

Defining High Growth Firms in South Africa

Mulalo Mamburu, National Treasury
Economic Policy, Microeconomic Policy

Introduction

- HGFs are responsible for a disproportionate level of net employment growth in developed countries.
- They are among the most productive and innovative firms in their industries, contributing significantly to economic growth.
- But many different definitions are used in the literature to identify HGFs.
- This paper analyses whether using different definitions yields different empirical results.

Data and Methodology

- Data used are from the SARS-NT panel for firms with sales and employment data.
- Ten different definitions from the literature are used to derive distinct samples for comparison.
- The correlation and mean differences between the samples are examined.
- A probit model examined whether firm size and age affect the likelihood of HGF status differently across the samples.

Table 1: Correlations between HGF samples of different definitions

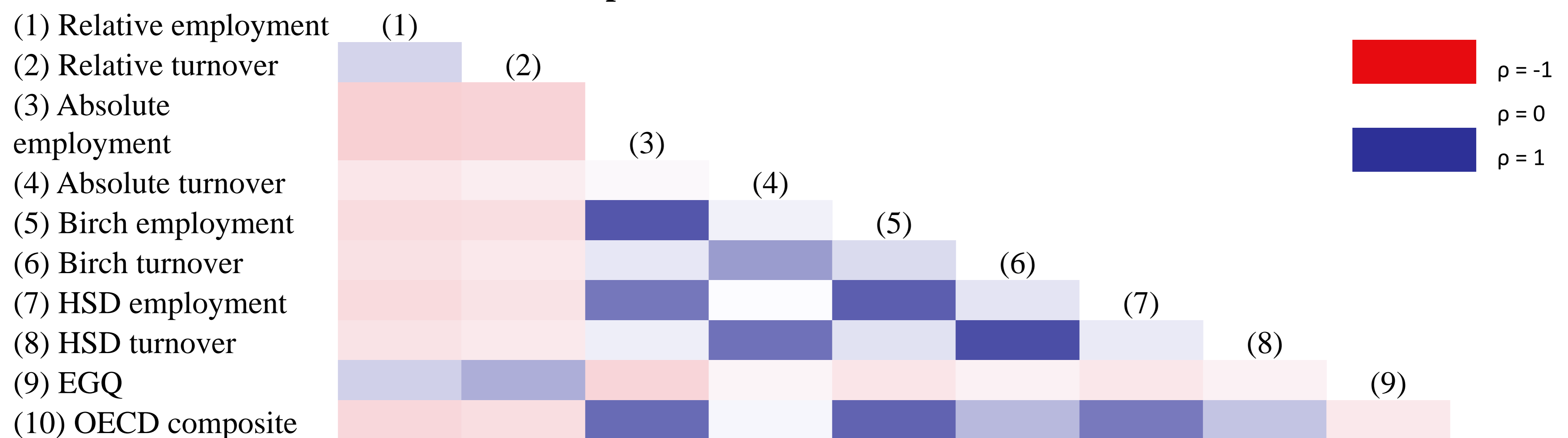


Table 2: Results from probit regressions on HGF samples

	Independent variables			
	Age	Age ²	Size	Size ²
Relative turnover	0.002	-0.177	0.089	-0.003
Absolute employment	0.004	-0.174	-0.093	-0.003
Absolute turnover	0.003	-0.104	0.279	0.027
Birch employment	0.004	-0.204	-0.019	0.044
Birch turnover	0.003	-0.105	0.065	0.039
HSD employment	0.002	-0.105	-0.255	0.058
HSD turnover	0.002	-0.071	0.089	0.036
EGQ	0.007	-0.321	0.113	0.016
OECD composite	0.004	-0.198	-0.619	0.002

Findings:

- The selection of HGFs is highly sensitive to the definition of HGFs used.
- Public policy which seeks to foster the emergence of HGFs must be cognisant of how it identifies these enterprises.
- Public policy must also be cautious of adopting a single definition for all policy objectives.