtanen 2009), this research digs deeper to explain why it is difficult for firms to secure external finance in Nigeria. Thirdly, even though several determinants of firm growth have been highlighted in prior studies (e.g., Barringer et al. 2005; Acs et al. 2008; Wiklund et al. 2009), none of them mentioned talent acquisition as an important growth determinant. Lastly, there is still no model that can adequately explain firm growth (Gibb & Davies 1990) therefore, this thesis complements previous growth studies.

The study will be divided into five chapters. The first chapter which is the introduction will present the background of the study, the research gap, the research question and objectives, and the structure of the study. The second chapter will cover the theoretical background of the study. The chapter will start with a discussion of the previous research on firm growth. The chapter will continue by looking specifically into four growth variables and each of them will be examined. The four variables are as follows: founder characteristics, strategy, finance, and business environment. The relationship between growth and profitability will also be examined in this section. The section will conclude by constructing a theoretical framework based on the reviewed literatures. The third chapter will introduce the methodological decisions regarding data collection and analysis, followed by a discussion about the validity and reliability of the research. The interview data are analyzed in the fourth chapter. Lastly, the findings are discussed, and a new growth framework is created, followed by managerial and theoretical implications, limitations of the study, and suggestions for future research.

2 THEORETICAL BACKGROUND

This chapter begins by reviewing the previous research on firm growth. The chapter will focus on four growth variables which includes founder characteristics, strategy, finance, and business environment. The relationship between growth and profitability is also examined and the chapter will conclude with the creation of theoretical framework that will guide the empirical analysis.

2.1 Firm growth

Small and medium sized enterprises are vital to the development of an economy. Their strong economic impact is reflected through employment and innovation (Audretsch 2004). However, sustained growth is difficult to achieve. Firms growth rate often slow down due to the multitudes of challenges and demands associated with the growth process. According to Zook & Allen (1999), only one in seven firms manage to achieve sustainable growth over time and these numbers are significantly lower for high-growth firms. High-growth firms are firms with average yearly growth of more than 20%, measured by the number of employees or turnover (OECD, 2007: 61).

Extraordinary resource needs and internal turmoil are among the challenges that growth firms face, and any misstep in the management of these challenges could lead to failure (Hambrick & Crozier 1985). Even with these challenges, a lot of research has shown that growth is a top strategy that a large percentage of firms pursue. Thus, the growth and profitability of entrepreneurial firms is an important phenomenon to be examined.

There are several theories of firm growth. Although, it has been noted that the resource-based view (RBV) theory is the predominant growth theory (McKelvie & Wiklund 2010). The resource-based view (RBV) of firm growth originated with the 1959 book by Edith Penrose titled “The Theory of the Growth of the Firm”. Penrose (1959) asserts that the success of a firm rests on the ability of an entrepreneur to continuously identify and exploit new opportunities and that a firm’s internal and external resources determines growth. The resources that are included in Penrose’s theory are not just tangible assets such as land, equipment, and buildings. They also include the entrepreneur's traits, the skill and knowledge of the management team and how they can utilize both the tangible and intangible resources available to them in a way that will generate profit for the firm.

Penrose's theory considers the people and the skills that makes up a firm, the firm's strategy, as well as the business environment in which the firm operates. Penrose's work provides the framework in which many growth theories reside. Davidsson et al. (2009) concluded that any theoretical argument for efficiency-based or intra-industry performance advantages deriving from resource heterogeneity such as "dynamic capabilities" and "knowledge-based view" are related to the resource-based view theory whether the author positioned their work as such or not.

Roper (1997) stated that the factors that determine the success of a small business includes: its initial market position, its operating environment, and the strategic choice of the entrepreneur. They also added that the background, aspirations and capabilities of an entrepreneur and the firm's operating environment (present and future) has an influence on strategic choice. Barringer, Jones & Neubaum (2005) reviewed 106 articles and books from different entrepreneurship, economics, and management literatures. They found out that the literatures on firm growth highlights different factors that influence the success of a firm. They divided these factors into four variables namely: "founder characteristics, firm attributes, business practices, and human resource management practices". They extended these variables in their research to include entrepreneurial story, customer knowledge, training, and employee development.

Cooper, Gimeno-Gascon & Woo (1994) found that stable and high growth were positively related to having a high level of education, high initial financial resources, and an in-depth knowledge of the industry. Sandberg & Hofer (1987) found no support for entrepreneur's characteristics on the performance of a firm. However, they found support for firm's strategy and industry structure. Chrisman et al. (1999) who extended the new venture performance model proposed by Sandberg & Hofer (1987) concluded that new venture performance is a consequence of a confluence of factors that consists of the entrepreneur's attributes, business strategy, organizational structure, processes, systems, resources, and industry structure.

Zhao & Aram (1995) compared low and high-growth firms in their research, and they found that rapidly growing firms have higher business networks compared to their low growth counterpart. Chetty & Campbell-Hunt (2003) examined the relationship between business network and rapid international growth to point out how business network contributes to the success of a firm. They found out that when the internationalization process is sudden and when it involves big increase in capability and specialization, business network offers the only vehicle for successful internationalization. This means that it is of utmost importance for rapidly internationalizing firms to use external resources via networking.

Smallbone, Leigh & North (1995) opined that the commitment of the leader of a firm is the most important factor in achieving growth and that in most cases purposeful strategies are necessary to achieve sustainable growth. They further argued that successful firms are active in managing their products and markets and that high growth can be achieved by any firm regardless of size, age, and sector characteristics. Littunen & Virtanen (2009) concluded that growing firms often use external finance such as loans and public funding at startup stage, they are opportunity driven, they use group management style, and they are more open to external discussion. Furthermore, they added that growing firms take advantage of economies of scale in their production and that they do not concentrate on specialization. In addition, they could easily diversify their activities with respect to new market opportunities.

Acs, Parsons & Tracy (2008) examined ventures with expanding employment and significant revenue growth in the US between the year 2002 to 2006, they called these firms high-impact firms (HIF) and they discovered about 375,000 of them in all industries and almost every region. This is in accordance with Chan, Bhargava & Street (2006) that regardless of the industry, revenue and size, high-growth firms experience similar management challenges. Acs et al. (2008) discovered in their research that high-growth firms contribute significantly to employment and the development of an economy. Acs et al. (2008) study suggests that a firm's performance is related to its age. They also stated that high-impact firms are younger than low-impact firms, but it should however be noted that the average age of HIFs is around 25 years.

Wiklund, Patzelt & Shepherd (2009) compared competitors with relative sales growth and relative employment. They concluded that entrepreneurial orientation and growth attitude have a direct impact on firm growth while resources only have an indirect effect on growth. In addition, they found that environmental factors have a complex relationship with growth. Stuart & Abetti (1987; 1990) concluded that entrepreneurial experience is a predictor of a firm's performance which is in line with Cooper et al. (1994) that industry specific knowledge is common among growing firms. Abetti (2005) studied the evolution of Steria, a French venture that turned to a European leader in their industry. The study focuses on the five stages of Steria's growth which are separated by four crises. It points out how the crises were resolved by the creativity of the founder and CEOs of the company. Abetti (2005) concluded that entrepreneurial characteristics, acquisition of resources, evolution of market opportunities and luck contributed to Steria's success. Furthermore, he stated that the driving force for Steria to cope with tough times were the continuing innovative family-like culture of the firm and creative leadership.

Markman & Gartner (2002) examined whether high growth is correlated to firm profitability. They found out that only the age of a firm and industry sector were significantly correlated to profitable growth while growth in terms of sales and employment does not correlate to profit. They concluded that younger rapid growth firms are generally more profitable than older firms.

Although several factors have been highlighted as the determinants of firm growth, this research will divide these factors into four variables founder characteristics, strategy, finance, and business environment. Each of these factors are discussed in detail below.

2.1.1 Founder characteristics

Many studies have shown that the founder/owner of a firm has a significant influence on the future of the firm. Many firms culture and employee behavior are mostly reflected from the impact of their owners (Mullins 1996). For example, when Disney executives are confronted with important decision, they would often ask aloud “What would Walt do?”. This tradition continued in Disney for many years after the death of Walt Disney (Collins & Porras 1994).

Several studies have examined the significance of individual skills and personal traits among entrepreneurial founders. Several growth challenges faced by entrepreneurs have been identified. For instance, inadequate market knowledge, poor timing, and sales capabilities are among the problems faced by new ventures when scaling. Researchers have suggested that entrepreneurs require specific personal traits to deal with the challenges associated with growth (Carland, Hoy & Carland 1988; Terpstra & Olson 1993). A firm’s decision regarding strategy, processes, organizational structure, and systems have been linked to the experience, personality, and values of the founder. In addition, the skills and previous experience of an entrepreneur influences the decision regarding the industry the firm will enter (Feeser & Willard 1990), as well as the ability of the firm to obtain the resources it needs to function (Sandberg 1986).

In a study of entrepreneurship activities conducted by Kelley, Bosma & Amorós (2011), personal factors such as entrepreneurial attitudes, aspirations, and experience is viewed as a possible explanation for growth differences between firms in different countries and sectors. Mullins (1996) opined that the individual trait of the founder of a firm can shape the behavior and culture of the firm. The consequences of this can either be positive or negative however, proactive, innovative, and risk-taking entrepreneurs are generally seen as an asset to the firm. Thus, a proactive and focused founder with a clear vision is very important for the growth of a new venture (Baum, Locke & Smith 2001).

Starting a new business is challenging. The success of a firm depends on variables such as the entrepreneur’s educational background, prior experience, and professional networks (Barringer et al. 2005). Higher education enhances various skills such as entrepreneurial skills, search skills, foresight, communication, and computational skills (Sapienza & Grimm 1997). In addition, entrepreneurs with college education in knowledge intensive fields have an advantage if they establish a business related to their studies. For instance, fields such as computer science and medicine require intensive education.

The prior experience of an entrepreneur is also another factor that influences a firm’s performance. An entrepreneur that has a prior experience in the industry where he/she operates is likely to perform very well (MacMillan & Day 1987; Sapienza & Grimm 1997). Furthermore, starting a new business is challenging, entrepreneurs with a previous startup experience have a clear advantage over entrepreneurs with no experience because experienced entrepreneurs are more likely to avoid costly mistakes (Barringer et al. 2005). According to Singer (1995), previous experience is often used to predict the future performance of an entrepreneur.

Stinchcombe (1965) stated that startup firms possess the “liability of newness” which limits their resources. Thus, startup founders often need to tap into their social and professional network to access the critical resources they require to function. For instance, an entrepreneur may ask for an introduction to a supplier or customer from an acquittance. Having a broad social and professional network is advantageous and it can propel a firm’s growth (Barringer et al. 2005).

Larger founding team have been found to have a positive effect on firm growth. It is believed that bigger teams have more resources, talents and broader professional and social contacts compared to one person (Barkman 1994). Furthermore, larger founding teams can give each other moral support during trying times which will increase their firm’s chance of survival and success (Feeser & Willard 1990).

Venture capitalists often assess the ability of an entrepreneur to launch a firm successfully. Before investors make the decision to fund a firm, they often assess the entrepreneur’s strengths and capabilities. They look at factors such as the education and the experience of the founder to assess the potential of the firm (Barringer et al. 2004; Colombo & Grilli 2005).

2.1.2 Strategy

Business strategy focuses on the way a firm competes in an industry (Hofer & Schendel 1978). It highlights opportunities in a firm's products, customers, technologies, and it details how a firm's resources are deployed (Chrisman et al. 1999). If a new firm is to survive, its strategy must be designed to overcome difficulties or challenges rather than designed to exploit barriers inhibiting entry into an industry. This is because new ventures have little history and no "realized" strategy from which they can build upon (Cooper 1979; Mintzberg 1978; Bain 1956; Caves & Porter 1977; Hatten & Hatten 1987; Porter 1980).

A firm's initial strategy must clearly specify the resources needed to compete in its industry as well as how those resources will be obtained. In addition, a firm must have a clear strategy for deploying the resources it controls or seeks to control if it is to achieve lasting competitive advantage in its targeted market (Hofer 1975; Sandberg & Hofer 1987). Without such concrete strategy, there is little hope for a firm to achieve the growth and profit potential in its targeted market (Porter 1980; 1985).

In a study of high-technology firms conducted by Kazanjian (1988), Kazanjian noted that strategy continues to be critically important for firms as they grow. The study noted that strategy is more important in the first stages of a firm's growth compared to the firm's intermediate stages. In the early stages of the growth of a firm, strategy is mainly focused on the problems of securing and allocating resources while in the later stages of a firm's growth, the problem shifts to how the firm's resources are redeployed to maintain competitive advantage (Hofer & Charan 1984). According to Romanelli (1989), the founding strategy of a firm influences its resources. A firm's strategic direction is often determined by its founding strategy because firms develop internal consistencies and investments to perpetuate their strategies (Miles & Snow 1978) in a way that the strategies remain long after the establishment of the firm (Boeker 1989).

The early research on firm strategies has mainly been based around two arguments. The first is that new and small firms must avoid direct competition with large ventures at all cost and instead focus on “niche” strategies while the second argument is that new firms should compete on a broad front and launch an aggressive and proactive assault against their larger competitors. The assumption of the niche strategy is that small firms do not have the resources needed to directly compete with larger firms. Stinchcombe (1965) stated that startup firms possess the “liability of newness” which limits their resources and thus decreases their chance of survival and success. In general, business advisors encourage startups to focus on a segment of the market overlooked by competitors and offer that segment specialized and high-quality products, instead of attempting to compete through price reduction (Broom & Longenecker 1971; Hosmer 1957; Deeks 1976; Stegall, Steinmetz, & Kline 1976). Alternatively, some researcher opined that new firms should adopt a broad range of strategic alternatives including competing directly with larger firms in their industry (MacMillan & Day 1987; Cooper, Willard & Woon 1986; Miller & Camp 1985). In support of this view, Biggadike (1976) argued that if new firms do not enter markets aggressively and on a large scale, they might not appeal to customers the same way as their competitors.

Although the earlier literatures on venture strategies provide useful insights, McDougall & Robinson (1990) opined that the way strategy is measured in these studies is quite broad. As a result, there has been more recent efforts from several authors to further examine the different strategic alternatives viable for small firms. Porter (1980) has arguably developed the most influential venture strategy scheme. Porter (1980) outlined three strategies firms can use to compete in their industry. They are cost leadership, differentiation, or focus.

Cost leadership requires the creation of efficient facilities, continuous pursuit of cost reduction, strict cost and overhead control, cost minimization where possible, and avoidance of customer marginal accounts (Porter 1980). Cost leadership is the relentless pursuit of productivity enhancements that results in cost minimization while retaining quality in the firm’s offering. Having a low-cost position shields a firm from all Porter’s competitive forces. Firstly, it protects a firm against powerful buyers since buyers can only reduce prices to match the one of the most efficient firm. Secondly, low-cost position gives a firm more flexibility to cope with higher prices from powerful suppliers. Thirdly, low-cost position often provides entry barrier into the industry because of cost advantages or economies of scale. Fourthly, low-cost position gives a firm advantage over substitute offerings from competitors. Lastly, low-cost position protects a firm against industry rivals because bargaining will continue to erode competitors' profits until they are no longer profitable and thus eliminated.

Differentiation requires offering unique products or services to customers. Differentiation can be achieved through marketing, brand image, technology, customer service, distribution, and so on. Firms can differentiate itself along several dimensions. For example, a firm can be known for high quality and durable products and at the same time have a very efficient distribution network or a very good customer support system. Compared to cost leadership strategy, cost reduction is not the primary target for differentiators but that is not to say that they ignore cost. Differentiation can earn a firm above average return and it also protects a firm against all five competitive forces, although in a different way than cost leadership. Differentiation protects against powerful buyers as they lack comparable alternatives and thus are less sensitive to prices. It creates brand loyalty which protects against competitive rivalry. Brand loyalty and the need for competitors to be on the same level or overcome uniqueness provides an entry barrier. Differentiators are better positioned via-a-vis customer substitutes because of customer loyalty. Lastly, higher margins yield from differentiation makes it possible to deal with powerful suppliers. It should be noted that it may not be possible to gain high market share with differentiation because of the perception of exclusivity it creates, and exclusivity is not compatible with high market share. Furthermore, it may not be possible for a firm to have a low-cost position when using differentiation because offering unique products/services can be costly. For example, high quality materials, extensive R&D, intensive customer support, and so forth. (Porter 1980).

Focus strategy is achieved by focusing on a segment of the market. Focus segment can be based on buyer type, product type, geography, and so on. The objective of the focus strategy is to satisfy a segment of the market while low-cost and differentiation strategy targets the whole market. The focus strategy is built around the premise that a firm can serve its narrow market efficiently or more effectively compared to its competitors who are competing industrywide. Firms pursuing the focus strategy make use of either differentiation, low cost, or both strategies to achieve their objectives in their target market. Firms utilizing a focus strategy may also potentially earn above average return in their industry as it means they either have a low-cost position in their target market, or they are differentiating themselves by offering unique value, or they are utilizing both strategies in their niche. Focus may be used to select niche with very weak competition or niche that is least vulnerable to substitutes. Thus, focus strategy also protects against each competitive force as evident in cost leadership and differentiation. One limitation of the focus strategy is that it limits the market share of a firm (Porter 1980).

2.1.3 Finance

The argument that finance is an important pillar of growth dates to Schumpeter (1911), and this assertion has been supported by various researchers such as Goldsmith (1969), Levine & Zervos (1998), and Robinson (1952) among others. The main understanding underlying the link between finance and growth is that it is easier to raise external funds in economies with greater financial development. Access to funds eases financial constraints which allows firm to pursue growth opportunities. Thus, financial access is seen as a catalyst for growth.

According to the World Bank, financial access is defined as access to credit via institutional sources such as state-owned agencies and commercial banks. Financial inclusion gives individuals and firms the opportunity to invest in education, take advantage of business opportunities, save for retirement, and insure against risks (Demirgüç-Kunt, Beck, & Honohan 2008). Demirgüç-Kunt & Maksimovic (1998) observed that firms operating in underdeveloped economies with poor legal and financial system finds it difficult to raise external finance which hinders their growth potential.

In a study based on a sample of manufacturing firms in United States, Rajan & Zingales (1998) concluded that firms that depend more on external finance are likely to grow faster in economies with a developed financial market. They listed two reasons for this. Firstly, they stated that the cost of raising external finance is lower in countries with a developed financial market. Secondly, they highlighted that financial development creates a favorable environment for new firms to raise capital. Beck, Demirgüç-Kunt & Maksimovic (2005) supported Rajan & Zingales's (1998) claim that financial constraints as well as corruption inhibits firm growth. Furthermore, they stated that the adverse impact varies by firm size and that these constraints affects small firms the most.

In a sample of over 4,000 firms from different developed and developing countries, Ayyagari et al. (2008) investigated how important financing constraint is, compared to other business obstacles. They found that finance, political instability, and crime have a direct impact on firm growth while other business environment obstacles such as corruption, anti-competitive practices, and regulations only have an indirect or insignificant impact on firm growth. Ayyagari, Demirgüç-Kunt & Maksimovic (2007) revealed that finance boosts innovations and that companies with access to finance are more innovative than companies with limited access to finance.

Technology-based firms play a crucial role in the development and growth of an economy (Audretsch 1995). African firms are behind their European and American competitors when it comes to technological innovation and some researchers believe that this difference can be attributed to the greater development of the venture capital (VC) sector in Europe and United States (Lockett, Murray & Wright 2002). United States venture capital (VC) sector is very developed and firms like Microsoft, Google or Apple are abound there while there are almost none in African countries.

Most VC backed firms outperform their non-VC backed competitors and there are several reasons for this (Gompers & Lerner 2001; Denis 2004). Firstly, new technology-based firms are the most likely to be financially constrained due to VC's superior scouting capabilities where investors can easily spot firms with hidden value and then provide them with necessary financing (Carpenter & Petersen 2002; Colombo & Grilli 2007). Secondly, VC investors actively monitor and support their portfolio companies. For instance, they provide them with coaching and valuable business insights. Thirdly, VC backed firms benefit from the network/contacts of their investors. These points show that VC backed firms have access to resources and competencies that are not available to their non-VC backed counterparts. VC investment clearly has a positive effect on a firm's growth. Studies from Jeng & Wells (2000) and Da Rin, Nicodano & Sembenelli (2006) show that VC succeeds in countries with a large private pension sector, a flexible labour market, low capital gains taxation, and countries with well-developed stock market that provides an efficient exit through IPO. Emerging economies performs quite poorly in all these areas therefore it is not surprising that the VC industry is underdeveloped.

Firm financing gap has become a common terminology, it means the sparse access to finance confronted by firms (OECD 2006a, b; Deakins, North, Baldock & Whittam 2008; IFC 2010). According to Beck, Demirgüç-Kunt & Maksimovic (2002), inadequate finance is one of the main obstacles facing small firms. Many firms willing to expand often find it challenging to access funds from financial institutions and are therefore credit constrained. According to Allen, Otchere & Senbet (2011), the firm financing gap is a bigger problem in Africa compared to other developing regions. This is also confirmed by Gelb, Ramachandran, Shah & Turner (2007) in a study of 26 African nations where the number of firms stating finance as a major obstacle was higher than any other obstacle e.g., corruption, regulation, and electricity.

Compared to financial markets in developed nations, financial markets in developing nations are highly underdeveloped. Credit to private sector in Nigeria is at 10.5% of gross domestic profit (GDP) in 2019 (World Bank 2019). Comparing this to Hong Kong at 223% and United States 192%, the financial market in Nigeria is not up to par. Nigeria also ranks very low among other developing nations. For example, Zimbabwe is at 52% in 2019 and Togo 35% (World Bank 2019). About 16% of Nigerian enterprises report access to finance as one of their major challenges (Dinh, Mavridis & Nguyen 2010).

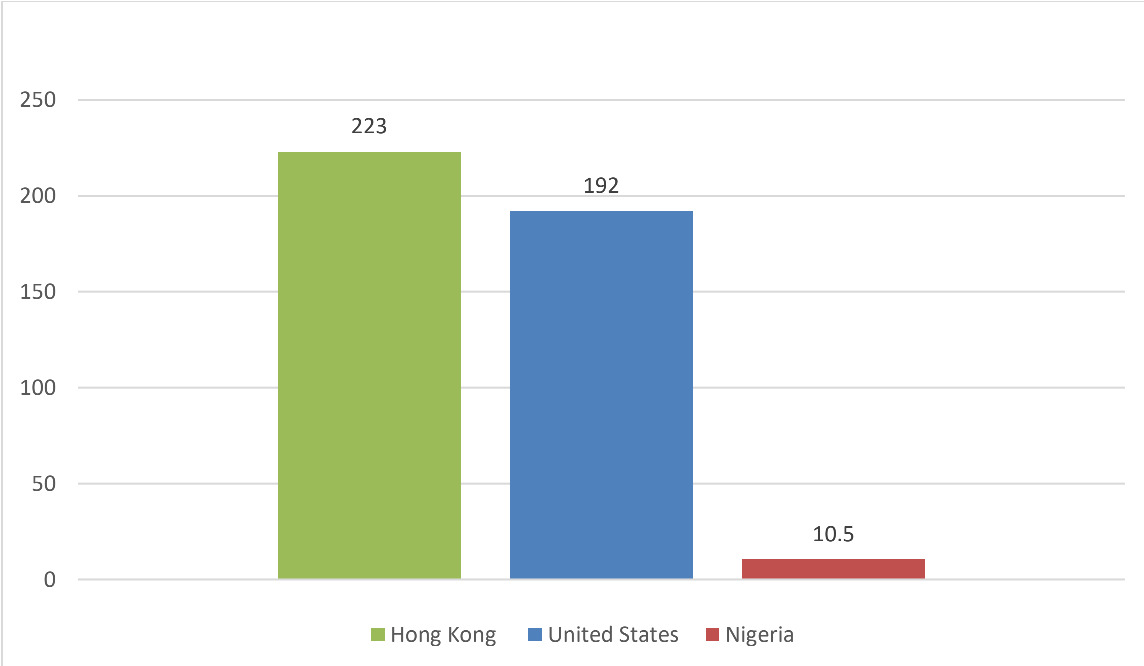

Figure 1. Domestic Credit to Private Sector (% of GDP)

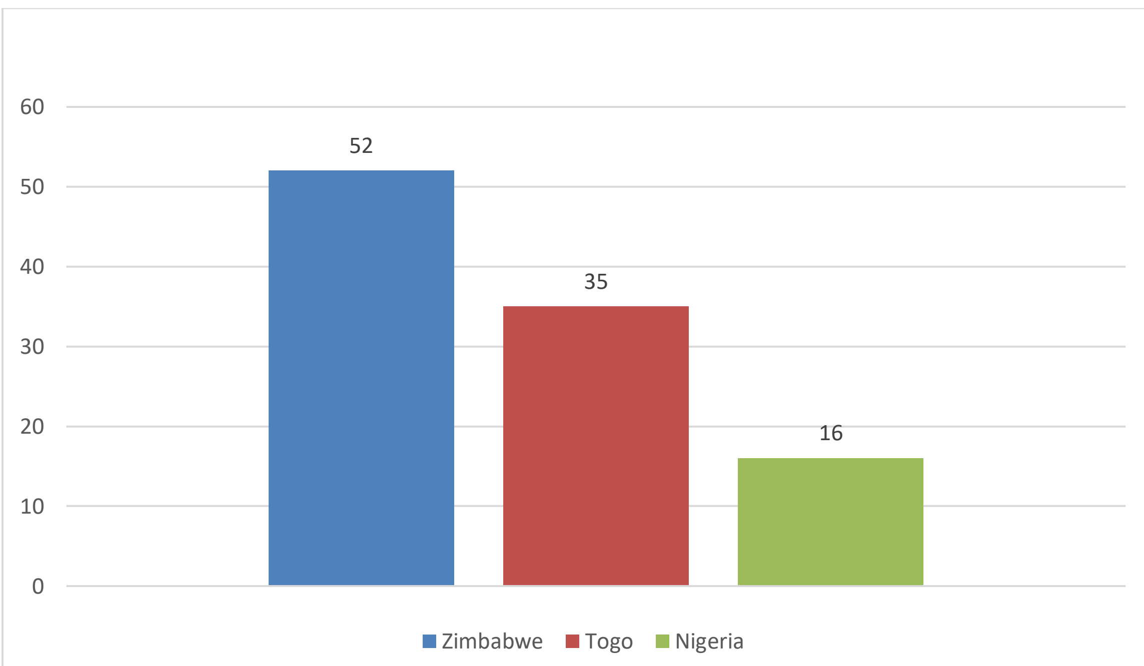

Figure 2. Access to Finance (%)

2.1.4 Business environment

Firms cannot operate successfully in isolation. They are dependent on various institutions and numerous factors in their environment. The environment in which a firm operates involves complex relationship among material resources, human resources, and other systems (Eisenhardt & Schoonhoven 1990; Feeser & Willard 1990). According to Milliken (1990), business decisions are based upon the analysis of the environment which is often the cause of constraints as the environment creates opportunities and threats for firms. Ajala (2005) opined that firms and the environment are mutually interdependent. The environment provides the resources, and the opportunities firms need to survive while the firm offers its goods and services to support the survival of the people living in the environment. The more complex and turbulent an environment becomes, the greater the impact on organizational structure, market, and human attitudes. Hence, there is a need for organizations to focus their attention on the environment when formulating strategies and policies that will facilitate growth and profit (Duncan 1972).

The business environment can be divided into internal and external environment (Gupta, Guha & Krishnaswami 2013:10; Kew & Stredwick 2017:5). The internal environment consists of the distinctive competences, synergy, and resources of a firm. The combination of internal environmental variables determines a firm's capabilities in terms of its strengths and weaknesses in different functional areas such as technical, marketing, personnel, and operations. The external environment constantly influences the internal environment therefore business manager needs to constantly monitor opportunities and threats that are likely to influence their business (Gupta et al. 2013:10). The external environment has an enormous impact on business success, and it is outside the direct control of the founder/owner of a firm. The external environment presents different opportunities and threats to a business and management teams must adapt to the changing environment to ensure good growth performance (Cavalcante, Kesting & Ulhøi 2011; Wirtz, Schilke & Ullrich 2010).

The internal environment consists of factors that firms have control over. They can be easily manipulated to suit a firm's need as dictated by prevailing circumstances such as structure, objective, profit, and policy. Firms can control their internal environment but if not managed carefully, the internal environment may present problems that may hamper business growth. A firm can carry out an internal audit to examine its resources, and strengths and weaknesses to ensure that strategic formation and product development is based upon the firm's internal capabilities (Vrontis & Pavlou 2008). Internal environmental factors such as management and know-how, business processes, products and services, corporation between employees and finance are important determinants of business growth (Chittithaworn et al. 2011).

The external environment consists of factors that are outside the control of a firm and cannot be manipulated e.g., technology, regulations, politics, infrastructure, and economic and cultural factors. Task environment is another variable under the external environment. These variables are found immediately outside of the organization thus they are the closest external environmental factors to a firm. Task environment includes customers, suppliers, labour market, labour union, raw materials, competitors, financial institutions, and so forth. The task environment has a direct influence on the organization unlike the other external environmental factors that have an indirect influence on the organization. The task environment is characterized by uncertainty because it is connected to the short-run and more volatile compared to the general environment which is connected to the long-run (Daft, Sarmunen & Parks 1988).

Environmental uncertainty arises when a firm is unable to predict its environment because of frequent change. Environmental change rate can be defined as the magnitude and frequency of change in the external environment and the stability of change refers to the degree to which an environment can be predicted (Duncan 1972; Huber & Daft 1987). According to Miles & Snow (1978), it is not the rate of change that is likely to give rise to uncertainty, but the instability or unpredictability of the change. Furthermore, they opined that rapid change is not a problem so long as the change is stable. If the change in an environment is stable, business executives will be able to predict the kind of environmental conditions a firm is likely to confront in the future thus reducing the level of uncertainty.

In a study that analyzed the critical internal and external environmental factors that affects the strategic planning of firms in Malaysia, Abd Ghani, Nayan, Izaddin, Ghazali, Shafie & Nayan (2010) examined the factors in relation to strengths, weaknesses, opportunities, and threats. Their study showed that the external factors that are opportunities for the firms are encouragement and support from government institutions while the factors that are threats for the firms are bureaucratic procedures that firms face before they get approval and certificate of operation.

Infrastructure is yet another external environmental challenge confronted by Nigerian businesses. Necessities needed for smooth operation such as electricity, good water supply, good road, transportation, and internet are not readily available or in limited supply forcing firms to provide these services themselves which increases operating cost. In addition to that, critical business support services such as incubation centers and government support are lacking. According to World bank's Ease of Doing Business Index report, Nigeria slipped from 120 in 2008 to 131 in 2019. The decline in the Ease of Doing Business Index report shows how unfavorable the business environment in Nigeria is.

2.2 Growth and Profitability

There are two different views on firm growth. The first one is that high growth results to high profitability. This view suggests that businesses that start operation on a large scale will become profitable (MacMillan & Day 1987). According to Lee, Smith, Grimm, & Schomburg (2000), high-growth firms with big enough market share will eventually become profitable because they can take advantage of economies of scale or utilize first mover advantage. For instance, firms may achieve favorable prices by having early access to distribution channels, by spreading supervisory costs across larger numbers of employees, and by securing favorable contracts with suppliers and buyers. Aldrich & Auster (1986) opined that bigger firms have higher survival rate and Porter (2001) stated that larger firms enjoy economies of scale, thus growth can be viewed as an indicator of a firm's market potential and health.

Even though some extraordinary high-growth firms like Amazon have often generated substantial losses for prolonged periods of time, they have still been able to create value for their shareholders through brand name recognition and high stock prices (Spector 2000). Although, Porter (2001) opined that valuing firms with sales growth and high stock prices without much regard for profits is inappropriate, yet it is believed that over time, firms will eventually become profitable as sales increases. Lastly, growth firms may find it easy to secure financial support from investors, and they are more likely to attract extraordinary talent (Penrose 1959). Therefore, growth is viewed to be beneficial and some researchers encourage entrepreneurs to pursue it (Sexton & Smilor 1997).

Contrary to the above reasoning, several authors opined that growth might also create numerous challenges for firms (Churchill & Lewis 1983; Kazanjian 1988; Shuman & Seeger 1986). Hambrick & Crozier (1985) identified four fundamental challenges that high-growth firms must solve: “instant size, a sense of infallibility, internal turmoil and frenzy, and extraordinary resource needs”. Previous studies also show that different organizational life cycles require different managerial priorities (Smith, Mitchell, & Summer 1985). For instance, firm structure, methods of decision making, and reward system may need to change when entering high-growth stage. Growing firms may need to quickly hire many new employees, acquire additional space and equipment, as well as adopt mechanisms to train, monitor, control, and coordinate new workforce. Even though some firms grow successfully, many companies struggle (Hambrick & Crozier 1985). For instance, fast growth in terms of employee increase affects knowledge transfer. It may alter a firm’s internal structure and erode its original culture and entrepreneurial spirit. Lastly, rapid expansion in terms of marketing, sales, and consumer service may expose companies to additional problems (Barr 1998). Hoy, McDougall & D’Souza (1992) studied the strategy of high-growth firms and they concluded that pursuing high growth may minimally or negatively correlate with a company’s profitability. Covin & Slevin (1997) concluded that addressing new needs, merging fast changes into current operations, and coping with increased managerial complexity, may lead to significant increase in operating costs.

Even though the studies on new firm growth have increased in recent years (Delmar 1997; Davidsson & Wiklund 2000), empirical evidence on the link between firm growth and profitability remains mixed. A study of 45,525 firms by Sexton, Pricer & Nenide (2000) shows that profitability was correlated with sustainable growth. They stated that firms that could finance growth with funds generated internally were more profitable than firms with unbridled growth. Contrarily, in a study of small high growth firms conducted by Shuman & Seeger (1986), there is no statistical relationship between firm growth and financial performance. Chandler & Jansen (1992) discovered that profitability and sales growth were not correlated. Weisbord (1994) concluded that profit increase was not related to the growth of the law firms.

While both sides have valid arguments, theoretical evidence lean more towards a view that high growth is strenuous and therefore negatively correlates to firm profitability (Markman & Gartner 2002).

2.3 Theoretical framework

Based on the reviewed literature, a theoretical framework is formulated. The framework will guide and simplify the empirical part of the thesis. This section will briefly summarize the four categories of growth variables discussed in the theoretical background followed by the constructed framework depicted in figure 3.

Founder characteristics is the first growth-facilitating variable discussed in the literature. The performance of a new venture largely depends on the critical decisions and behaviors of the founder in terms of recognizing opportunity in its environment, assembling resources, and developing strategies to align with the firm's resources. The founder of a firm must be able to design an organization that can execute its strategy to realize the firm's objectives (Chrisman et al. 1999).

According to Barringer et al. (2005), the personal characteristics of the entrepreneurs that establish a firm directly impacts the firm's ability to achieve and maintain rapid growth. The most important characteristics highlighted in the literature review are the entrepreneurs educational background, prior experience, professional networks, founding team size and the entrepreneurs' commitment to growth. Higher education is said to enhance skills such as entrepreneurial skills, search skills, foresight, communication, and computational skills. Having a higher education in knowledge intensive field such as computer science also gives entrepreneurs an advantage if they establish a business related to that field. Having a previous startup or industry experience is seen as advantageous because experienced entrepreneurs are more likely to avoid costly mistakes (Singer 1995) and they can use their previous knowledge in the industry to make informed decisions. Entrepreneurs can make use of their social and professional network to access critical resources needed for their operation. Larger teams can give each other moral support and they are likely to have broader professional and social contacts compared to just one person (Barkman 1994). Lastly, entrepreneurs must have a growth mindset or make concrete "commitment to growth" to achieve sustainable growth.

The performance of a firm greatly depends on the firm's strategic choice. According to Roper (1997), turnover growth is particularly strategy dependent therefore growth conscious firms must make the right strategic choice. The decision to pursue a specific strategy is however based on a firm's current and anticipated business environment, its capabilities, objectives, as well as the background of the founder (Roper (1997). The literature highlighted 3 strategies in which firms can use to compete in their industry, cost leadership, differentiation, or focus.

Firms competing with cost leadership strategy pursue economies of scale. Firms adopting this strategy attempt to undercut competitors by offering customers lower prices. These firms simply pass along cost savings from production to consumers via lower prices thus making it possible to still earn above average return. Firms pursuing differentiation strategy strive to gain competitive advantage by offering products or services that is unique. Often, differentiators offer their unique value via marketing, brand image, technology, customer service, or distribution. Differentiation may require trade off with cost position because the activities required in creating quality/uniqueness may be costly e.g., extensive R&D and utilizing high-quality materials (Porter 1980). Firms adopting focused or niche strategy target a specific segment of the market and they strive to satisfy that segment very well. Firms pursuing the focus strategy make use of either differentiation, low cost, or both strategies to achieve their objectives in their target market. Segmentation can be based on buyer type, product type, or geographical location.

Finance is the third growth variable discussed in the literature review. Finance is an important pillar of growth (Schumpeter 1911) and the ability to raise external finance eases financial constraints that allows firms to invest in growth opportunities. Financial constraint negatively affects employment growth and firms' revenue. Limited access to finance severely constrains the growth of firms and this is a major problem in developing economies where money and capital markets are underdeveloped. According to Rajan & Zingales (1998), financial constraints affect small firms the most. Venture Capital (VC) financing is popular among technology startups. VC investment is seen to have a positive effect on a firm's growth. Studies have shown that most VC backed firms outperform their non-VC backed competitors (Gompers & Lerner 2001; Denis 2004). Studies from Jeng & Wells (2000) and Da Rin et al. (2006) however shows that VC succeeds in countries with a large private pension sector, a flexible labour market, low capital gains taxation, and countries with well-developed stock market that provides an efficient exit through IPO. Most developing countries perform quite poorly in all these areas therefore their VC sector is underdeveloped.

The last growth-facilitating variable previously discussed is the business environment. Firms must carefully analyze their environment when making business decisions that will facilitate growth and profits. The environment creates opportunities and threats for firms therefore it is among the most important factors that influences an organization's policy and strategy. The business environment is divided into internal and external (Gupta et al. 2013:10; Kew & Stredwick 2017:5). A firm's internal environment forms its internal capabilities. The internal environment consists of the distinct competencies and key resources available to the firm. Firms have control over their internal environment, and they can manipulate it to meet their strategic needs. An example of a firm's internal environmental includes its know-how, business processes, products and services, and access to finance.

A firm's internal environment is constantly influenced by its external environment. The external environment is made up of factors that cannot be manipulated by a firm e.g., technology, government legislation, politics, and infrastructure. Some external environmental factors create growth opportunities for firms while some hinders firm growth (Abd Ghani et al. 2010). Government support and good infrastructure are examples of factors that enhance firm growth while bureaucracy is an example of factor that impedes business growth. Firms in emerging economies are faced with numerous environmental challenges that hinders their growth.

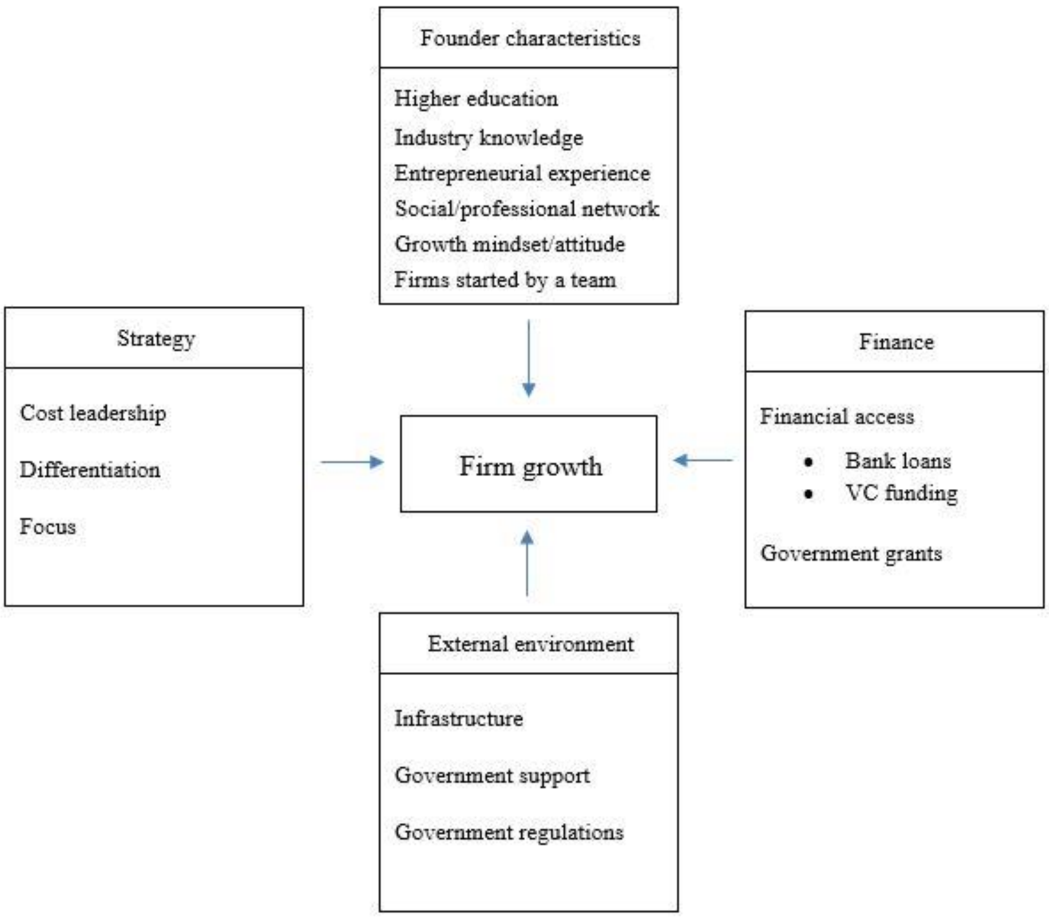

Figure 3. Empirical framework: The determinants of firm growth.

3 METHODOLOGY

The focus of this chapter lies on explaining the methodological tools chosen for the study. Firstly, the research strategy and method used to collect data is presented, followed by a discussion of the research approach. Finally, the reliability and validity of the study is discussed.

3.1 Research strategy and method

According to Creswell (2003), qualitative research is suitable for collecting data that cannot be measured numerically such as words, pictures, objects, and audio. Qualitative research can be used to gain insight on a person's feeling about a subject or the product/service they use. It can also be used to better understand a person's point of view regarding an issue (Ghauri & Grønhaug 2005, 110).

When it comes to human behavior, there is a place for perception study to understand what people think and feel about some events or objects. Hessler (1992) opined that researchers can have better understanding of human behavior with qualitative data. Furthermore, qualitative research is appropriate when a study requires detailed information (Saunders et al. 2007). As a result of the abovementioned explanations, this research will use the qualitative research method. In addition, since the objective of the study is to find out the factors that contributes to the growth and profitability of firms, the answer to the research question cannot be measured numerically. Thus, a qualitative study seems to be the most appropriate.

According to Clippinger (2018), qualitative data can be collected physically or virtually. Some of the data collection approaches used when conducting a qualitative research are individual or group interviews, case studies, observations, and censuses. The individual interview method has been selected for this study since the goal of the study is to collect a broad range of information from the founders/CEO of the firms. With interviews, researchers can collect rich data through detailed and open-ended discussion. According to Saunders et al. (2007), the interview method is the most appropriate when the researcher seeks to collect a broad range of information including individual perceptions, feelings, thoughts, and underlying reasons.

The interviews will be conducted remotely due to the distance between the interviewer and the interviewees. The interview will also be conducted in a semi-structured manner. That is, the initial questions will be open-ended to leave room for discussion and follow-up questions.

3.2 Research approach

There are different approaches to how a scientific research is conducted. Deduction and induction are the two main approaches. Deduction approach aims at using data to test established theories while induction aims at using data to develop a theory (Saunders et al. 2007: 117).

According to Saunders et al. (2007), deduction involves working from more general to the more specific which is considered as a “top-down” approach. It involves narrowing down a theory to certain hypothesis. The researcher then tests the hypothesis to either verify or reject it. Deductive studies are usually quantitative, and the results are precise. The conclusions are always the same provided that the premise of the research is same (Saunders et al. 2007: 117-118).

Induction is considered as a “bottom-up” approach. It involves collecting data from interviews or experiments and drawing a common and generalizing conclusion from the collected data. Induction starts with a specific observation, then moves to detecting patterns and creating hypothesis that are finally used to develop a theory. Induction allows for stronger understanding of the reasoning behind causes due to its exploratory nature. (Saunders et al. 2007: 118-119).

A third research approach is known as abduction. The process involves using established theories or facts to formulate a new theory that explains a phenomenon. When using the abductive approach, the researcher aims to use the most appropriate explanation among different alternatives to explain a theory. The abductive reasoning combines deduction and induction because theory and empirical facts are both considered in the analysis (Perry 1998). Abduction appears to be the most suitable for this research because theory influences the analysis, but the empirical data is not tested against theory directly. Instead, the researcher aims to formulate a new theory that can better answer the research question.

3.3 Sampling technique

Due to the limited amount of money available for the research, only a relatively small number of founders are interviewed. There are two techniques used in finding and assessing the best candidate for a research. They are probability and non-probability sampling methods.

Probability sampling method is mainly used in quantitative research. It gives everyone the possibility to participate in a study. Zikmund (2002) opined that it is best suited for larger sample size. Probability sampling is not suited for this study because it is a small qualitative research. In addition, the study aims to interview founders in stable and high-growth firms hence using self-selection non-probability sampling will allow to target the specific people that is best suited for the study.

Non-probability sampling method involves selecting the participants of a study based on non-random criteria. Not every individual has a chance of participating in the sample because the sample is based on specific parameters defined by the researcher. This method is more appropriate for qualitative research. Self-selection sampling is a type of non-probability technique that allows units (individuals or organizations) to decide whether they want to participate in the research or not after being contacted by the researcher (Saunders et al. 2007: 233-234). Self-selection sampling method seems to be the most appropriate for this study as interest of the founders is required to collect rich information from the interview sessions.

3.4 Data collection and analysis

The self-selection sampling method was used to select the interviewees. The individuals interviewed were selected based on their position as founders or CEO of their respective firms. They were chosen because they had gone through the process of establishing or growing a firm which puts them in the unique position of having comprehensive knowledge about the subject of the research. The goal is to find out the factors that contributed to the growth and profitability of their various businesses. Although, the sample size of this research is not very large, the study has been able to collect relevant and in-depth information from carefully conducted in-depth interviews. Hirsjärvi & Hurme (2000) stated that there are no clear rules when it comes to the parameters of sample size in qualitative research. The size of the data set draws less importance in qualitative research.

Semi-structured interviews are commonly used in business research and it was used to collect the data for this study. The use of semi-structured interview is justified in this research because they concentrate on the interviewees' subjective insights (Hirsjärvi & Hurme 1982) and it enables to collect in-depth data in a relatively short amount of time. Furthermore, semi-structured interview is appropriate for this study because there is a need for open ended questions.

A total of 5 interviews were conducted for this research. The firms interviewed were Printivo, Wakanow, Jobberman, Drinks.ng, and OList. Printivo is a Lagos based printing company that was established in 2014. Printivo sets itself apart with quality and timely delivery. Wakanow is an online travel agency that was founded in 2008 by Obinna Ekezie and Ralph Tamuno. In the 12 years of Wakanow's existence, it has grown to become one of the top travel websites in Africa. Jobberman is a Nigerian online career portal founded in 2009 with a vision to link qualified professionals to the right job opportunities. In the few years of its existence, Jobberman established a presence in other African countries with about 400 employees and became the number one career platform in Sub-Saharan Africa. Drinks.ng is a platform that allows people to order all kinds of drinks and get them delivered. Drinks.ng started operation in Lagos and has since expanded its operation to cover most part of Nigeria. The platform currently has about 40 employees. OList.ng is a Nigerian online platform for buying and selling goods and services. OList is a fast-growing company with about 7 million people using the website monthly.

The interviews were conducted remotely via Zoom and Google meet in October 2020. All individuals interviewed were the founder or co-founder of their respective firms except for Gbenro Dara who joined OList immediately it was established to serve as the CEO. For the sake of this thesis, Gbenro will be referred to as a founder because he grew OList from zero user to the millions of users it has today. The interviews were semi-structured, and they lasted about 45 minutes on average. The structure of the interviews was based on the previously created theoretical framework. The researcher familiarized himself with the companies' websites and other online resources before the interviews were conducted. All the interviews were recorded. The respondents gave the interviewer the permission to record the interviews. The interviewees did not know the themes and questions of the interview beforehand.

Company	Founded	Interviewee	Interview length
Printivo	2014	Ibukun Oloyede	1 hour 15 minutes
Wakanow	2008	Obinna Ekezie	43 minutes
Jobberman	2009	Olalekan Olude	51 minutes
Drinks.ng	2013	Lanre Akinlagun	35 minutes
OList	2019	Gbenro Dara	55 minutes

Table 1. Summary of interviews.

Patton (1990: 381) termed content analysis as the process of identifying, coding, and categorizing the primary patterns in the data. The content analysis process of this research begins by first listening to the interview recordings multiple times. Important points were written down and read carefully to familiarize the researcher with the content. The topics discussed in the literature were highlighted in the data to make it easy to refer to them. The similarities and differences between the theory and interview data were identified, followed by the collection of important quotations. The analysis was done for each case company separately and it concludes with the discussion and creation of a new growth framework.

3.5 Validity and reliability

The trustworthiness of a research is examined through its validity and reliability. The validity of a research determines whether the research findings are accurate, whether the means of measurement are valid, and whether it was able to measure what it was supposed to measure. Reliability examines the consistency of a study over time. It assesses whether a study represents the target population accurately, and whether the study would provide the same result if replicated with similar methods (Kirk & Miller 1986).

According to Golafshani (2003), the validity and reliability of a qualitative research cannot be assessed via the method of carefully representing the population, assessing consistency over time, and by being easily replicable. Patton (2002) opined that triangulation is a useful approach to determine the credibility of a qualitative research. Triangulation aims to capture multiple dimensions of the same phenomenon by collecting data from different sources.

The data for this study were collected from multiple sources e.g., academic journals, company websites, interviews, and online resources. The interviewees are co-founders or CEO of their various firms which puts them in a unique position to give accurate answers to the interview questions. The references used in this study are mainly from academic journals and the researcher has mainly used articles from authors whose work had been cited by other experts. The goal of this study is to reach maximum objectivity and the researcher has clarified how and why certain conclusions are reached throughout the study. The empirical data was processed objectively, and clear explanations and examples were given.

There is a tendency for subjectivity and personal biases in any research work, and limitations must be acknowledged. The number of interviews used for this study might affect the validity. Interviewing more company founders/CEOs may provide a better result. Furthermore, the conclusions of this study may not be generalized as it is specifically focused on emerging economies.

4 EMPIRICAL FINDINGS

The theoretical examination of this thesis has shown that firm growth is not a random event and four categories of growth facilitating variables have been discussed in the theory. The four variables are founder characteristics, strategy, finance, and business environment. A theoretical framework was drawn in Figure 3 to show how the four variables contribute to firm growth. The framework has guided the data collection of this thesis and the data will be analyzed in this section.

This section begins by analyzing each case company separately. The data collected during the interviews are described in detail and important points are quoted in cursive. Lastly, the section will conclude with a discussion. The goal of the discussion is to identify linkages and connections between the interview results and theory. The discussion will also identify patterns, similarities, and dissimilarities between the case companies.

4.1 Case company 1: Printivo

Printivo is a Lagos based printing company that aims to redefine the digital printing business in Nigeria by making it easy for individuals and businesses to order prints online. Prior to the founding of Printivo in 2014, there has been little innovation in the print industry in Nigeria. Challenges facing the industry includes high cost of printing, poor customer service, lack of graphic designers, poor print quality, and delayed delivery. According to Ibukun Oloyede, Printivo is the first printing firm in Nigeria to build a full-service digital platform in Nigeria that includes design community and nationwide delivery.

Oluyomi Ojo is the CEO of Printivo and he met his co-founders, Ayodeji Adeogun and Ibukun Oloyede at Urbanbaze ad agency, a company he founded in 2009 after graduating from the university. Ibukun Oloyede provided the interview data for this thesis. He is the Art Director at Printivo and his main responsibilities are managing graphics and printing. Ibukun started as a graphic design intern at Urbanbaze in 2009 while working as a computer repairer. Soon after, he started working full time and moved to the position of art director in about 8 months. Ibukun and his co-founders later observed a trend that the businesses they work with often request for printing of the materials they have created. To satisfy their clients, they started using local printing firms to print their clients' jobs. They were however not satisfied with the service of the printing firms they used due to low quality prints and delay. Ibukun and his co-founders then decided to solve their own problem by starting to print themselves. After buying their own printing machines, they also decided to start printing for others since there are many other firms experiencing the same challenges as them. This led to the creation of Printivo.

"We then said to ourselves that it's high time to have our own printing press so that we can solve our problem."

"In the process of trying to solve our problem, I was like oh Yomi, do you know while trying to solve our problem by opening a printing press to print our own jobs alone, we can actually make this printing press open so that we print other guys jobs while trying to solve our problem because you don't know how many people or SME are going through the same problem we are going through."

The founders of Printivo have higher education. Ibukun has a higher national diploma (HND) from a polytechnic in Nigeria. Oluyomi, the CEO of the company is a university graduate, and Ayodeji has a master's degree. In addition to having a higher education, they have also completed several certification courses both in Nigeria and the UK to further advance their knowledge and expertise. According to Ibukun, what they have studied at the university is not related to their industry, so they decided to take certificate courses to acquire skills and knowledge that is useful for their business. For instance, Ibukun took a certificate course in UX design in the university of art, UK and Oluyomi took a digital marketing course in UK as well.

"We realized that what we're studying in the university is actually not what we need so we go for certification"

Prior to Printivo, Ibukun has worked at a printing firm where he learnt how to print and how the printing industry works. According to him, that experience has greatly contributed to the growth of Printivo.

"Prior to that, I have actually worked in printing firm in Ogba. That is where I learnt how to print and how print works."

Ibukun has also gained entrepreneurial experience from a photography business he established before Printivo was founded. Ibukun and Oluyomi have tried a few failed businesses before they got Printivo right. To name a few, Monk Nation was a T-shirt brand they created that failed. Poster Nigeria also failed, a firm that helps people paste marketing posters and distribute fliers all over Nigeria. However, Ibukun believes every failed business gives the entrepreneur an opportunity to learn and do better next time.

"I see failed business as an institution where you learn, whatever mistake you make will be a lesson for your next company or investment or the next thing you are doing"

Printivo work with some of the biggest companies in Nigeria such as 9 Mobile, Sterling, Jumia, and Hotels.ng. They also work with international companies like Microsoft, Google, Deloitte, British Council, and so on. Ibukun credited their early successes to the contracts they got from some of these companies. For instance, he recounted how working for Microsoft and Deloitte was one of Printivo's breakthrough to international market. They are currently the official printer for Microsoft in Nigeria. Ibukun believes that their network has played a major role in the growth of Printivo. He said they were able to secure a contract with Microsoft because they have a friend working for Microsoft. He also recounted how another friend helped them secure a contract with 9 Mobile, one of the biggest telecommunication companies in Nigeria. The friend works for 9 Mobile and he recommended Printivo for a project. Printivo also partners with DHL to deliver their products outside Lagos. They secured the partnership because one of their friends knows a manager in DHL. The partnership gives them up to 50% discount on their deliveries.

"We have a friend working with Deloitte and Microsoft, he was one of our breakthroughs into international market. Working for Microsoft and Deloitte is a lot for us. We got the connection through a friend".

"Connection has really helped us a lot. Connection and our network have really helped us a lot in getting what we are getting."

Apart from network, Ibukun mentioned that hiring a sales and marketing team has contributed significantly to the growth of Printivo. Printivo has B2B and B2C clients. Printivo's marketing efforts have been separated to target each customer segment. There is a different sales team for B2B and B2C clients. According to Ibukun, the main factors that have contributed to Printivo's growth are the partnership they formed with numerous firms and a lot of advertisement both online and offline. Some of their marketing strategies include advertising on billboards and distribution of fliers at popular locations around Nigeria.

Printivo's growth did not come without its challenges. The main challenges Ibukun highlighted are electricity and finance. Nigeria does not have stable electricity and in some parts of the country there is no electricity at all. Printivo like most businesses need stable electricity to operate, therefore businesses are compelled to invest in alternate energy solutions for their operations. Printivo uses a generator to support the unstable electricity provided by the government. According to Ibukun, Printivo spends about 200,000 naira (450 euros) to fuel the generator every week. In addition to that, they spend money to maintain the generator and pay electricity bill to the government even though the electricity is not stable.

Getting investors is also a big challenge for Nigerian businesses according to Ibukun. Ibukun believes the main challenge has to do with trust. He said many foreign investors do not trust Nigerian entrepreneurs due to some not so pleasant experiences they have had working with some of them. Printivo participated in the San Francisco Accelerator Program - 500 Startups but could not get any investment after the program. Ibukun said that when most investors hear they are from Nigeria, they do not show interest. He believes the trust issue could be a result of some investors that have invested in businesses that have failed in Nigeria. Furthermore, Ibukun points out that it may be easier to get investors inside Nigeria, but firms may not get the amount they require to grow. He said most Nigerian investors prefer to invest small amount and see how it goes with the company before increasing the investment. The issue with that is that most tech companies require significant amount of money to scale.

"Getting investors to invest in you as a Nigerian business is really hard. You need to really prove yourself that you are not one of those guys before they can believe in you"

"It's easier in Nigeria but you might not get the amount you want in Nigeria because a Nigerian man will rather give you 50 naira and say let me see what you can do with 50 naira then when you are doing well with 50 naira, they will release another 100 naira.

"Trust me if I have electricity and finance, we will not be where we are today because the electricity is choking our revenue"

Printivo sets itself apart through quality, timely delivery and exceptional customer service. These are the things they noticed was missing in other printing firms in Nigeria which led them to create Printivo. Ibukun noted that it is impossible to run a printing press without errors but how you treat the errors is what will set you apart from your competitors. He said before they print any job at Printivo, they look through the customers design carefully to make sure there is no mistake and if they notice a mistake, they will call the client to crosscheck. Whereas, in many other printing companies, they will proceed with printing the job claiming that it is the customer's responsibility to make sure that their design has no mistakes. According to Ibukun, Printivo always delivers quality service with affordable prices while keeping the customers' needs in mind.

"We make our customer a king. We are a customer focused organization, and we deliver quality"

Printivo got about 5 million naira grant from the Nigerian government through a startup acceleration program called "You Win" in 2014. According to Ibukun, the grant helped them with their early growth. Ibukun recalled that they used some of the money to purchase a cutting machine they needed for operation. He also said that they have applied for a new grant. Printivo also got an investment of 250,000 dollars from a venture capital firm in 2015. They used the investment to purchase more machinery, hire additional staffs, and add to their product line.

"We got a grant from the government in 2014. I think 5 million there about and we are in for another one too"

Ibukun believes the business tax in Nigeria is unfair. He said unfair taxation is part of the problems faced by Nigerian firms. Firms pay taxes but do not see the value of the taxes they pay. They still must provide basic infrastructure such as electricity themselves. Ibukun complained about bad roads, lack of electricity, expensive internet and so on. He believes the taxes firms pay could be used to fix some of these issues, but instead corrupt politicians enrich themselves with taxpayers' money. To him, the unfair taxes in Nigeria affects business growth.

"To me I really think it's unfair. I know UK pay 20% as tax but they have everything they need unlike Nigeria; we don't have anything, and you keep increasing the tax"

"I think the tax is affecting every business growth in Nigeria. Those taxes are too much"

4.2 Case company 2: Wakanow

Wakanow is a Nigerian online travel agency that was founded in 2008 by Obinna Ekezie and Ralph Tamuno. In the 12 years of Wakanow's existence, it has grown to become one of the top travel websites in Africa for booking flights and hotels. In 2015, Wakanow acquired Oya.com.ng, a local online bus ticketing startup, for $2.5 million to expand its market share. Wakanow announced in 2018 that it secured funding of $40 million from The Carlyle Group, an American multinational investment firm. Wakanow has experienced tremendous growth since its inception in 2008 and the growth has been spearheaded by its co-founder and former CEO, Obinna Ekezie who was interviewed for this research. Adebayo Adedeji replaced Obinna Ekezie as the CEO of Wakanow in 2019 after a disagreement ensued between the founders and investors.

Obinna and his co-founder Ralph have a university degree. Obinna studied mechanical engineering and business at the University of Maryland while Ralph graduated from the University of Port Harcourt with a bachelor's in finance and banking. Obinna believes one of the factors that contributed to the success and growth of Wakanow is his university education.

"I studied mechanical engineering and business at the university of Maryland"

Prior to Wakanow, Obinna does not have any working experience in the travel industry but he has gained entrepreneurial experience from a few businesses he established in the past that failed. His knowledge of the travel industry comes from when he books flights and hotels for his travels. The motivation for Wakanow stems from his desire to make the booking process easier. His focus is on innovation and enhancing customers' experience. Obinna and his partner are not developers, they hired an engineering team to develop the platform and they were outsourced from India. When Wakanow launched, about 10 people were working for the company but demand grew rapidly to a point where they hired about 600 people in 2010.

"I didn't have any experience in travel before I started Wakanow. What I want to do was to make the booking process easier, so I was not really interested in the coding and the engineering part. I was more interested in innovation and I was focused 100% on the customer"

Although Wakanow was founded in 2008, the company started operation in 2010 which was the same year the FIFA World Cup was played in South Africa. Obinna credited the early growth of Wakanow to the World Cup. According to him, they started growing aggressively after they launched on the World Cup's platform.

"We eventually were lucky enough that the World Cup came in 2010, and we got licensed for the World Cup, and we launched Wakanow on that platform which made it quite big, hugely successful because we started growing very aggressively"

Obinna further highlighted some other factors that significantly contributed to the growth of Wakanow. Customer service and marketing were among them. He explained how they invested heavily on customer service by hiring fresh graduates and training them to provide top notch assistance to customers. The result of that is customer advocacy and referrals which further springboards the company's growth. They also have an internal marketing team that continuously promotes the company's offerings. The team makes use of both digital and traditional marketing techniques to acquire new users.

"I think that advocacy also helps. The fact that our customer service was, I believe was pretty good and so we got a lot of referrals"

"A lot of our growth was drawn through our marketing efforts you know through digital marketing, traditional media marketing"

Capital investment is also one of the factors that has made it possible for Wakanow to grow rapidly. Their first investment came from Obinna's dad when they founded the company. Not long after, they got an interest from a private equity firm from New York that invested in the company. According to Obinna, that investment enabled Wakanow to grow very fast. Even though the funding had helped Wakanow to grow, Obinna believed that it was their vision and drive that propelled the company's growth. He pointed out that investors invest in the founders' vision thus founders need to drive the growth and that he and his partner worked extremely hard to make it happen. Obinna believes he is an entrepreneur at heart.

"It was our vision, and our drive and our hard work that really propelled the company. At the end of the day, it was our vision that the investors were investing in"

Obinna emphasized the vital role of network when growing a business. He believes their network played a part in the success of Wakanow especially in the aspect of finance. He mentioned how the good relationship they have with people in the financial sector benefited them in critical times when the business needed cash flow. He also added that there is no successful business that has not gotten help from people.

"There is no businessperson that has been successful that there haven't been people that have played a key role in their success… There has always been help along the way"

Obinna highlighted some of the challenges they faced when growing Wakanow. According to Obinna, Nigeria is a very difficult country to run a business, but he advises entrepreneurs to try because they can never know if they will be successful or not without trying.

"Entrepreneurship is very difficult, it's not easy especially in Nigeria… It takes a lot of guts to be able to grow a business in Nigeria"

Obinna believes finding the right people and finance are the main growth challenges facing Nigerian businesses. Obinna attributes the people issue to the educational system in Nigeria. He believes that what are being taught in schools are not on the same level as what is required in modern world. Wakanow was able to solve the people issue by creating a training school where they teach new employees the skillset they require.

"It was difficult for us to find people that already had the skillset that we are looking for, so most of the people that work for us, it was the first time they work in the travel industry"

Obinna believes infrastructures such as electricity, transportation, internet, and certifications have really improved nowadays compared to when Wakanow was founded. He said internet is not much of an issue, but electricity is still a big challenge for businesses because it consumes significant part of their revenue. According to Obinna, the Nigerian business tax is manageable, but it currently does not support businesses. He thinks it should be improved to encourage businesses. Aside from tax, Wakanow has never benefited from any government support/grant. Obinna said tech businesses have not gotten much attention from the government.

"Power for sure is something that takes quite significant cost line in your revenue"

Another issue Obinna highlighted is the rate at which Nigerian Naira devalues. He said founders get money from foreign investors in dollars and naira devalues at a very aggressive rate which makes it difficult for the investors to recover their money when they want to exit the company. The rate at which naira devalues also makes it difficult for entrepreneurs to pay their foreign investors which often leads to disagreement. Obinna has experienced this issue and he said he is currently working with other founders to engage the government to see how they can protect entrepreneurs and investors looking to do business in Nigeria.

"Most of the funding came from foreign investors and that also brings a problem where we are getting money in dollars and then naira is devaluing at a very aggressive rate… they give the money in dollars and invest in naira and when they want to exit the company, the naira has devalued so much that it will be very difficult for the entrepreneurs to be able pay and that's part of the reason why disagreements are now happening… this is something that we have to change as a country, we have to find a way to support foreign investors and founders"

4.3 Case company 3: Jobberman

Jobberman is a Nigerian online career portal founded in 2009 with a vision to link qualified professionals to the right job opportunities. Jobberman was founded by Ayodeji Adewunmi, Opeyemi Awoyemi and Olalekan Olude while they were studying at Obafemi Awolowo University in Nigeria. In a few years, Jobberman established a presence in other African countries with about 400 employees and became the number one career platform in Sub-Saharan Africa. Jobberman was sold to Tiger Global and seek.com in 2017. As at the time the company was sold, it already garnered about 50,000 companies looking to hire, around 4 million subscribers, and receives millions of job applications monthly.

Olalekan Olude provided the data for this thesis. He is a computer engineering graduate from Obafemi Awolowo University, Nigeria and he is currently on his path to having an Mba degree. Before Jobberman, Olalekan established Trinet systems, a company that sets up satellite network for companies. He stopped working on the business because he had to be on ground for every job which started to affect his education.

Olalekan was the chief operating officer at Jobberman and he was largely involved with products. His role involved the day to day running of the company, marketing, and product management.

"I was the chief operating officer, and I was also largely involved in the products, so my role involved the day to day running of the company, but I also handled marketing and product management"

According to Olalekan, Jobberman did not have any credible competitor when it was established, instead, they had to battle with the free options available. Olalekan said they had to compete with options such as word of mouth and referrals. Jobberman has been able to differentiate itself from the options available to people by providing quality service at a reasonable price. Olalekan said they make sure that the employers using Jobberman to hire get equipped and tested staff at a very reasonable price.

"If you want better equipped staff that has been tested before they are passed on to you, you will speak to Jobberman… its really around the quality of service and that meant that you had to give higher quality of service at a not so expensive price"

Olalekan highlighted the critical events that lead to the growth of Jobberman. Funding and partnerships were the most significant. Jobberman started growing when they got funding from a foreign investor in October of 2010. That investment made it possible for them to hire new employees and increase their marketing activities. About two years later they secured a partnership with MTN, one of the biggest telecommunication companies in Nigeria, and that partnership made Jobberman grow from just a few thousand users to more than 400,000 registered users in less than a year. According to Olalekan, they were adding about 4,000 users to the platform daily. In addition to the partnership with MTN, they partnered with other companies which drastically increased the company's growth to having more than 3 million users a few years later. The partnership with MTN was in such a way that Jobberman will share the jobs on their platform with MTN and MTN would broadcast the jobs to their subscribers for a fee, and the revenue generated is shared between both companies. Olalekan said this partnership was a big win for Jobberman because MTN had around 20 million subscribers at the time and interested job seekers had to register on Jobberman's platform before they can apply for a job.

"October of 2010, we got our first foreign investor… we had money to hire so we started growing"

"Sometimes in 2012 we had the partnership with MTN… we also had some other partnerships, partnership with Opera, partnership with Eskimi, Partnership with Punch"

"From an MTN perspective, the partnership was for us to share content and then generate revenue from it. So, we had job content, we share it with MTN and MTN passes the job content to their subscribers for a fee and then we do a rev share of that fee. The subscribers could apply for the jobs but before you can apply for the job, clearly, you have to register on the portal so that kind of drove our numbers. At the time, MTN had 20 million subscribers so it made all the sense"

Olalekan highlighted that their network has played a very crucial role in the growth of Jobberman. He mentioned that their partnership with MTN was largely driven by relationship. He also mentioned that their network helped them with a partnership they had with Samsung where they preloaded Jobberman's app on mobile phones across Nigeria. Olalekan said Nigeria is a very social country therefore networking is very important. He believes network may sometimes trump competence in a country like Nigeria. He said having a good network is especially important if a company is an option for a partnership or a deal. He used the partnership with Samsung as an example where there are many companies trying to preload their app on Samsung phones, but they secured the partnership because of their network. However, he stressed that a company must also have the competence to deliver. According to him, relationship opens the door and competence keeps it open.

"On the back of relationship, you also need to have the competence to deliver, which we had, but the very first thing that happens is relationship. Relationships open the door; competence keeps it open"

There are several challenges facing business growth in Nigeria. Olalekan shed light on some of the issues Jobberman faced while scaling. Policy, internet penetration and people were at the top of the list. Olalekan believes government policies are not favorable for businesses. In addition, Jobberman has never received any grant or support from the government. He also said the taxation system in Nigeria does not support businesses. He believes the taxes are not well calculated, not transparent, and that there is corruption in the system. Bad infrastructure was also mentioned. Basic amenities such as stable electricity, good roads, affordable internet, among others are in short supply or not available in some parts of Nigeria. Olalekan said that internet is not much of an issue nowadays, but electricity is still a big problem. Jobberman spends up to 15% of their revenue on generating power monthly.

"The costs are actually very high when it comes to the cost of bad infrastructure"

"Electricity which includes diesel generator, and the likes could take between 10 to 15% of your gross revenue…internet to corporate is not that expensive."

Internet penetration is one of the factors that hinders Jobberman's growth early on but Olalekan said it has gotten better now. More people can access the internet nowadays compared to 10 years ago. The quality of people also impacts business growth. Olalekan said it is difficult to find people with the right skills which is partly due to the flawed educational system. Apart from skills, he mentioned other societal issues such as lateness, taking responsibility, and doing quality work.

"It is very hard to find exceptional people. The quality of the team can almost immediately affect the growth of your company"

Jobberman has received investment from investors both from Nigeria and outside Nigeria over the years. He believes getting investment has little to do with the Nigerian economy but rather on factors such as a firm's industry, market size, and timing. He said regardless of the economic situation, investors are always looking for good deals and if a company can prove that their deal is the best, it will be easier for them to secure funding.

"It has quite little to do with the Nigerian economy because you still have people in Nigeria trying to invest and finding the best deals. So, if Nigeria were to be 10 times poorer than

now, you will still find investors trying to find the best deals. The question is, is your deal the best deal"

4.4 Case company 4: Drinks.ng

Drinks.ng is platform that allows people to order all kinds of drinks and get them delivered. The platform was founded by Lanre Akinlagun in 2013 when he realized the options to buy beverages in Nigeria was limited and that the process was cumbersome. Drinks.ng started operation in Lagos and has since expanded its operation to cover most part of Nigeria. The platform currently has about 40 employees. Lanre is a graduate of Marketing and Multimedia from a university in London. He has extensive experience in digital marketing from working at various firms. Lanre has always been interested in beverages. He used to invest in wine during his university days, however, he has no experience in selling drinks and he has never established a firm prior to Drinks.ng. Lanre was interviewed for this thesis.

Drinks.ng differentiates itself from competitors by offering quality products at a competitive price. Lanre said they do not focus on competitors but instead they focus on themselves and make sure they keep their reputation clean by only offering quality products at competitive prices to their customers. Lanre explained that the reason they do not focus on competitors is that they met the industry in a way they do not like and Drinks.ng was established to change it.

"To be honest with you, we are not really focused on anyone, we just focus on ourselves… we met the industry in a way that we did not like, and we are changing it. So, we are not watching anybody else"

Network played a crucial role in the growth of Drinks.ng. According to Lanre, the only funding they secured came from a VC firm that was formed by his former colleagues at Iroko TV where he used to work.

"So, the guys at Iroko TV, I used to work there so they got the funds together. So, it was them that invested."

Lanre also credited Drinks.ng's growth to various partnerships they have with top drink brands like Hennessy and Moet. The brands promote Drinks.ng which gives the platform more visibility and credibility. Lanre further explained that behind all the factors that have contributed to Drinks.ng's growth is consistency and perseverance. He noted that he might not have been able to grow the business without those two factors. He pointed out that he secured the partnerships with the drink brands without the help of anyone but sheer will.

"When you work closely with the brands… they promote and push you a lot and you also do it a lot so there is a lot of promotion with them that goes on, so it also gives your brand credibility"

"When you're in the trenches, you just hustle, you keep going"

Bad infrastructure and lack of talent are the two main business growth challenges Lanre highlighted. Lanre believes the cost of basic amenities such as electricity and internet are too high. In addition to paying exorbitant fees, the services are of low quality. For example, Lanre mentioned that they have around three different internets in their office just because any of them can go down at any time. Furthermore, they spend around 5 to 10 percent of their revenue on electricity alone.

"You spend so much money on electricity, it still doesn't work. You spend so much money on internet, it still doesn't work. You pay over the hoards for everything and you get less for it. It's a huge problem"

Lanre believes talent is a very big problem in Nigeria and that it is the most significant growth challenge for Drinks.ng. He said not only do people lack the ability, but they also lack the desire. He said many people spend more time trying to figure out a way not to do their jobs or how to steal from you. Lanre attributes the lack of desire and stealing to lack of hope. He said many companies lack structure which make their employees spend their lifetime occupying the same position with no hope of promotion or growing. Furthermore, he said the actions of politicians stealing public funds and getting away with it could also influence the behavior of employees and people in general.

"Talent is a big problem. It is one of the biggest hindrances in growing a business in Nigeria. There is not enough talent. And even with the little you have to pick from, there is not enough good talent at all. You pay more for mediocracy than you do for anything else. It's a big problem"

"As much as there is lack of talent of people to hire, there is also a lack of talent of people who run the businesses… companies that lack structure, the employees will lack any hope of being able to grow in a business. A large amount of time employees occupies one position in the business most of their life. They don't get promoted, they don't move on, they just stay in one place and that creates a need for them to steal"

Lanre also talked about how difficult it is to get funding in Nigeria. He said he might not have been able to finance Drinks.ng without external investors. He thinks corruption, lack of knowledge and lack of trust are the main culprit. Drinks.ng has also never gotten any grant or support from the government. He also said the taxation system in Nigeria is not fair because companies do not see the value for the taxes they pay. He said even though Nigeria has one of the lowest taxes in the world, business owners are reluctant to pay it because they believe they are only giving government officials more money to steal. Another issue Lanre highlighted is that many consumers are not used to paying VAT, so companies end up paying it for them. He said some clients specifically remove the VAT on their invoices and there is nothing firms could do about it.

"Nigerian tax is one of the cheapest in the world. However, we don't see what we are paying tax for. All we see it as is more money for them to steal, so I actually believe if people saw infrastructure improving through the tax payments that they are making, then they won't have a problem with it"

4.5 Case company 5: OList

OList.ng is a Nigerian online platform for buying and selling goods and services. OList was established in August 2019 by Opera, a major browser developer. OList is a fast-growing company with about 7 million people using the website monthly. According to its CEO

Gbenro Dara, OList is currently the number one classifieds platform in Nigeria in terms of website traffic and this was achieved in about a year. OList differentiates itself through price affordability and brand identity because its parent company Opera is a well-known brand in Nigeria. During the one year of its existence, OList have hired up to 800 employees across Nigeria, many of whom are sales representatives. The sales representatives were tasked with introducing online marketplace to offline sellers and onboarding them to OList. Gbenro believes the Nigerian retail market is still largely offline with only 20 to 30 percent of retail transactions happening online. He said OList's goal is to bring as many offline sellers as possible to OList.

"The market really is offline still in Nigerian. So, what we are trying to do is get offline sellers to come online"

Gbenro Dara provided the interview data for this thesis. He is an MBA graduate from Lagos Business School. Opera invited him to lead OList when it was established in 2019. Prior to that, Gbenro worked for two years as the CEO of Cheki.com.ng, a platform for buying and selling cars. He was also the country manager and CEO of the now defunct online marketplace, Efritin.com. Gbenro also traverse the world of investing in 2013 when he launched Startup Partners Africa with his former boss at Jumia where he worked as a business development manager. Gbenro launched a couple of businesses while working at Startup Partners Africa. He said this period of his career was more about experimenting and it brought about so many learnings. After moving on from Startup Partners Africa, he founded AutoGenius in 2014, an online vehicle insurance broker. In 2016, he also did a four-month stint as the chief operating officer of Hotels.ng, a platform to book for hotels in Nigeria.

Gbenro said his previous experience of building, launching, and experimenting with businesses over the years has made it possible for him to grow OList very fast. He said he already knows what works and what does not work in the market so for him, it was all about focusing on the things that works and avoiding the things that does not work. He also attributed the fast growth of OList to Opera, the parent company of OList. Gbenro said it was plug and play for him because Opera browser already has a lot of users so all he had to do was to develop a new value proposition for the market and harness the traffic of Opera. Furthermore, he said onboarding offline sellers to their platform contributed to their growth. This was achieved by hiring a sales and marketing team that was visiting the sellers and bringing them onboard.

"With my experience of building, launching, experimenting, across online businesses over the years, there are lots of learning that we don't need to do all over again, so that of course helped us because we are already clear about what works and what doesn't work in the market"

Gbenro highlighted some of the challenges facing business growth in Nigeria. He mentioned purchasing power and internet penetration. He believes purchasing power to be the major issue and that internet penetration is a byproduct of purchasing power. Gbenro said most of the browsing activities happening in Nigeria right now are to consume content and that only about 10% of them can afford to make a purchase. In addition to that, he explained that there are maybe over 40 million people using internet enabled devices in Nigeria today, but the largest online retailers get around 5 to 10 million website traffic monthly. He said the reason why there are only around 10 million people visiting retail websites monthly is that many people cannot afford to subscribe to internet services not to talk of making a purchase online. Gbenro said purchasing power is a macro issue but companies can influence it by making their products more affordable, by targeting products to specific need, and by bulk breaking their products.

"Internet penetration is one factor. As internet penetration grows, of course the market grows as well. However, purchasing power has been the key lagging factor. Most of the browsing activities that we see right now are to consume content and not necessarily make transactions… maybe 10% are the guys who actually have purchasing power"

Finding motivated people is one of the growth issues Gbenro discussed. He said growing a startup requires dedicated people and people with entrepreneurial mindset but there are more of 9 to 5 or day job people in Nigeria. He believes technical expertise is not really an issue in Nigeria.

"A lot of what we are doing hasn't been done before so it takes dedication, it takes someone who actually has a knack for solving problems. It's not a 9 to 5 kind of thing where you just turn in your report irrespective of the outcome"

Other growth issues Gbenro raised are macro factors such as bad infrastructure, political instability, and foreign exchange instability. The Nigerian naira is not stable and according to Gbenro, it affects firms' supplier relationships and cost of raw materials that are purchased in dollars. Gbenro said there is currently no financial instrument to mitigate against the forex instability therefore businesses are stuck with absorbing the costs or passing them to their customers. On infrastructure, Gbenro believes the cost of basic amenities such as electricity is quite high. For example, he said they use about one million naira ($2,650) to power their office building monthly. This includes the cost of diesel for their backup generators when the government grid in not available.

"Political instability, forex instability – today the value of dollar is this, tomorrow it changed – so that affects your supplier relationship and the cost of your raw materials when you have things that you are paying for in dollars"

When it comes to business investment, Gbenro believes there are investors in the Nigerian market, but the stage and traction of a firm determines if an entrepreneur will find it easy to secure investment or not. He believes many entrepreneurs find it difficult to secure finance because their product is still at testing or minimum viable product (MVP) stage when they try to raise funds. Gbenro admits that there are some macro issues present in Nigeria that may discourage foreign investors. However, he believes that there are still investors that are excited to invest in Nigerian businesses. Gbenro mentioned that another challenge founders might have when seeking for funding is getting access to investors, but he said they can overcome this issue by networking and enrolling to business incubators.

"If you are trying to fund raise at a stage where your traction isn't convincing enough which is where a lot of people try to raise funds… they've built somethings which is still at idea stage or at testing or MVP stage and you wanna raise funds, it will be very hard because at

this stage in Nigeria people want to invest in early-stage businesses that have shown traction already not just idea"

Gbenro said having a good network has been one of his key success factors. He said its an easy way to jumpstart conversations and partnerships. He mentioned that the relationships he has built over the years has always come in handy. He gave an example of how his previous relationship with the CEO of a company facilitated a new partnership OList is going into.

"Super important. A lot of relationships built over the years always comes in handy in a every project… without a doubt, network is… for me personally it has been one of my own key success factors"

OList has never received any kind of support or grant from the Nigerian government and Gbenro believes the government is not giving support to any business. In terms of tax, Gbenro said the taxation system in Nigeria is not encouraging for small businesses and that firms do not get any benefit from the tax they pay. However, he thinks the business growth challenges startups are facing is not directly related to taxes, it is rather the cost of running a business in Nigeria.

"If you look at the P and L, as a startup, our challenges are more at the revenue and cost stage as opposed to tax. There are few startups that are profitable yet and of course tax comes after profit from a corporate tax point of view. However, there are other taxes, too many taxes… that could be reduced."

4.6 Summary of the key findings and the revised framework

To understand how firms grow in emerging markets like Nigeria despite the numerous economic challenges, five startup founders were interviewed. The interview data collected was analyzed in detail and supported with direct quotes in the previous sub-sections. Three of the firms interviewed can be classified as high-growth firms while the remaining two are classified as stable-growth firms. This classification is based on OECD's definition of high-growth firms. They are firms with average annualized growth greater than 20% per annum measured by number of employees (OECD, 2007: 61). The analysis led to the creation of a new growth framework that shows how the categories of growth variables discussed in the theoretical section of this thesis interact with each other.

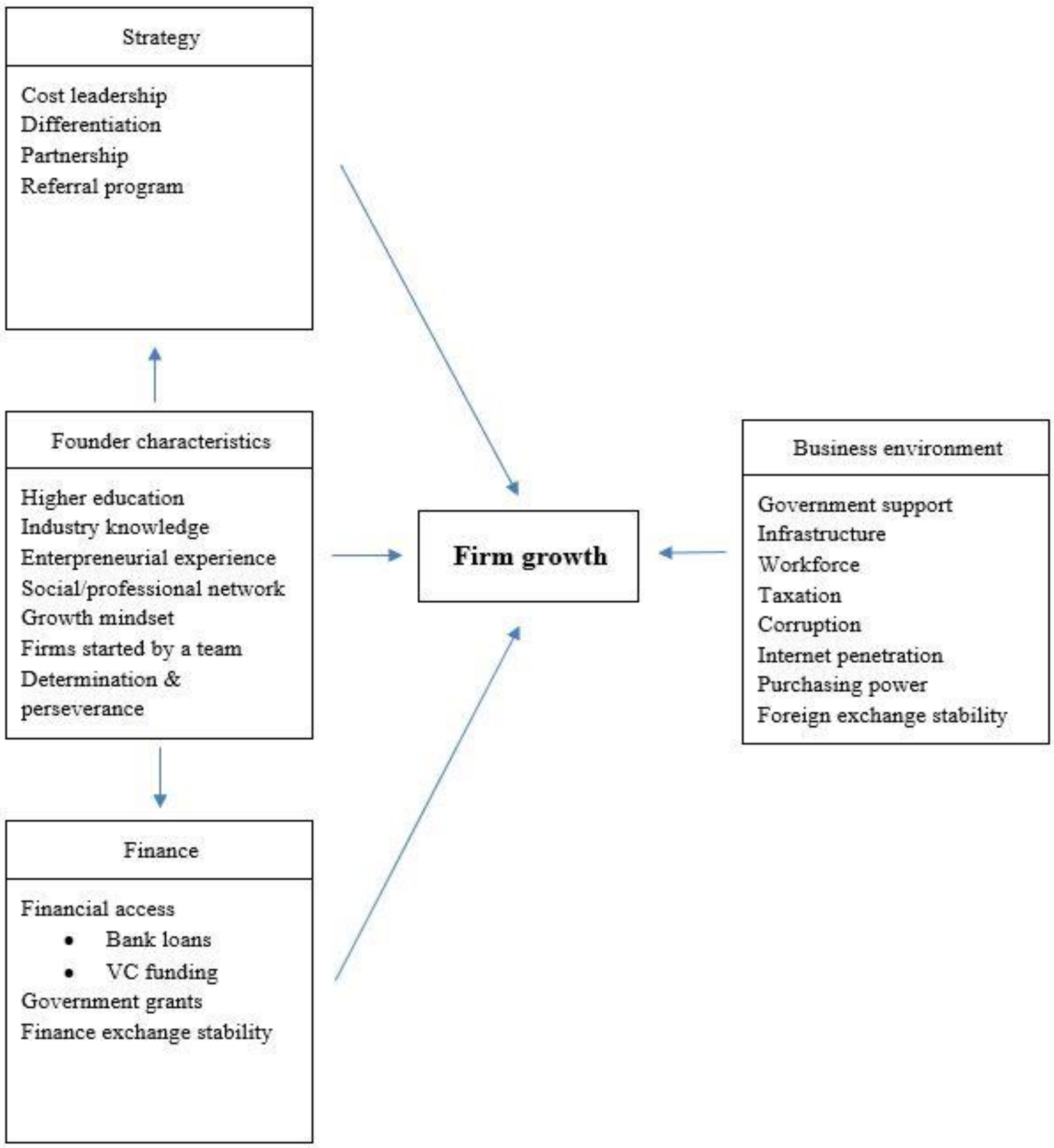

Figure 4. The determinants of firm growth based on the research findings.

What factors contribute to firm growth and profitability in Nigeria?

Starting with founder characteristics, the findings show that the most important factors are higher education, network, growth mindset, and determination and perseverance. Industry knowledge, entrepreneurial experience and team size were present in the literature review however, the empirical findings show that they are only beneficial but not crucial to firm growth and profitability. High-growth firms differ from stable-growth firms on industry knowledge and entrepreneurial experience. The founders of the high-growth firms have both industry knowledge and entrepreneurial experience. Higher education can provide founders with necessary skills to establish a firm. It can also create useful network that are helpful when seeking for partnership or resources needed to launch a firm. Social/professional networks are beneficial when seeking for funds or partnership. The analysis shows that founders with broad network find it easier to secure funds. The mindset of the entrepreneur towards growth also plays a crucial role in firm growth. Some entrepreneurs prefer to grow at a steady pace while some entrepreneurs are constantly seeking for opportunities to grow rapidly. Lastly, determination and perseverance can be the difference between success or failure. Starting a new business is challenging, founders must be ready to sacrifice and keep pushing no matter the challenges. Determination and perseverance can also be the difference between achieving high growth or stable growth.

The findings revealed four different types of growth strategies: cost leadership, differentiation, partnership, and referral program. Cost leadership, differentiation, and focus strategies were highlighted in the literature review, but the empirical findings show that focus strategy may limit the total market share achievable by firms. None of the case companies were using this strategy. Partnership and referral program are the two additional strategies found in the analysis. The four strategies were used by both high and stable growth firms. They all differentiate themselves from competitors in one way or the other. The most common differentiation approach is through offering high quality products/services and providing very good customer support system. In addition, e-commerce firms also achieve differentiation by offering fast and reliable delivery. Cost leadership strategy in the findings is a bit different from the one in the literature in a sense that the companies are constantly looking for ways to enhance their customers' experience by improving the quality of their offerings at affordable prices. They are not focused on cost minimization tactics as specified in the literature, rather they strive to always be affordable without compromising on quality. Partnership has also proven to be a viable growth strategy. It contributed significantly to the growth of the case companies. It can also give a firm credibility. A meaningful partnership must be a win-win for all parties involved. Lastly, firms can achieve organic growth through customer referrals which can be achieved by offering exceptional customer service experience. In addition, firms can also give customers incentives to promote their offerings through reward programs.

The empirical findings show that financial access is an important pillar of growth. Access to funds can be the difference between a company achieving its full potential or failing. It also differentiates high-growth firms from stable-growth ones. The findings show that most firm finds it difficult to raise funds and that the venture capital sector in Nigeria is highly underdeveloped. Most funds come from venture capital firms outside of Nigeria, specifically from the US and UK. Nigerian firms must look beyond Nigeria when seeking for funds, especially when the amount needed is significant. Most Nigerian firms however face stiff competition when trying to raise funds abroad because many foreign investors are not willing to take on the risk of investing in Nigeria. This is due to economic instability, trust issues, government policies, and so on. The few foreign investors that are willing to invest have very strict criteria making it difficult for companies to access the funds. Foreign exchange instability is also a major challenge. The rate at which naira devalues makes it less profitable for investors to invest in Nigeria. Apart from foreign investment, companies also find it difficult to access bank loans. Some founder attributes this to corruption.

There are several steps startup founders can take to make it easier for them to secure investment. Networking is the most effective. The findings of this thesis show that founders with broad network find it easier to secure funds. Founders can also enroll to business incubation programs. The analysis also shows that businesses that have shown traction gets funded more than firms that have not yet established a valid business model. It is therefore advisable for founders to first focus on building a viable business model before seeking for investment. Firms can also use government grants to finance their growth. Only one firm has received a grant from the government in the analysis. Most founders believe Nigerian government does not offer grants to businesses; however, it is advisable for founders to visit their state and federal websites to find out if such grants may be available. Government grant is especially beneficial for startups that are just growing as it is usually interest free.

The analysis revealed that the business environment in Nigeria impedes firm growth. Myriads of issues affecting growth were raised by founders in the interview. They include lack of government support, bad infrastructure, unfavorable taxation system, corruption, internet penetration, purchasing power, foreign exchange instability, and lack of talented and motivated workers. Unfortunately, many of these problems are outside the direct control of business owners, but there are several steps that can be taken to manage them to achieve desired growth rate. One of the challenges mentioned by most founders is the difficulty of finding talented and motivated workers. Firms can solve this problem by organizing a training course for new employees where they can learn the skills required to perform their jobs. Companies should create growth opportunities for their employees and reward good behavior. Doing this will encourage employees to perform better and it will give them a sense of purpose.

Even though purchasing power is reflective of the whole economy, companies can influence it by making their products more affordable and targeted to specific needs. Internet penetration is another important factor. Although, the analysis revealed that most firms have not yet reached their growth potential among the people that currently have internet access. It is recommended for firms to first focus on reaching their maximum growth potential among connected users before worrying about users that are not yet connected to the internet. Nevertheless, it is important to mention that the ultimate responsibility falls on the Nigerian government to create an enabling environment where businesses can thrive. Small firms are crucial to the development of the economy as they create the most jobs.

This thesis also aims to shed light on the relationship between firm growth and profitability. The findings of this study revealed that most internet-based businesses pursue growth from the onset although some are more aggressive than others. Some of the firms are not yet profitable even though they continuously grow. It is apparent from the findings that growth does not correlate to profitability however, growth attracts investors. Some founders said in the interview that their firm is not yet profitable but interestingly, the firms have gone through several rounds of funding. It seems that being profitable from the onset is not the focus of most startup founders, they are focused on growing as fast as possible. It is important to mention that a firm's valuation increases with each funding round and it is usually easier to get more investment if the firm continues to grow. Some founders may not have the intention to keep running their firms for long. Their intention may simply be to increase the firm's valuation and sell it which means it would make more sense for such founders to grow very aggressively without much regard for profitability. Likewise, if a founder intends to run a business for long, it makes more sense to focus on being profitable at first, and then finance growth with internally generated funds. Even if a profitable firm would require external investment in the future, the founders will be able to bargain in a position of power. To conclude, growth does not directly lead to profitability. Business managers must make intentional decision whether to first grow without much emphasis on profits or vice versa. Ultimately, the decision depends on the entrepreneur's long-term objective.

How do firm growth factors interact with each other?

The characteristics of the founder of a firm has a significant influence on the future of the firm. The decisions regarding how the firm will compete and how the resources needed to operate will be obtained is influenced by the skills and experience of the founder. The findings show that the characteristics of the founder directly influence the strategy the firm will use to compete in the market and the method in which the firm will use to secure finance. The findings of the thesis show that founders with broad network find it easier to secure funds. Having a broad network also makes it easier to find and create partnerships that enhances growth. Although, founders must note that network only opens the door, it is their competence that will keep it open. The experience of the entrepreneur also significantly affects finance. VC firms are more likely to invest in firms whose founders have a good track record of running successful businesses. Some VC firms are also more likely to invest in firms with more than one founder. Entrepreneurs with a long experience also find it easier to choose appropriate strategies as they already know what works and what does not work in certain markets. Education is also extremely important as it influence many of the business decisions the entrepreneur will make. The knowledge and experience of an entrepreneur also creates opportunities that can help an entrepreneur to decide on the right differentiating strategy. For example, if an entrepreneur has had a bad customer service experience or issues with delivery, they may decide to differentiate through top notch customer service or effective distribution system. The business environment is a standalone growth variable. In general, founders do not have any control over it however, entrepreneurs must understand their business environment well enough to devise a strategy that will fit accordingly.

5 DISCUSSION

The analysis of the interview data highlighted several factors that contributes to firm growth in Nigeria. In general, the factors identified in the literature review are consistent with the factors that emerged from this study, with a few important exceptions. This study shows that some factors from previous studies are only beneficial but not crucial to firm growth. In addition, new growth factors that were not present in previous studies were revealed. These factors include determination and perseverance, partnership, referral program, purchasing power, internet penetration, foreign exchange instability, and skilled workforce. This section will begin by analyzing each of the four categories of growth variables discussed in the literature. The chapter also addresses the theoretical and managerial implication of the study. It concludes by highlighting the limitation of the study and giving suggestions for future research.

All the founders interviewed have higher education which is in line with Barringer et al. (2005) that the success of a firm depends on characteristics such as the educational background of the founders. Sapienza & Grimm (1997) also supports this notion that higher education enhances skills that contributes to the success of a firm.

Previous experience is used to predict the future performance of an entrepreneur (Singer 1995). This claim is backed by MacMillan & Day (1987) and Sapienza & Grimm (1997) that entrepreneurs with a prior experience of the industry they operate in are more likely to be successful. In the analysis, only three of the five founders interviewed had previous experience in their industry. The founder of Wakanow does not have any experience in the travel industry, and the founder of Drinks.ng does not have any experience selling drinks before they established their various firms. This shows that previous industry knowledge/experience is not a necessity for business success however, it may be beneficial.

Barringer et al. (2005) said entrepreneurs with a previous startup experience has a clear advantage over entrepreneurs with no experience because experienced entrepreneurs are more likely to avoid costly mistakes. Colombo & Grilli (2005) also said the entrepreneurial experience of the founder of a firm is among the factors venture capitalists use to assess the potential of a firm. Only the founder of Drinks.ng has not established a firm before, all the other founders have established a firm previously and they all agree that the experience they gained from their previous establishments have contributed to the growth of their present ventures. For example, Gbenro, the CEO of OList said the experience he garnered from building and launching online businesses over the years has made it possible for him to grow OList very fast. He said there are lots of learnings he does not need to do all over again as he already knows what works and what does not work in the market. Other founders also believe that their previous establishments, either successful or unsuccessful have taught them valuable lessons and prepared them for the future.

The founders interviewed agree that having a good professional or social network is very important for business growth and success. The most common strategy used by the firms in this study is partnership and all the partnerships have been secured with the help of their network. It is also clear in the analysis that network makes it easier to raise funds. Almost all the founders interviewed referred to how their network played a crucial role when they were sourcing for funds. For example, Obinna of Wakanow mentioned how the relationship they have with people in the financial sector benefited them in critical times when the business needed cash flow.

Out of all the companies interviewed for this thesis, only Drinks.ng was founded by one person. All the others have at least two founders which is in line with Barkman (1994) that larger founding teams positively affects firm growth. The idea is that larger teams will have more resources, talents and broader network compared to one person. Feeser & Willard (1990) also said firms founded by larger teams have a higher chance of survival because the founders can give each other moral support during trying times.

The mindset or attitude of the founder of a firm towards growth has a direct effect on whether a firm will achieve high growth status or maintain stable growth. All the founders interviewed were constantly looking for growth opportunities, especially the ones that run high growth firms. They have all hired growth marketers and are constantly on the lookout for new market opportunities. Another factor that also plays a crucial role in firm growth is the determination of the founders. Starting a new business is challenging, thus the founders need consistency and perseverance to achieve their goals. According to the founder of Drinks.ng, consistency and perseverance is the backbone all the other factors that contributed to their growth.

Many researchers opined that new firms should adopt a broad range of strategic alternatives to realize their goals (MacMillan & Day 1987; Cooper, Willard & Woon 1986; Miller & Camp 1985). This approach is evident in the analysis as all the firms make use of different strategic alternatives to compete and achieve their growth objectives. Differentiation is one of the most popular strategic approach used by the case companies. A possible explanation for this is that most businesses we interviewed were founded because their founders identified a need in the market, or they saw an opportunity to innovate. For example, the founders of Printivo saw the challenges facing the print industry in Nigeria which includes poor customer service, high cost of printing etc. and they created a new value proposition that solves these challenges. Jobberman founders also saw that the recruitment industry in Nigeria is informal and time consuming so they created Jobberman to save employers' time and offer them trusted candidates. Drinks.ng also prides themselves with quality products and timely delivery because they realized the options to buy beverages in Nigeria were limited and the process was cumbersome.

Most of the case companies have differentiated themselves through offering quality products/services and providing customers with a very good customer support system. For example, the founder of Wakanow said offering top notch assistance to customers resulted in customer advocacy and referrals that increased their growth. All the companies also mentioned pricing as one of their key strengths. They all offer quality products/services at affordable rates. Gbenro of OList stressed that it is especially important to offer affordable prices in a country like Nigeria because of the low purchasing power. None of the case companies use the focus strategy.

There is a noticeable difference between the high-growth and stable-growth firms that was interviewed. The high growth firms started serving the whole of Nigeria from their inception date and most of them expanded to other African countries within a short period. On the other hand, the stable-growth firms started operation in a state and gradually expand to other parts of Nigeria. The difference in the expansion rate may be attributed to financial constraints as the high-growth firms have received more funding than the stable-growth ones.

Partnership is a very popular growth strategy used by the case companies. Every one of them have made use of it at one point or the other. Jobberman grew from a few thousand users to having millions of users in a few years due to the partnerships they had with MTN and Samsung. The founders of Printivo credited their early growth to the Partnerships they had with Microsoft and Deloitte. Drinks.ng also partners with well-known drink brands like Hennessy and Moet for more visibility. The analysis has shown that partnership is a viable strategy for firm growth.

All the companies interviewed for this research have made use of external investment to finance their growth. However, most of them said it is very difficult to raise funds as a Nigerian enterprise. This is in line with Allen, Otchere & Senbet (2011) that firm financing gap is a big problem in Africa. Gelb, Ramachandran, Shah & Turner (2007) in a study of 26 African nations also said that the number of firms stating finance as a major constraint is higher than any other constraints e.g., corruption, regulation, electricity etc. It is however important to mention that some founders believe that raising funds is not so challenging in Nigeria if a company can prove its worth to investors. For example, the founder of Jobberman said regardless of the economic situation, investors are always looking for good deals and if a company can prove its worth to investors, it will be easier to raise funds. Similarly, the CEO of OList opined that the stage and traction of a firm will determine if the entrepreneur will find it easy to secure investment or not. He said many entrepreneurs find it difficult to secure finance because their product is still at minimum viable product (MVP) stage when they try to raise funds.

The founders said their main funding came from venture capital (VC) firms outside of Nigeria, specifically from the USA and UK. This can be attributed to the underdeveloped VC sector in Nigeria (Lockett, Murray & Wright 2002). Ibukun, Printivo co-founder points out that even though it may be easier to get investors inside Nigeria, firms may not get the amount they require to grow. He said most Nigerian investors prefer to invest small amount and see how it goes with the company before increasing their investment. The CEO of OList also believe that the VC market in Nigeria is highly underdeveloped. He said most investors in Nigeria have a trader mindset meaning they prefer to give small amount of money and expect return in a short period.

According to Rajan & Zingales's (1998), financial constraint inhibits firm growth. This is apparent in the analysis. For example, the co-founder of Printivo mentioned that Printivo would have grown more than it is today if they could secure more investment. Some other founders also said the same thing. Another noticeable difference among the firms is that the amount of investment they have received influences their growth rate. All the high-growth firms have received significantly more funding than the stable-growth ones. The high-growth firms also have the highest number of employees.

Demirgüç-Kunt & Maksimovic (1998) finds that underdeveloped financial and legal system limits a firm's ability to secure external finance which hinders a firm's growth potential. Foreign exchange instability is also an issue firms must deal with when seeking for foreign investment. For example, the co-founder of Wakanow said Nigerian founders get money from foreign investors in dollars and naira devalues at a very aggressive rate which makes it difficult for the investors to recover their money when they want to exit the company. The instability also makes it difficult for entrepreneurs to pay their foreign investors which often leads to disagreement.

According to World Bank's Ease of Doing Business Index report, it is increasingly becoming more difficult to do business in Nigeria due to myriads of economic and political issues. The analysis revealed some of the economic and political issues facing business growth in Nigeria. It is apparent that Nigerian startups have the potential to perform far better than they are currently performing if some of these issues are resolved. Unfortunately, most of these issues are outside the control of business owners, they can only hope that the government would step in and start making decisions that are favorable for businesses.

According to Milliken (1990), the environment a firm operates in may create opportunities or threats for the firm. Unfortunately, it seems the Nigerian environment creates more of threats for businesses than opportunities. The founders raised many different issues that are affecting business growth in Nigeria. The most common issue is bad infrastructure. Good infrastructure is vital to a country's economic development and prosperity however, infrastructures such as electricity, transportation and communication systems are not available or in short supply in Nigeria. Firms are forced to provide these amenities themselves which increases their operating cost. For example, most businesses need electricity in one way or another to operate but it is in short supply in Nigeria which means companies must source for alternate power solutions. The co-founder of Printivo, said they spend about 200,000 naira (450 euros) to fuel their backup generator every week. In addition to that, they still must pay government electricity bills. All the founders that were interviewed said the cost to provide these services are significant and the extra costs could have been used to further grow their businesses.

Another common challenge the companies face when scaling is finding the right people to hire. Most of the founders said it is difficult to find talent in Nigeria and they believe it is caused by the poor educational system. The founder of Wakanow said that the things that are being taught in Nigeria schools are not on the same level as what is required in modern world. Wakanow solved their people issue by creating a training school where they teach new employees the skillset they require. Apart from education, some of the founders mentioned lateness, taking responsibility, doing quality work etc. Lanre of Drinks.ng added that the problem is not just about people not having the ability, he said many employees also lack the desire to learn. He continued by saying many people spend more time trying to figure out a way not to do their job or how to steal from their employer. He concluded by saying political figures are also not setting good examples for people because they also steal public funds and get away with it.

The issue of internet penetration and purchasing power was also raised. Internet penetration can somewhat be related to purchasing power because internet infrastructures are mainly built where people can afford to pay for the internet. According to the World Bank, 40% of

Nigerians live below the poverty line. Even many of the people that live above the poverty line and have access to the internet cannot afford to purchase some necessity goods. Gbenro of OList said most of the browsing activities happening in Nigeria are to consume content. Only about 10% of them can afford to make a purchase. Gbenro said purchasing power is a macro issue but companies can influence it by making their products more affordable and targeted to specific needs.

There is also mention of foreign exchange instability, corruption, and unfavorable taxation system. The constant fluctuation of the naira makes it difficult for business owners to secure foreign direct investment and very expensive to purchase inputs needed for production abroad. Corruption and unfair taxation were noted by several founders. They all said they do not feel they get any value from the taxes they pay especially since they still must provide basic infrastructure themselves. Ibukun, the founder of Printivo said the unfair taxation system in Nigeria affects business growth and that it is a shame that corrupt politicians enrich themselves with taxpayers’ money instead of fixing issues that facilitates business growth.

According to Abd Ghani et al (2010), encouragement and support from government is very important for business growth. Only Printivo has received financial grant from the government. The other companies have not gotten any aide and the founders believe the government is not providing support for businesses in any way.

5.1 Theoretical contribution

This thesis contributes to the research on firm growth in three ways. Firstly, most firm growth research has been conducted in western economies, but the models generated in these studies may not necessarily apply to firms operating in emerging economies because of the difference in the level of development. According to Milliken (1990), the environment a firm operates in may create opportunities or threats for the firm. Unfortunately, the Nigerian environment creates more of threats for businesses than opportunities. This research highlights many issues that are affecting business growth in Nigeria. The most common issue is bad infrastructure e.g., transportation, electricity, and communication networks. These infrastructural systems are vital to a country's economic development and prosperity however, many of these systems are not available or in short supply in Nigeria. Firms are forced to provide these amenities themselves which significantly increase their operating cost.

Secondly, while prior studies have reported that external finance is necessary for firm growth (Gompers & Lerner 2001; Denis 2004; Littunen & Virtanen 2009), this research digs deeper and explains one reason why VC funding is difficult to raise in Nigeria. Foreign exchange instability is a major problem. Nigerian founders get money from foreign investors in dollars and naira devalues at a very aggressive rate which makes it difficult for the investors to recover their money when they want to exit the company. The instability also makes it difficult for entrepreneurs to pay their foreign investors which often leads to disagreement.

Thirdly, several determinants of firm growth have been highlighted in prior studies (e.g., Barringer et al. 2005; Acs et al. 2008; Wiklund et al. 2009), but none of them mentioned people as a growth determinant. This research showed that the quality of people impacts business growth and that finding talented people to hire is a serious challenge for entrepreneurs in Nigeria. The lack of talent is directly related to poor educational system. Another aspect of the people problem can be associated to the society as whole where entrepreneurs complain about lateness, lack of quality work, dishonesty, and so on. Some firms are solving the people issue by creating a training school where they teach new employees the skills they need to perform their function.

5.2 Managerial implications

Business managers must realize that the performance of a firm is primarily the function of their behavior or characteristics and the critical decisions they make. An entrepreneur must understand its business environment well enough to devise a strategy that will fit accordingly. Entrepreneurs must be able to recognize environmental opportunities, organize resources needed to pursue the opportunities, develop a strategy, and organize a team capable of implementing the strategy. The characteristics of the entrepreneur directly influence all other firm growth variables. The experience and knowledge of the entrepreneur influence the business decisions they make. It is advisable for entrepreneurs to establish a business in the industry they are familiar with. The professional network of an entrepreneur also plays a significant role when it comes to acquiring resources needed to grow. Thus, entrepreneurs must always seize every opportunity to expand their network. Success also requires determination and perseverance. Entrepreneurs must be ready to deal with several challenges along the way.

Partnership is a popular growth strategy used by many growth firms. Business managers should explore the possibility of growing with this strategy as it is usually cost effective. It is advisable for entrepreneurs to first focus on building a viable business model before seeking for investment. This will help the entrepreneur to negotiate a good deal with investors. Having a broad network may also make it easier for entrepreneurs to access capital. Government grant is also a good way to finance a new venture. Entrepreneurs should research this possibility as it usually comes at no cost and may be easier to secure compared to other financing methods. Enrolling to incubation programs is also a good way for a firm to raise awareness and attract investors.

Myriad of issues affect business growth in emerging economies. Unfortunately, most of these problems are outside the control of business managers, however a few steps can be taken to manage them. Firms can solve the problem of finding talented and motivated workers by organizing a training course for new employees where they can learn the skills required to perform their jobs. Companies should also create growth opportunities for their employees and reward good behavior to give them a sense of purpose. Companies can influence the effect of purchasing power by making their products more affordable and targeted to specific needs.

Growth does not directly lead to profitability. Business managers must make intentional decision whether to first grow without much emphasis on profits or vice versa. In general, it is advisable for a firm to first establish a valid business model that will yield sufficient level of profitability to finance early-stage growth.

5.3 Limitations and avenues for future research

The first limitation for this research could be that only one founder was interviewed per case company whereas most of the firms were founded by two to three people. It could be that the other founders may have a different opinion to some of the questions asked during the interview.

Secondly, most of the case companies used for this study mainly operates online. It may be that the findings of this research cannot be directly generalized to firms that operate only from a store or physical location. The case companies also do not operate in the same industry. Industry specific research could have provided further insights on how firms from certain industry achieve growth and profitability.

Thirdly, none of the growth variable categories examined in this research are holistic, they have been studied from a narrow point of view. For instance, the effect of the external environment on business growth have only been examined from the aspect of the founders. Future studies may interview other stakeholders such as representatives from government institutions aimed at supporting startups to get a holistic view of the environmental issues affecting businesses.

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APPENDICES

Appendix 1: List of interview questions

1. How many employees did you have 3 years ago?
    a. How many employees do you have now?
2. What is the approximate turnover of your business last year?
    a. What was it 3 years ago?

Founder characteristics:

1. Why entrepreneurship?
2. When was your business established?
    a. Do you have co-founders?
3. What is your level of education?
    a. Where did you study?
4. Do you have a previous experience in your industry before establishing your firm? E.g., from working for another firm.
    a. Have you established a company before?
5. Can you think of any situation where your network or someone you know has helped your firm to acquire something critical to your operation? E.g., funding, securing new clients/suppliers, and so on.
    a. If yes, what is it and who was it?
6. What is your main job responsibility?
    a. Do you spend most of your time on finding new ways to acquire new clients/users or serving your current customers better?
    b. Have you ever hired a growth marketer?
    c. What challenges do you face in growing your business?

7. What percentage of your turnover is approximatively spent on acquiring new clients/users?

Strategy:

8. Can you think of any factor that has mainly contributed to your business growth?
9. Are your prices similar to your competitors or cheaper?
    a. If cheaper, why have you decided to set a lower price?
10. How do you differentiate yourself from competitors?
11. Do you serve the whole market or focus on a specific segment?

Finance:

12. Do you think it is easy to secure financing in Nigeria?
    a. If no, what do you think is the major obstacle?
13. Have you made use of external finance?
    a. If yes, where did you get the funds?
        i. Do you think the funds have contributed significantly to your business growth?
    b. If no, why not?
        i. Do you think securing funds would help your business grow?
14. Have you gotten any grant from the government?
    a. If no, why not?

Business environment:

15. What have been the key obstacles to growth?
16. What has been the top three things that helped you grow?
17. Do you find it easy to obtain the necessary documents/certificate to run your business?
18. What percentage of your turnover is approximatively spent on basic infrastructure such as electricity, transportation, and internet monthly?
    a. Do you think the amount you spend have a significant effect on your business growth?

19. Have you gotten any support from the government? E.g., funding, incubation centers, and so on.
    a. If no, why not?
20. Do you think business taxes are fair in Nigeria?