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**Hypergrowth in startups : What Are The Pitfalls To Avoid To Sustain Business While
Going Through an Hypergrowth Phase? The Case of Epsor**
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Not Confidential

1. Executive Summary

France is a 'Startup Nation', more and more startups are created each year (10 000 in 2018, 13 000 estimated in 2022). With all these startups blossoming, new issues and challenges raise as they enter their hypergrowth phase, with a the massive acceleration of recruitment, sales, and activity in general.

The purpose of this professional thesis is to assess the pitfalls startup should avoid while in hypergrowth. The goal is to frame the concept of startup and hypergrowth, in order to explore the themes of leadership and culture, knowledge management and human resources management. The literature review will enable to postulate hypotheses regarding the trends on these three subjects, which will then be analyzed in regards to the case study of a French Fintech called Epsor.

Overall the case study tends to validate the hypotheses established, reinforcing the fact that internal communication enables the leaders to assess their vision and goals to the team and strengthen the company's culture. In addition, it confirms that a structured Human Resources Management with a formalized recruitment strategy is a powerful tool helping a startup go through hypergrowth successfully. Finally, A Knowledge Management approach seems to enhance productivity and help maintaining skills, know-how and culture of a firm.

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4. Introduction

France is a 'Startup Nation', conducive to the creation of startups: there were more than 10,000 in France in 2018. This figure continues to increase, with 13,000 startups estimated in France in 2022¹. Indeed, France is the country where the population is most likely to want to start a business in the next 3 years (18% of population in France, 15% in the United States, 12% in Ireland)².

However, 44% of startups shuts down in their first three years of existence, and 50% in their first five years. The reasons for these failures are numerous: difficulty of recruitment, administrative complexity, cost of work, etc.³ There are many challenges and pitfalls to avoid in the development of a startup, especially when going through an hypergrowth phase. This phase generates a multiplication of the problems encountered due to the massive acceleration of recruitment, sales, and activity in general.

It is therefore necessary to prepare the startup and teams to accommodate to hypergrowth not to be quickly overwhelmed. The preparation to hypergrowth is a deep transformation of the company. It needs to shape and structure a clear Human Resources strategy in order to recruit efficiently and fast. In addition, there is a need to stock knowledge : with an increase in recruitments, the turnover may also be affected, with two challenges : the transmission of knowledge to new employees, and the loss of knowledge during the first departures. Eventually, the last essential subject to care about is leadership, and more importantly the corporate culture of the company, which might be diluted due to the high employment.

In order to explore startups in hypergrowth, and more deeply these three subjects that are Leadership and culture, Knowledge Management and Human Resources, this thesis will first conduct an analysis of the literature on these matters to identify trends and theories.

In Chapter 6, it will explore the case study of Epsor, a French Fintech in hypergrowth. This case study will focus on the major implementations in terms of Leadership and culture, Knowledge Management and Human Resources during these last 6 months, when Epsor started its hypergrowth phase.

Finally, Chapter 7 will put in perspective the literature review with Epsor's case study to validate or not the hypotheses established in Chapter 5.

¹ Chaltiel A., Point d'étape sur l'écosystème startup français en 2019, <https://medium.com/@AdrienChl/point-d'étape-sur-l'écosystème-startups-français-en-2019-4c0defa4180>

² Global Entrepreneurship Monitor 2017/2018

³ EY, La performance économique et sociale des start-ups numériques en France, Baromètre 2017 [https://www.ey.com/Publication/vwLUAssets/ey-thumbnail-barometre-france-digital-2017/\\$FILE/ey-barometre-france-digital-2017.pdf](https://www.ey.com/Publication/vwLUAssets/ey-thumbnail-barometre-france-digital-2017/$FILE/ey-barometre-france-digital-2017.pdf)

5. Literature Review

In order to better understand hypergrowth in start-ups, an analysis of the existing literature was carried out. This analysis will explore in depth the concepts of start-up and hypergrowth to better define them. Then, a focus will be made on three particular subjects where leaders can easily fall into traps: Leadership & culture, Knowledge Management and Human Resources Management. These three subjects are key in a start-up development and hypergrowth phase and is a matter on which leaders should be vigilant in order to ensure a sustainable growth.

5.1 Start-ups & SMES

The French Ministry of Economy and Finance has renamed startups the "young sprouts" of the new economy. It raises the difficulty to distinguish start-ups from other emerging SMEs of the old economy. Start-ups would be small businesses working with the Internet. If the precocity of these companies is certainly one of their fundamental characteristics, it remains that they are different from their counterparts of the old economy by the innovation on which they rest. The new economy is often compared to a virgin space that remains to be explored (Ferre, 2000; Godeluck, 2000). Start-ups are expeditions through unknown lands: each one advance with an innovation - whether a product or a sales method - that would allow it to enter new markets.

Such innovative companies, however, take a major risk of going in search of a niche market that might not exist. In fact, nothing assures the entrepreneurs that their innovation will find buyers. Rare are the attempts of identification which precede the expedition: the market studies are almost impossible in this economy which is not yet fully explored. Driven by faith in the discovery of a market, entrepreneurs are forced to build business plans with a delayed economic model: large losses in the short term finance an try - more or less risky - which must lead to the discovery of miraculous markets (Xardel, 1997). Many business plans thus foresee to start by losing money before actually be profitable.

Therefore, start-ups are companies that bet on the value of an innovation and its reception by a potential market. Unlike traditional SMEs that are cautiously built, interacting with the market; start-ups operate according to the logic of the game of poker. In fact, the bet on innovation that entrepreneurs, investors and employees paid in stock options take is risky and at high stake. It is risky because it is unsure that the market exists and because the delayed economic model does not make it possible to verify it. It is then of a high stake since the sums invested are very important. Thus, it is the stakes and the risks taken which clearly distinguishes the start-ups of the classic SMEs. Start-ups are thus different from SMEs in the old economy by three of their characteristics: innovation, the type of bet and the need to use investors. These characteristics result in several consequences for the operation and organization of the company, especially when a start-up enters its hypergrowth phase.

In this professional thesis, we will consider equally SMEs and start-ups as we want to focus on the impact of hypergrowth on these small structures.

Their particularities therefore are a reduced organizational size, a strong centralization around the owner-leader, a common entrepreneurial vision, a very low degree of formalization of management and production activities, increased flexibility in the face of change, and a relentless vulnerability to competition at all levels (d'Amboise and Garand, 1993).

5.2 Hypergrowth

Hypergrowth has been studied for more than a decade and is getting more and more covered. Indeed, Henrikson and Johansson identified 20 studies dealing with the phenomenon of hypergrowth between 1990 and 2010, while Coad and al. (2014) count 100 for a period from 2010 to 2014.

Medoff & Birch defined hypergrowth firm as those reaching at least 20% growth in annual sales, during four years, for a revenue base of 100 000 \$US. For Delmar and al. (2003), hypergrowth firms are the 10% most performing in regard to sales and workforce growth. For the OECD, hyper-growth firms are start-ups under 5 years of age that achieve an annual growth rate of over 20% in employment over 3 years and started the business with 10 employees.

Identifying hypergrowth companies is complex. There are numerous definitions and explanations. It could be defined as an exaggerated form of business growth, marked by a very fast increase in size. The methods for measuring this rapid growth are multiple and subject to debate: increase in the number of employees, in turnover, in the balance sheet total; measured in value or realized in growth rate. The debates are numerous to define a company in hypergrowth, to the point that it is difficult to leave a consensual definition.

Fischer and al. (1998) characterize it as a company that has grown more than 20% a year for at least five years. Upton and al. (2001) describe it as companies growing faster than 80% of companies in the same country. In the works of Betbèze and al. (2006), several possibilities of definition are proposed: revenue growth can be either more than 45% in four years, or more than 100% in four years, or more than 10% each.

The diversity observed is based on various criteria used to measure it: turnover and / or staffing (Brüderl and Preisendörfer 2000, Coad and al., 2014) in absolute or relative value relative to the sector (Ambroise and al. 2010), sales (Birch, 1979, Birch and Medoff, 1994), duration of the phenomenon (3 years for Moreno and Casillas, 2007, 4 years for Brüderl and Preisendörfer, 2000, 5 years for Coad and al., 2014), assets (Diambeidou and Gailly, 2011).

Then, hypergrowth is generally considered as a rapid growth phenomenon, in a limited amount of time, in terms of sales, revenue & workforce.

However, as stated by Delmar and al. (2003) :

“Sales are sensitive to inflation and currency exchange rates, while employment is not. It is not always true that sales leads the growth process. For high-technology start-ups, and the start-up of new activities in established firms, it is possible that assets and employment will grow before any sales will occur.”

Delmar is therefore emphasizing the workforce growth over sales to evaluate growth in a company, as sales can occur must further than recruitment.

There are two types of models defining the growth of SMEs. Some present it as a process modifying the parameters of the SME, which goes through different stages of growth (Mustar, 2002, Delmar and al., 2003). In contrast, we find models of variance, rather based on reasons explaining the high growth (Julien, 2002, Chan and al., 2006, Wiklund and al., 2009). Chanut-Guieu and Guieu (2011) describe the hypergrowth trajectory as a succession of phases, during which the company is modeled (between 3 and 6 phases), depending on a scope of factors such as strong leaders and late structuring of the human resources and financial functions. Delmar and al. (2003), following Churchill and Lewis (1983), criticized these models in 6 stages, considering that hypergrowth SMEs are experiencing heterogeneous development.

We will therefore consider hypergrowth as a fast increase in workforce on a limited period of time (2-3 years). It is interesting to develop our understanding of the factors that stimulate hypergrowth to help entrepreneurs ensure their growth will be sustainable, such as management & culture, knowledge transfer and recruitment.

5.3 Factors stimulating hypergrowth

5.3.1 Leadership & corporate culture

Leadership and internal communication

One of the main characteristics of SME's strategy and management is the strong influence of what can be gathered under the name of proximity effects. If it allows faster decision-making shortcuts and heuristics, the proxemic law (Moles and Rohmer, 1978), which states that "fundamentally, axiomatically, what is close is, all things being equal, more important than what is far away, be it an event, an object, a phenomenon or a being "(Torres, 2003), translates into filters of perception and action. The sense of urgency induced by this perceived short-term importance results in Lorsch (1986) calling "strategic myopia" when SME's managers become prisoners of short-term operational decisions and work in a hurry. This can turn into a flight forward (Wang, Walker and Redmond, 2007) or result in a real feeling of "invulnerability" (Roux-Dufort, 2010).

This feeling of urgency is often sensed in SMEs going through hypergrowth. Hypergrowth is a crisis representing a tough moment in a company's life, with a loss of the usual reference points.

This crisis usually results in a state of instability of all the functions of the company and is characterized by a socio-emotional state of the community, marked by psychological phenomena such as feelings and emotions that are difficult to master (Mucchielli, 1995). In these moments of instability, internal communication can be a powerful managerial tool.

Internal communication, which can be defined as all transmissions and internal exchanges of information of a general and operational nature, pursues a variety of objectives that may be relevant in times of hypergrowth. Whether to explain the organization (Henriet and Boneu, 1990), to establish common references favoring the sharing of values between members of the company (Thévenet, 1988) or to develop the participation of employees, internal communication allows information to circulate better.

The great popularity of internal communication since the 1980s, does not affect all companies in the same way. While large companies have usually developed a real internal communication strategy, SMEs seem to have remained on the sidelines of this phenomenon.

This is caused by the specificities of SMEs. The individual specificities of SMEs are due to the often familial nature and the particular role that the leader holds. Central pillar of the company (D'Amboise and Garand, 1993), it is around the leader that the information flow is organized. Decision-making (Saporta, 1989, Julien and Marchesnay, 1992) is also linked to the leader, since he often exercises decision-making power autonomously, by highlighting his profile and his values, which become an element of his vision and his entrepreneurial will.

Lastly, the organizational specificities of SMEs are due to the small number of functional services, tertiary jobs and hierarchical functions, which favor unofficial internal communication practices (Mintzberg, 1982, Kalika, 1987), a large part being left to relational (Mahé de Boislandelle, 1988, 1993) and in particular in direct contact (Lévy, 1988). SME leaders are often slightly preoccupied with the circulation of information in their company and more generally with the organization of internal communication (Bachelet, 1995).

However, it is essential to maintain a link between the founders and employees, but also to ensure information flows between everyone. This would allow a deeper understanding and planning of the firm. The hypergrowth phase shakes a company's internal processes and communication habits since the workforce is rapidly increasing, making it impossible to maintain old processes; or rather forces it to implement real processes.

It can be said that internal communication will have an indirect impact on the results of a company through the attitudes and behaviors of employees, notably through 6 factors (Michon, 1994):

1. Information

Information is at the heart of the business. Its mastery makes it possible to spread messages of any kind and to facilitate the flow of information. There are different types of messages concerning the daily working life, the future of the organization, the social and collective life, and the affective life of the organization.

2. Conviviality

Conviviality is the base of the construction of a good relationship climate between people who belong to trades, to functions, to different sites. The desire to communicate and interact with others is a factor that avoids exclusion from the social and collective life of the organization.

3. Participation

Participation allows everyone to be a player in the company. Participation is a recognition and mobilization of all skills in the context of management based on human resources.

4. Federation

Federation is everyone's commitment to shared goals and shared values. The federation translates into a group spirit. It expresses itself through mutual help and collective solidarity.

5. Involvement

Involvement represents the investment of his energy in the professional field. This driving force makes it possible to orient and increase individual energy in a collective sense. The implication reflects the personal commitment to the service of the company and its objectives.

6. Identification

Identification expresses adherence to the company's personality, culture and identity. It is reflected in a sense of belonging that is all the stronger when one identifies with the organization. It can only be internalized or expressed by signs such as emblems, logotypes, and other objects of focus.

In conclusion, the added value of internal communication in hypergrowth SMEs is first to ensure a wide dissemination of information with the danger of leading to an "overabundance" that will produce the opposite of the desired effect. The added value will be greater if the company adopts a management more focused on human resources. Internal communication will then aim to share the values and culture of the company and will rely on participative management to unite all staff around common objectives. It will embrace the goal of involvement and seek to develop a sense of belonging, to develop a good relationship climate. Therefore, employees will feel listened to and legitimate, hence reinforcing motivation and retention.

Corporate culture

Culture is a system of representations and values shared by all members of the company. This means that everyone in the company adheres to a common vision of what the company is, its economic and social role, the place it occupies in relation to its competitors, its mission in regards of the clients, staff and shareholders. Its most famous definition comes from Schein (1985) : "*The corporate culture is a model of basic assumptions, which a group has discovered, invented and developed by learning to deal with the problems of external adaptation and*

internal integration, and which have been sufficiently tested to be considered valid and therefore to be taught to new members as the right way to perceive, to think in relation to these problems". This definition presents culture as a tool to facilitate adaptation to external changes and internal integration.

In the field of management, the corporate culture is often examined in relation to the performance of the company and the efficiency of its management. According to Kanter (1982), the innovation capacity of the firm is affected by cultural norms, practices and structure. Corporate culture can also affect the level of risk-taking (Burgelman and Sayles, 1986), and pro-activity (Miller and Frisen, 1984). Cornwall and Perlman (1990), show the effect of culture (which supports the company's vision, mission and strategies) on entrepreneurial activities such as risk-taking, exploration of opportunities and innovation.

It leads Covin and Sevin (1991) to this observation: "*Because organizational culture provides the context within which entrepreneurial postures may or may not emerge, the primary direction of influence will likely be from organizational culture to entrepreneurial posture*". Kuratko and al. (1993) argue that organizational culture is central to building an entrepreneurial spirit. As for Birkinshaw (2003), he proposes an organizational entrepreneurship model in which organizational culture and management style are fundamental elements.

This corporate culture can be divided in three types of culture:

1. Hierarchical culture

Hierarchical culture is characterized by the structuration and formalization of work. This culture focuses on the internal stability, rules, and values that are associated with conservative oriented strategic posture (Zammuto and Krakower, 1991). It gives a lot of importance to the formalization of the production procedures, controls and crisis management. Hierarchical culture is based on a mechanistic structure that is generally not favorable to entrepreneurial activities.

2. Market culture

Market (or development) culture is geared towards achieving results (results-oriented) through maximizing production. Its core values are productivity, competitiveness, profitability, decision-making and success. Cameron and Quinn (2006) clarify the term market culture: "*The term market is not synonymous with marketing functions with consumers in the marketplace. Rather, it refers to a type of organization that functions as a market [...], it is focused on transactions with external constituencies such as suppliers, customers, contractors, licensees, unions, and regulators [...], the values that dominate market-type organizations are competitiveness and productivity*".

3. Group culture

Group culture is characterized by the friendly atmosphere in the workplace, and the sharing between individuals. Its core values are flexibility, trust in human potential, commitment and the development of human resources. The goal of the company is to develop team spirit, sense

of belonging and participation. According to Pearce and David (1983) and Jennings and Lumpkin (1989), an innovative enterprise is characterized by a participative management style.

In SMEs or start-ups, the hierarchical culture is obviously not often found. Market culture is essential but group culture is the most widely spread as it gathers all employees together and make them part of a bigger and deeper goal. This corporate culture can be a powerful tool to motivate collaborators and infuse a useful dynamic.

One may wonder whether the culture is manageable and whether a company top management can choose and manage the value system of its employees itself. For David Dunkerley (Dunkerley and Casey, 1983), however, culture is produced by the negotiations of social actors. Therefore, it has the nature of an emergence, that is to say of a phenomenon resulting from the set of individual interactions, without any of them being determinative. As such, this phenomenon would not be totally controllable by a specific group of actors.

However, management effectively controls many of the means that condition the enterprise culture: selection, control system, communication system, etc. She can "build" heroes, create legends, provide models. Indeed, some famous American multinationals provide brilliant examples of particularly well - controlled cultures. But to be an effective management tool, this corporate culture must be unanimous amongst the teams (Lemaitre, 1984), as it has clear effects on many subjects such as :

Talent Selection

By selecting a staff that is beforehand carrying a number of cultural traits of the company, it is easy to simplify the problem of its adherence to the corporate culture. Many companies have included among their recruitment criteria this kind of pre-existing conformity index, whose appreciation is most often left to the intuition of the people who will interview the candidate. Although crucial, this criterion often remains implicit. It is not included as such in the list of recruitment conditions. It is probably also with this type of criterion in mind that some companies are more likely to hire family members of already employed staff or candidates recommended by company employees.

Trainings

In some companies, a major part of the training is aimed at learning the values and representations of the company. This particular training helps the individual conform to the system, teaches him to think according to certain axes, to take into consideration certain criteria, such are the deeper goals of apparently technical or general teachings. Companies which are aware of the importance of these factors invest a lot in the training of their managers, this training must of course be primarily internal, to ensure the reproduction of the model.

Control System

The control system of the company is by nature a system of valorizing results and strengthening performance. When formally evaluated, the executive may lose sight of the overall objectives of the organization and seek above all to optimize the criteria on which he himself is evaluated.

This is why it is essential that a correct link exists between the overall objectives and the measured performance criteria for the different functions at the different levels of the hierarchy. And it is also important that each collaborator remain sensitive to the overall performance of the company, and it goes through corporate culture.

In conclusion, leadership clearly shifts from the early stage of a start-up to the hypergrowth phase where it needs to be more comprehensive, listening and formalized. Although often neglected by leaders, internal communication is essential to ensure sustainable synergies amongst managers, leaders and employees. It is also a recognition process as it involves all parties into thinking on a large variety of subject. Finally, developing a strong and widespread corporate strategy increases efficiency on talent selection, formation and control system. Indeed, if applied directly to the recruitment strategy, talent will already be in adequation with the corporate culture of the firm, ensuring a better adherence to its core values and processes. Moreover, trainings can strengthen this culture hence allowing each collaborator to have a deeper and broader vision of the firm, its challenges, and forces.

There is therefore a focus to make on knowledge management, and how to ensure this corporate culture, skills and know-how are properly transmitted amongst teams.

5.3.2 Knowledge management

Elements of context

In the start-up ecosystem, the frequent turnover places companies at risk of losing skills and adds new urgency to the issue of knowledge transfer between collaborators. The question of knowledge management, although displayed as a source of concern in managerial rhetoric, is most of the time not translated into an explicit policy that is likely to favor exchanges between the generations of employees. The challenge of successful communication is most often underestimated by those in charge, and is urgently needed when experienced employees, who have critical organizational skills, are preparing to leave. This situation is all the more unfortunate because the implementation of knowledge sharing measures has multiple advantages for both employees and the company.

Indeed, a major property of SMEs is the lack of formalization of processes, relationships and strategy. The frequent use of intuition reinforces the perception of a lack of resources and the lack of profit to formalize the procedures. One consequence is the chronic underestimation of intellectual property issues by SMEs (Reboud, Santi and Mazzarol, 2014). Indeed, besides the perception of the cost of intellectual property by the leaders, it is shown that the relations of confidence that they have the feeling to have built with their customers, partly deluded by the effect of microcosm (Mahé de Boislandelle , 1996), often leads them to overestimate the reliability of their relationships both with clients and with suppliers with whom they develop innovations (Kitching and Blackburn, 2003).

This lack of formalization and time for strategic thinking, in addition to a frequent lack of managerial and strategic training (Gibb, 1997), or formalized risk management mechanisms also lead to difficulty in identifying, and even more so, managing risks in SMEs.

A new vision of the company, via *Knowledge Management*, proposes a strategic approach and a set of concrete actions related to organization, management and information diffusion and management. This global approach extols knowledge management (Tarondeau, 1998; Prax, 2000). Transversality is essential: matrix organization, transversal projects, multidisciplinary teams, information systems. It is a question of favoring processes of integration, exchange, sharing, circulation of information, and knowledge to allow the emergence of new.

Tarondeau (1998, 2000) confirms that strategy should concentrate efforts on the management of formalized knowledge but also on the dynamics favoring sharing, the pooling of tacit, non-formalized, individual or categorical knowledge, and thus encouraging organizational learning. There are three types of knowledge:

- Strategic knowledge: clients, suppliers, concurrent
- Business knowledge: skills and know-how
- Operational knowledge: experience

New information and communication technologies are not foreign to this emerging paradigm called Knowledge Management. Knowledge Management actually responds to two main objectives: the conservation and the sharing of knowledge within the organization (Alsène and al., 2002). However, knowledge management places special emphasis on new technologies of information and communication as methods and tools for intervention in an organizational setting (Dieng and al., 2000, Prax, 2000).

The spiral of knowledge

Ikujiro Nonaka, an expert in *Knowledge Management*, has popularized two categories of knowledge: tacit and explicit. Tacit knowledge is personal, it gathers innate or acquired skills, the know-how and the experience of the individual. It is usually difficult to formalize and communicate. Explicit knowledge can be clearly articulated on a medium and is therefore more easily transferable (both written and spoken) and shared by a community.

Creation of knowledge is a continuous process between tacit and explicit (Nonaka & Takeuchi, 1995). This theory is expressed through the spiral of knowledge. This model is widely used in the field of knowledge (Poell, R.F. and van der Krogt, F.J. (2003), McAdam, R. and McCreedy, S. (1999), Collins, H.M. (2001), Becerra-Fernandez, I. and Sabherwal, R.(2001) etc.).

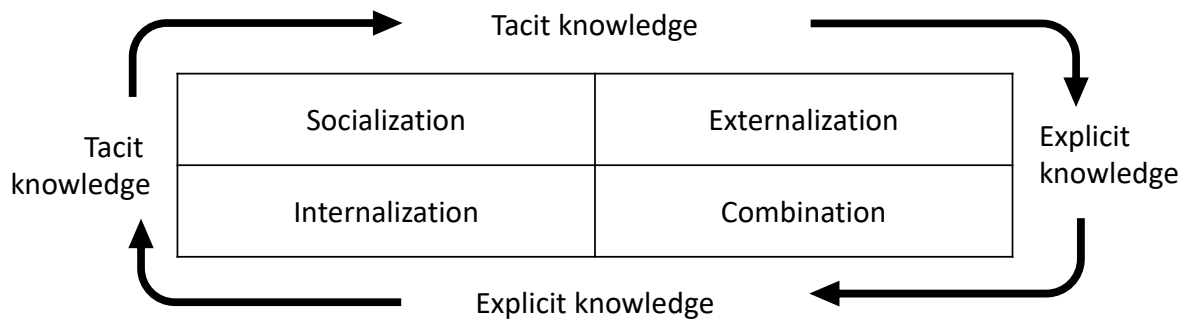


Fig.1 : The Spiral of Knowledge, Nonaka & Takeuchi, 1995

The four modes of conversion of knowledge act on each other within the spiral, each one has its importance and allows the other to exist.

1. From tacit to tacit: **Socialization**

Socialization concerns the interaction between individuals within a group. Learning is done by observation, imitation and sharing experiences. Socialization is a process of sharing experience: learning on the job is a practice that basically meets the concept of socialization. The key to acquiring the tacit knowledge is the experience.

2. From tacit to explicit: **Externalization**

Externalization refers to the clarification of practices and beliefs. Externalization is a process of articulation of tacit knowledge in explicit concepts. This process is the quintessence of the creation of knowledge because tacit knowledge becomes explicit under form of analogy, concepts, hypotheses or models.

3. From explicit to explicit: **Combination**

Combination allows the communication of knowledge that is brought together to produce new knowledge. The combination is a process of systematizing concepts into a system of knowledge. Individuals exchange and combine knowledge through media such as documents, meetings, telephone conversations and computerized communication networks.

4. From explicit to tacit: **Internalization**

Internalization represents the roots of the explicit knowledge. Internalization is a process of incorporating explicit knowledge into tacit knowledge. It is closely related to "Learning by doing".

These four processes represent the conversion of knowledge. Although different, they are highly inter-dependent and essential in a firm. Socialization goes through interpersonal interactions, collaborators observing their peers and mimicking. In this case, you need to make sure that everyone is sharing the corporate culture, so that it doesn't lead to wrong processes learned.

Externalization is a process of formalization of knowledge. It can be through the construction of a knowledge base, by writing down know-how, processes, experience so that it can be stored and accessed by all easily. This process prevents knowledge loss in case of an employee departure for instance.

Combination corresponds to all explicit exchanges that collaborators share. The mix of knowledge could induce new discoveries and a better understanding of the global picture. Eventually, Internalization is the learning-by-doing process: once learned, the knowledge must be assimilated to be re-used later on.

The spiral of knowledge therefore represents all the types of knowledge sharing and creation in a company. It is now interesting to get a deeper understanding of the benefits of implementing a Knowledge Management approach.

Benefits

The benefits of a Knowledge Management approach concern four major aspects:

1. Production Optimization / Increased Productivity

According to Prax (2000), many companies claim to make the most of their production process, meaning there would be a massive investment needed to increase productivity. However, they concede that a better use of their internal knowledge would be a considerable source of productivity. A Knowledge Management approach can avoid reproducing errors already made, allowing the transfer of experience from one individual to another.

Generally, the experience is acquired as follows: a team performs a task or solves a problem, gets a positive or negative result, and learns from it for the next time. However, there is no general truth about how another team would react to the same task, or how another team would act in a different context. Actors must be encouraged to capitalize on the project so that the individual facing the same type of task in the future can find all the documentation at their disposal.

2. Help with decision making

Decision-making process in a company is complex. The individual will rely on a set of information that will help decision-making. Alternatives and consequences of each of the decisions taken are not necessarily known, the same cause may produce different effects. The idea is not to make the right decision but the right path to get there.

Knowledge Management can therefore help decision-making by exchanging multiple sources of information and points of view, by listening to the customer and anticipating needs. Moreover, the *combination* mode from the Spiral of Knowledge could be of use in this case :

team work and so exchanges on point of views and experience is extremely valuable and increase the chance of success for decision-making.

3. **Valorization of the skills** of individuals

Within a company, we can distinguish different types of skills held by individuals:

- current vs. unique skills
- skills that are easily acquired vs. those that require years of experience or training
- skills that are rewarding and others less.

The company must have the best possible knowledge of its skills and especially the rare and valuable. These skills enable the firm to have a better visibility on recruitment, training and strategic orientations, to put in place a better motivation and recognition policy and to have easier access to experts. It will not be a question of drawing up a repository or an assessment grid to combine competence and performance of the company. These two elements, skills and performance, are complex. The first does not belong to the company but to the individual himself whom he makes available in exchange for a salary. The second involves a combination of factors such as motivation, recognition, and salary.

4. Support to **innovation**

Finally, Knowledge Management promotes innovation. This term is not to be confused with creativity. A company can be creative without being innovative. Innovation involves the successful marketing of a new product or service that gives it a strategic advantage. It is born from the meeting of technical and social progress; one does not go without the other. The implementation of a Knowledge Management approach creates an environment conducive to the emergence of new ideas, their capture, validation and transformation into innovation.

A Knowledge Management approach therefore has many benefits: innovation, decision support, productivity, valuation of staff skills. However, since information and knowledge are difficult to formalize, this approach is not always an easy one. However, it is essential to allocate resources on this matter: a good knowledge management strategy could definitely increase efficiency and productivity in the firm.

This is even truer in the context of hypergrowth: many people join the adventure and need to be trained to infuse the corporate culture and all the internal knowledge they might need. At a certain stage of recruitment, a start-up should define a clear knowledge management strategy to prevent the dilution of its processes, culture, and know-how. Incomers should learn the firm's way, and not the contrary.

5.3.3 Human Resources management

Context

The human resources function in hypergrowth SMEs is often characterized by its lack of structuration, the weakness of internal Human Resources expertise, and the importance of informality in the design and deployment of Human Resources management policies. It often appears to be reduced to its dimension of administrative expertise or compliance with legal obligations (Mahé de Boislandelle, 1988). The personal characteristics of the leader, his beliefs and representations, his motivations, his career, his relationships with others, his managerial philosophy, strongly influence the structuring of Human Resources management policy (Parlier, 2006).

In SMEs, it is usually the leader who ensures the Human Resources functions (Bolden, 2007). The leader perceives a need for new resources, decides the opportunity of a hiring, and leads the recruitment to completion.

Characteristics

Many authors agree on a specificity of tools and practices of Human Resources management in SMEs (Parlier, 2006, Louart and Vilette, 2010). The highlighted characteristics are :

- Recruitment based on network and cooptation, involving a low diversity of recruitment channels and often from the competition
- Low investment in continuous formation, often by fear that the collaborators would use these new skills to find a new job elsewhere
- Salary policies below market standards
- Internal equity of pay not always respected
- Weakness in forecast management of skills and agendas
- Lack of union representation and collective negotiation. It does not inevitably translate into a degraded social climate, but is sometimes the consequence of direct relations and proximity between employees and managers (Jaouen and Torres, 2008)
- Importance of affective dimension in work relationships and the symbolic dimension of the organization, being articulated around the founding myths of the company (the creation of the organization, the leader, the successes and failures).

The centralization of the Human Resources policy and the difficulty of guaranteeing the internal equity of certain social decisions due to a lack of structured Human Resources processes may lead to a high risk of hidden cost drift (notably an increase in absenteeism and turnover). This arbitrary model is likely to constitute a lasting handicap in the implementation of differentiation strategies. The deterioration of the social climate may in particular have adverse effects on the quality of service.

But for SME leaders, grasping the importance of the Human Resources variable in their day-to-day management and strategy does not seem to be a strong enough motive to devote as much time, attention and effort as they should. There is a strong gap between their perceptions of Human Resources as part of their strategic vision and their Human Resources management practices (Deshpande and Golhar, 1994).

Challenges

The characteristics of SMEs also tend to exacerbate Human Resources issues, especially since social decisions have a considerable impact at the scale of a small company. This is particularly true for decisions on mobility, recruitment, reorganization or the consequences of absenteeism and staff turnover (Bootz, Schenk and Sonntag, 2010). In the specific case of hyper-growth SMEs, they face four major social tensions:

1. Recruitment difficulties are recurrent due to a reduced attractiveness in term of jobs and a sometimes deficient knowledge in the use of recruitment tools (Paradas, 2010).
2. Employees' retention can be complex because of a lack of resources and legitimacy.
3. In general, Defélix and Retour (2003) note that "skills difficulties" are a major problem for fast-growing SMEs, whether it concerns the acquisition of skills (recruitment, integration, management of the employer brand ...), their stimulation and development (training, mobility, implementation of "learning" organizations ...) or even their loyalty (recognition of acquired skills, accountability practices, organizational culture ...).
4. Hypergrowth SMEs must face the need to quickly change their culture and / or Human Resources management model during strategic reorientation phases (Louart and Vilette, 2010). In fact, the arbitrary model of Human Resources management does not seem compatible with the preservation of a sustained growth dynamic, requiring a rationalization of at least the main Human Resources processes and sharing of the Human Resources function with middle management.

Through a study of 70 companies going through hypergrowth, Barringer, Jones and Lewis (1998) highlighted the key role of Human Resources management in the ability to manage growth. Indeed, the organizational culture and leader's charisma make it possible to preserve the coherence of the organization, undermined by growth. Moreover, the introduction of incentive schemes enables to associate employees with the fruits of growth. Furthermore, employees' accountability practices and the construction of "learning" organizations are simultaneously a lever for flexibility and employee loyalty.

For his part, Parlier (2010) suggests that only growing SMEs adopt skills-based management, making competence a pivotal concept around which the Human Resources management system is articulated, as well as organizational practices (emphasis on versatility, autonomy, working in project mode, etc.). Finally, hypergrowth SMEs appear to have a strong organizational learning capacity through which they influence their routines, initiate strategic bifurcations, seize opportunities to support growth (Chanut-Guieu and Guieu, 2011).

All these challenges are delicate matters to handle, though surmountable. Attractivity can be countered by offering a great adventure with a positive working atmosphere, and on the financial side, maybe company shares. Employee retention is handled the same way: if the recruits fit the corporate culture, values and feel they are part of a greater goal, it is rewarding enough to retain talents. Moreover, with an appropriate knowledge management strategy, the issues regarding skills are easily tackled. Finally, with the appropriate corporate culture, reorientation and changes will be easier to deal with as the whole company will follow.

In conclusion, Human Resources management in SMEs and particularly SMEs in hypergrowth is complex and full of traps and issues for leaders. However, all of these challenges are surmountable if identified and handled sufficiently early in the hypergrowth process.

5.4 Conclusion

To conclude on this theoretical chapter, this literature review allowed us to get a deeper understanding of the concepts of hypergrowth in small firms, but also its impact on leadership and corporate culture, knowledge management and human resources management. This analysis highlighted the many issues leaders may face during their hypergrowth phase.

We will now analyze the case of a startup going through hypergrowth called Epsor and compare its current situation on the matters of leadership and corporate culture, knowledge management and human resources management to the theoretical frame raised by the academic research community.

We will formulate three hypothesis based on the literature review:

HP 1 – Internal communication enables the leaders to assess their vision and goals to the team and strengthen the company's culture.

HP 2 – Knowledge Management enhances productivity and helps maintaining the skills, know-how and culture of a firm

HP 3 – A structured Human Resources Management with a formalized recruitment strategy is a powerful tool helping a startup go through hypergrowth successfully

After a case study of Epsor, the final chapter will discuss the case study in regards of these hypothesis and verify their validity.

6. Case study: Epsor

6.1 Methodology

This case study analyses the three factors from the literature review, Leadership & Culture, Knowledge Management and Human Resources Management, in the specific case of Epsor. The choice of Epsor is justified by two reasons:

- Epsor is a startup going through an hypergrowth phase. Its manpower has quadrupled in less than a year and is predicted to continue its growth for at least three years.
- Epsor was not structured and aware of the hypergrowth issues 6 months ago and implemented a whole strategy to handle each aspect. There is therefore many measures and process put in place to analyze, and results to observe.

Most of the data has been collected through observation and interviews of the different stakeholders. Since Epsor is still a startup, there is no additional data available online or in different medias.

However, Epsor recruited someone dedicated to structure the startup as they feared their hypergrowth would endanger their business if not properly handled. This thesis is the result of 6 months of observation and interactions with the firm and its collaborators. The analysis of Epsor's situation will allow us to validate or not the hypotheses.

6.2 Presentation - Epsor

Epsor is a start-up that dusts off the Employee Savings market in France. It was born from a simple observation: today, only 20% of SME are equipped in employee savings. Major companies are better equipped but overall, there is a lack of understanding of the whole employee saving system. Moreover, savers are not optimizing their savings because of a lack of financial pedagogy in France.

65%⁴ of the market is now occupied by three non-agile traditional actors which never questioned the idea of Employee Savings for SME. With the legal environment being favorable in France through *Loi Pacte* which increases the attractiveness of employee savings plans by making numerous changes to the rules governing profit-sharing and participation, it was the right moment to come and shake the market.

Epsor's mission is to democratize the access to Employee Savings and accompany employees in their saving management by giving pedagogy, support & knowledge. This company is a 100% online platform and its major added value is a robo-advisor that is profiling each employee who registers in order to suggest an investment profile that fits the needs, objectives, financial capability of the user.

⁴ Source : Confidential Report from *Association Française de la Gestion financière*

The founders started to build the partnerships and the start-up in summer 2017 and launched the commercialization of the product in July 2018. It is therefore a recent start-up that just celebrated its one year.

Is Epsor in hypergrowth? As seen earlier, researchers have not reached a consensus on a definition of hypergrowth. However, Epsor's manpower was composed of 9 collaborators by end of 2018 and is now strong of 40 persons at end of October. The number of employees quadrupled in 9 months and is still going to expand: the objectives are 60 people by January 2020 and more than 100 by mid-2020.

Will the growth of manpower continue through the years? We will see that in the future. For now, we will consider that Epsor is going through an hypergrowth and critical structuration phase that we are going to analyze in regards of our 3 factors : leadership, knowledge sharing & talent acquisition.

6.3 Leadership & corporate culture

A major factor to handle while going through an hypergrowth phase is leadership and culture. It is necessary to analyze how an hypergrowth company makes sure its corporate culture and management style sustain through all the new recruitments; and more precisely, how to ensure the connection between the leaders and employees remains.

6.3.1 Leadership and internal communication

With the arrival of 12 new employees in September, it became more and more difficult for the founders to maintain a connection with all employees and continue to interact about the job and more with each of them. Therefore, Epsor set up a few meetings and committee to ensure a regular interaction with most of the team.

Each Monday at Epsor, a committee named CODIR takes place with all team leaders representing their division: marketing, sales, customer success, tech, product, and partnerships. This session is a moment dedicated to sharing what happened last week and the objectives of this week. This is a meeting where everyone shares thoughts and concerns and think altogether to resolve the issues they might have.

This committee is essential since it encourages interactions between all divisions even though they might not usually exchange. It has been the place of many conflict resolutions and is therefore very useful. However, this committee now takes place during lunch, which means they eat without the rest of the team. It could create tensions as they separate themselves from the rest of the collaborators.

In order to prevent a scission, 3 measures were taken. First, Epsor is willing to turn their CODIR into *open CODIR*. That means that every week, a few collaborators will be able to join the committee and assist to the session. It could be to better understand what is going on in the firm, or to talk about a specific matter ongoing. The idea is to make every collaborator a part of it, to increase engagement amongst the teams. The worst thing to do in a start-up is to lose that link with top management because it will alter engagement and collaborators, feeling less and less involved, will not be as motivated and dedicated as usual.

The second action taken was a weekly newsletter. Epsor's communication manager is each week getting the report from the CODIR and is making a summary in order to build her newsletter. This newsletter also includes a few key figures from Epsor such as the number of clients or the total amount savings Epsor handles. That way, it allows each collaborator to feel aware and engaged into Epsor's objectives and challenges.

Finally, the last measure taken was to institutionalize the Friday team meeting. As opposed to the Monday CODIR, the Friday team meeting is mandatory for every employee at Epsor. This is the moment where top-down and down-top information circulate. Sometimes the founders inform everyone of information such as seminars details, fundraising, new partnership, etc. But it can also be a moment where an employee shares its ongoing project, a new feature of the website, a new tool to use, etc. It is a meeting created to ensure exchanges and interactions between all members of Epsor, regardless of their teams.

Another way to maintain the connection between collaborators and founders was one-to-one meeting. When Epsor had a smaller team, everyone ate lunch altogether each day. It was a way to ensure communication but also have everyone know each of his colleagues. With the arrival of new collaborators, it became impossible to eat altogether, although it was an informal time to discuss all types of matters.

Therefore, in order to prevent unspoken, founders organized one-to-one meetings with all collaborators of Epsor. The whole idea was to book a specific time where each one could discuss personally with the founders about all types of subjects: about the job, Epsor or more personal matters. The meeting allowed to identify issues and successes about their own work, but also for Epsor in general, and enabled collaborators to give their point of view on Epsor's objectives, management and functioning.

Eventually, the last vector of internal communication is informal and more relaxed and regroups all the off-work events that can happen, such as seminars, or regular afterworks. Since the leaders often come to these informal moments, it strengthens the relationship between them and every collaborator and enables more liberated discussions on personal or professional matters.

All of these types of meetings, committee, or off-site encounters definitely allowed Epsor's leaders to spread their vision but also the goals of the team, whilst still listening their employees to get inputs and views on their management and choices.

6.3.2 Corporate culture

In order to ensure they have a team that knows and follows their objectives and vision, leaders need to clearly state them. Epsor's values were never very clearly stated. An attempt was made, but Epsor could not settle on a clear set of values. Five of them were considered :

- Ambition: build the best service
- Pedagogy: guide and enlighten
- Innovation: create rather than copy
- Share: give everyone access to this virtuous service
- Exigency: be irreproachable

However, depending on the media (internal presentation, website, etc.) the values indicated were never the same. This was an issue, because it is essential that the company values are stated and shared: it defines the brand identity. Moreover, a firm needs its collaborators to share and adhere to these values. Otherwise, it will be sensed in business: employees are the voice of Epsor, and should always represent its values in their behavior, work and daily actions. It affects collaborators general behavior but also the recruitment strategy. If a firm can recruit people matching its values and ambitions, it will be easier to develop an identity that is adhered to.

Hence, a committee was created with volunteers from Epsor to discuss the values. A consensus was made that there were too many of them. To be clearer, Epsor needed to focus on two to three values to develop. The committee agreed on '*Trust*' & '*Cohesion*'. The result of this thinking team was shared to all employees during the annual seminar.

Apart from values, it is essential to ensure everyone shares the short & long-term vision but also the objectives of the company. Epsor chose to share its ambition very regularly, to ensure everyone was aware of the objectives. The objectives were communicated through an easy form to remember: very factual, a few key numbers they all needed to achieved. By repeating it regularly at each team meeting they made it known by all.

But to engage everyone in order to achieve the goal, the data was included into the weekly newsletter. Therefore, each collaborator could know how far the team was from the objective on a daily basis. The idea here is to motivate and engage each one of them so they would work harder to pursue the goal.

Leadership and most importantly how you share the brand identity, vision and goals is essential in sustaining business through an hypergrowth phase. With fast expansion comes a dilution of the values, the identity and the spirit of the team, with can influence business. Leaders need to ensure they infuse the soul of their firm enough for incomers to adhere, and old collaborators to stay.

6.4 Knowledge management

Epsor had a major issue to deal with being the transmission of knowledge. At the beginning, there were only one person per 'division' of the company: one graphist, one salesman, one customer success manager, etc. But the commercial objectives evolved, and so did the size of teams. They all expanded quickly: Epsor recruited 15 persons over summer 2019 and most of them arrived in September. The company had to prepare their arrival and think of how knowledge would be transmitted to new employees: the content of course, but also the form, and the media.

6.4.1 Onboarding Week

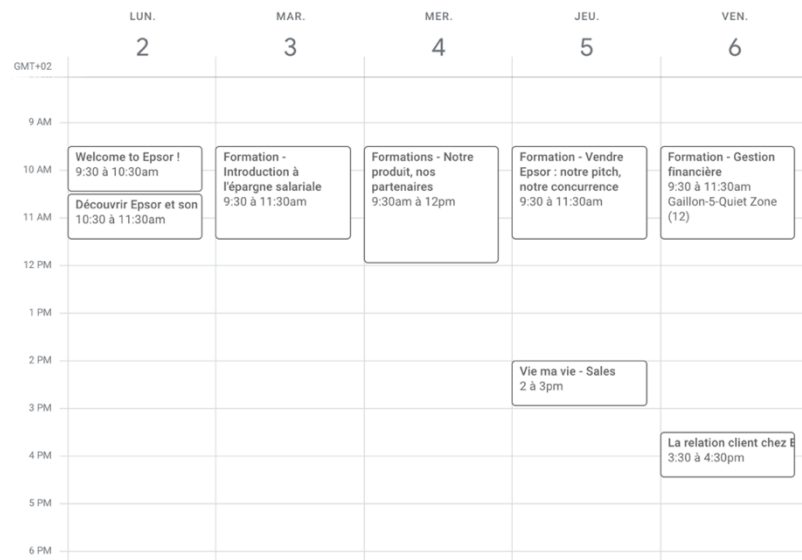
As a first response to the batch of arrivals of September, the first project to implement was an onboarding week. An onboarding week is the first week of incomers where you get to meet them and share values, objectives, and knowledge. It is a powerful tool in Human Resources as it welcomes new employees. It often has a loyalty outcome: if incomers feel welcomed and taken care of during their first weeks, the chances that they will stay longer with the company increase.

Apart from this loyalty benefit, it is key to onboard employees on all of the company's challenges and help them develop their skills. The case of Epsor is particular because the market of Employee Savings is a very complex one. There are a lot of legal aspects to know and many variations and possibilities depending on a list of factors. Employee Savings is a tough subject to master, it takes time to know all the subtleties and laws.

Moreover, since it is a very concentrated market, there are not many people having knowledge and expertise of this sector. Most of the new recruits do not know about it, or only if they benefitted from an employee saving program from a previous employer. But most of the time, they fit Epsor's acknowledgement: they benefitted from it but did not understand how it worked.

Hence the onboarding week is a major challenge: the more efficient and complete it is, the quicker the incomers will be operational in their jobs. Of course, it depends on the functions: some like Customer Success Manager or Sales will need a deeper understanding of all legal issues whereas a developer will mostly need to understand *what* Epsor does to implement it later on.

At Epsor, the onboarding week look like this:



New entrants are welcomed Monday morning by a first session about Epsor's history, values and culture, led by the founders. Epsor wanted its new staff to feel welcomed and important as individuals, which is why the founders are the first people they see when they arrive. Then, they have a more operational session where all the tools used internally are presented. It is also a time to explain Human Resources procedures, such as leaves, expenses reports, lunch cards, and so on. The objective is that they will know since the beginning how everything works in order to feel a part of the team from the start.

Each day allows them to focus on one subject :

- Tuesday is employee saving and retirement process and legislations. This session is essential because Epsor's market is very complex, and it requires time before becoming expert of this subject.

- Wednesday is about our product and our partners. This is the first time they will use Epsor's platform. All of their reactions and thought on it is fundamental for Product Team because it replicates the final user behavior when they discover the tool. All of their comments is thoroughly noted as a useful piece of information for testers. Moreover, it is important for all staff to know the product they are selling, hence the user's potential response to it.

- Thursday is about selling Epsor. This session is conducted by the Sales director, who presents Epsor's value proposition, and gives everyone in the firm the keys to quickly sell it to anyone. When newcomers exit this session, they should be able to explain to their relatives what Epsor does, and why they are better than competition.

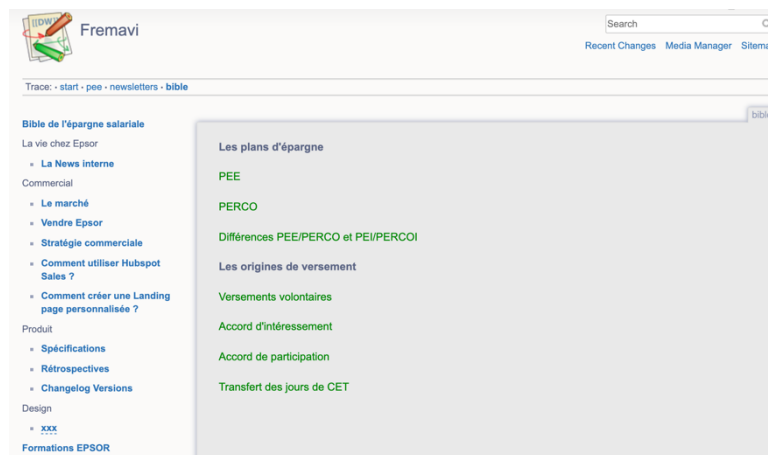
- Eventually, Friday morning focuses on financial basis. Most of Epsor's staff did not work in Finance or Insurance before joining the team, therefore, some of them lack financial education. This session explains the basis, such as the functioning or investment, funds, etc.

This onboarding week therefore offers new employee the basic knowledge, know-how and processes put in place at Epsor. This mechanism and fast transmission ensure continuity and sustainability through Epsor's culture and knowledge.

6.4.2 Knowledge Base

With Epsor's hypergrowth phase, new people arrived each week in September and October 2019. It was essential to make sure a knowledge base existed in which every information regarding the company and how teams work would be mapped. The initial core team of the company started to break, with the leave of one key member, an expert on employee saving system. At the beginning, functions and teams are embodied by the core team members. To prevent knowledge loss, Epsor decided to map everything thoroughly.

There were a few attempts to map Epsor's processes, each time using a new tool. The first attempt was a wiki. It is a kind of '*Wikipedia*' that you can build with your own knowledge and processes. Unfortunately, the tool was not user friendly and ergonomic at all.



Capture of Epsor's internal wiki

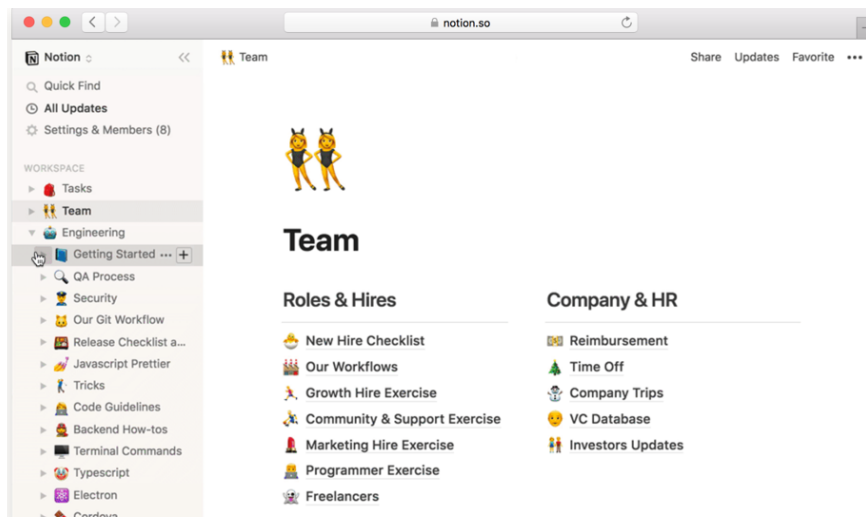
Since the tool was not intuitive, Epsor did not spend a lot of time filling it. Ultimately, the resource was partly useful and a majority of information was missing, so no one used the wiki.

The second attempt to map processes at Epsor was to make fact sheets called '*How To*'. It took the form of a powerpoint in which a few processes were explained, such as : '*How to ask for a leave?*' or '*How to make a request to Graphic design team?*'. The point of these *How To* was to make an inventory of recurrent processes and how it is supposed to be done. By doing so, Epsor wished to ensure compliance amongst the staff and limit chaos.

All these *How To* were stocked in a Drive, and the navigation among them was not obvious. Hence, a last attempt was recently made to find a new way to map and access each process of each team easily. The idea of the wiki was a good one : a platform where everything was accessible by everyone. Yet, the interface made everyone reluctant to use it. A small team at Epsor searched for a better solution, and they found Notion.

Notion is a "Central Source of Truth" as quoted from their website. It is a central tool where all knowledge is stocked, a reliable source of information. The idea is to build a data tree where you can access every single question a collaborator might ask himself.

An overview of Notion :



Capture of the tool Notion

The most significant part of this is to identify, collect and phrase all processes. First, interviews were conducted with each team of Epsor to identify all types of actions they do in their jobs. These interviews allowed identifying over 120 processes to map. Next step was to sort out and rank all process in terms of risk and priority. That ranking enabled to point out the most urgent processes to handle. Then, the *Structuration & Process team* had to observe employees while working. The best way to collect information was to spend time with each of them while doing a process. Thanks to that, Epsor was then able to write down with a maximum of details all processes observed.

At the time this professional thesis is written, Epsor has mapped all processes but is still writing them down. The whole idea of this tool is to make sure there is a reliable source of information giving truth on Epsor's operations and procedures. By doing so, Epsor helps its whole staff to work in unison. The business can no longer be altered by turnover or retained knowledge. The risk of one collaborator leaving without explaining his job is now very unlikely. Information will sustain, and so does business.

6.5 Recruitment strategy

While going through an hypergrowth phase, there is obviously a massive increase in staff. Epsor counted 18 people in May 2019 and doubled in October. How did they manage their recruitment strategy? There are many aspects to assess: recruitment process but also the global recruitment strategy.

6.5.1 How to recruit?

Before implementing structure to the Human Resources division, the process was not defined. Hence, each recruitment was different. During interviews, there were no pre-requisite to ask the candidate, and most of the team met him/her. The process was somewhat repetitive for the applicant that repeated himself to all the team leaders of Epsor coming to greet him.

Subsequently, the first subject to address was to establish a clear process. Epsor settled for a base that is adaptable to every division. At that time, Epsor still did not have a Head of Talent, dedicated to this subject: therefore, every team leader was concerned and involved in the process.

First, the team leader calls the candidate to conduct a first interview. This step allows Epsor to determine the fit with the applicant, if he or she fills in the basic criteria, the delays for their availability, and their salary expectations. By doing so, the *recruiters* were eliminating a first round of candidates that did not meet their needs.

Then, most of the teams continue with a remote challenge. The objective is to test the abilities of the candidate by giving him or her a challenge to do at home. Depending on the job, it can be coding, testing, writing a report, or else. All of them have to make sure their challenge would not take too long, in order not to demotivate candidates at the beginning of the process. If the challenge is sent back in the delays and concluding, applicants are invited to the next step.

Next step is a first interview in the offices of Epsor. This first interview allows the team leader to go in-depth with the applicant to measure how he or she would fit the job description. To make sure they do not miss a thing, a proposal was made with a list of questions they can ask candidates :

- About the candidate:
 - What would your former employer say about you?
 - Tell me about one of your failure and what you learnt from it.
 - Tell me about your greatest challenge / greatest success.
 - Why do you want to join a start-up?
 - What do you expect from your manager?

- About Epsor:
 - Why Epsor?
 - Can you explain employee saving to a child?
 - Why did you apply for this job?
 - Where do you see yourself in Epsor?

- About the job :
 - What are your former experiences?
 - What are the 3 qualities of a [job_title] at Epsor?
 - How would you improve existing processes for the job?
 - Which metrics would you follow?

After this first interview, the team leader has a first overall idea of the abilities and personality of the candidate. If they are satisfied, the following stage is a last interview with the founders of Epsor and sometimes, other team leaders. This meeting enables to settle on whether or not Epsor should make an offer. If the founders and the future manager appreciate the candidate, then an offer is made based on the salary grid.

Ever since this process has been defined and put in place, each member of the team gained time during recruitment: the first two steps are enabling a quick overview of whether or not they should take the time to meet this applicant.

Apart from being a time saving procedure, all candidates recruited through this method were a great match for the job and the team in general. Through its hypergrowth phase, it has allowed Epsor to ensure the candidates recruited fitted perfectly their needs and expectations, hence not losing time and money in this key process for the firm.

With 15 new collaborators in September/October, the quest for the perfect match can be extremely time-consuming as Epsor usually met several candidates for one opening job.

6.5.2 Global recruitment strategy

Mass-recruitment vs gold-nugget quest

With mass-recruitment came a few challenges and questions: Should Epsor be as demanding as for its first employees? Can Epsor still be picky and searching for gold nuggets only? Should they recruit fast or recruit well? And how to do both at the same time?

First of all, the recruitment process obviously tackled the last question as it ensured compliance and timesaving through the teams. Some divisions like Sales had no issues recruiting since there were plenty of candidates applying for the job. Others, like Customer Success and Tech encountered some challenges.

Tech team encountered an issue with their remote challenge: most candidates seemed extremely motivated during the phone interview but did not follow-up with the challenge. Over summer, none of them sent back the remote challenge. At first, Tech team thought it was a motivation problem, and kept sending the same challenge to applicants, in vain. At some point, they realized two factors were preventing talent acquisition: the length of the challenge, and the job market for developers.

Indeed, the challenge they had built took too long to complete, which ultimately discouraged applicants. Moreover, the actual job market in France for developers was very demanding: many job offers but not so many candidates. Therefore, they would not spend time on a very demanding process if a dozen other firms were less demanding.

At this point, Epsor had to define a global strategy: should they be less demanding in order to get the attention of candidates, or should they consider that the search of a gold nugget takes time and maintain its procedures? Obviously, they could not remain the same and decided to diminish the length of the Tech challenge. However, Epsor made very clear that even though the staff was expanding exponentially, they should not lower their expectations regarding applicants. It is a risky and time-consuming choice because many candidates were refused by not fulfilling every item on the list.

Nonetheless, it allowed Epsor to raise a team of individuals that perfectly fitted its spirit, culture and values. During an hypergrowth phase, it is easy to forget the core values of the firm since so many new people arrive at the same time. If the company does not pay attention to it, it can rapidly be dissolved and lost. If that is the case, firms can lose their essence. In order to sustain its identity, recruitment is a very risky challenge to handle and it requires special care.

In Epsor's case, its identity is part of its value proposition and a true demarcating factor towards competition. Epsor is known to be ludic, simple, transparent and trustworthy. This positioning is key because it is opposed the concurrent that are more traditional actors of employee savings. If Epsor did not pay attention to this while recruiting and quadrupling its staff, it could definitely impact business as the interlocutors and actors of this project would not fit its fundamental objective.

Seniority

Another particular point to define was the expected experience of candidates. So far, Epsor hired mostly junior recruits. The reason was mostly financial: when you start a company that is not yet profitable, you need to take extra care of the salaries. With the wage of one senior, you could potentially pay two junior recruits. This factor obviously impacted recruitment at first but cannot be sustainable.

Junior profiles are usually dynamic and engaged in the project, but lack experience. A company ultimately needs to bring the experience to help them learn and go further. Epsor has reached this moment a few months ago and started to search for profiles with 5 to 8 years of experience. It raised an issue they did not anticipate: an ego complex. Some employees were there from the start. When Epsor started to recruit for senior positions, the hierarchy issue appeared. A senior collaborator would logically take the lead on the subject, managing juniors. But when juniors were used to manage everything by themselves and suddenly get “replaced” by an incomer, it can definitely upset them.

This is what happened for some positions at Epsor. Due to a lack of communication when the job offers were posted, some employees did not understand why an job offer with their missions but 5 additional years required were posted. It involved a lot of time defining the roles and missions of each one in order to make it work with more people in a team, but also from different backgrounds and experiences.

This seniority step cannot wait for too long, as seniors are definitely needed in the growth of a company in order to sustain and improve business. Moreover, there is a need for senior, but also experts on the core business of Epsor, being Employee savings. As there are not many actors on the market, very few candidates have a previous experience at a competitor. This is a real issue: the only persons with initial deep knowledge of the subject are the leaders themselves.

More than recruiting people with experience, Epsor needs to recruit employee saving experts to perfect its product and anticipate the needs of the market.

6.6 Conclusion

In conclusion, Epsor’s hypergrowth phase generated a few major issues to handle. Epsor had to define precisely its values and objectives and start working on a communication plan to ensure every collaborator is aware of them. By doing so, they are sustaining the identity and soul of Epsor by infusing it directly to old and new employees.

Regarding knowledge sharing, the first departures of employees raised the alarm regarding the formalization of all processes and knowledge that employees had. A knowledge database started to be created but is not yet finished as it takes months to identify all processes and rigorously write them down. This is an essential job to take care of. It should have been done before the wave of arrivals in September, as it could have been a central base of truth for incomers learning all about Epsor’s methods and expertise. There is a urgent need to recruit someone to work on this particular mission before other core collaborators leave with their knowledge.

Finally, as the recruiting process is now defined, all goes smoothly in this area. However, as more people join the team, an organigram is often requested by the team since everyone is willing to know their hierarchy and positioning clearly. There is still structure to bring to the teams in that sense, to enable collaborators to position themselves. As it is a very young company (a year of existence), the question of career plans, raises and promotions has not yet been encountered. A Head of Talents has been recruited and is arriving very soon at Epsor. She will need to tackle this question urgently as the issues will soon be raised.

Epsor has therefore put many actions to handle its hypergrowth and maintain business through it all. However it has been a tough process which is not yet finished. Even though it is not directly related to business, these matters should be handled very soon to prevent massive issues with teams, firm identity, and expertise.

Through this case study we analyzed Epsor in regards of the three problematics we already explored in the literature review. Next chapter will discuss the hypothesis in the lights of this case study.

7. Discussion & Recommendations

7.1 Common observations

7.1.1 Leadership & Culture

The first hypothesis was that internal communication enables the leaders to assess their vision and goals to the team and strengthen the company's culture. This was especially demonstrated in literature with the 6 factors of Michon (1994): Information, Conviviality, Participation, Federation, Involvement and Identification.

What we have seen at Epsor is very coherent. Indeed, the different types of weekly meeting and committees enable a smooth flow of Information but also for everyone to Participate, be a player and raise a matter at any time. These weekly sessions have often been a place of decision making and conflict resolution, hence increasing productivity by handling the time-consuming matters quickly. These committees are also a great communication vector of the companies goals and leaders vision as all the successes are made common : each time a team reaches their goal, or complete a project enabling the team to come further to the set common goal, it is celebrated at a weekly meeting.

Furthermore, Conviviality and Federation have been enhanced through communication and the strengthening of the corporate culture, notably through seminars and unformal encounters. The regular afterworks, seminars and other events favored interpersonal exchanges and discussions and had a few particular effects enabling:

- The leaders to spread their vision ;
- The employees to raise concerns or congratulations ;
- All teams to gather by favoring exchanges amongst them.

Moreover, the work on the values was led by a dedicated team of employees. The fact that such a powerful and important project was led by leaders and collaborators is a great example of Participation and Involvement. In addition, the values chosen perfectly reflect this sense of Federation as it is "Collective & Trust".

Lastly, the onboarding week also participates in the Identification and Involvement factors as it sensitizes incomers to the firm's challenges, vocabulary, expertise, and make them immediately feel part of a whole.

As for our first hypothesis, we can say our case study confirms it : the internal communication at Epsor through all its forms enabled the leaders to spread their vision and the goals by having a frequent follow-up on these subjects, but also helped strengthening corporate's culture and engaging each collaborator to reach the common goal as quickly as possible.

7.1.2 Knowledge Management

The second hypothesis was that Knowledge Management enhances productivity and helps maintaining the skills, know-how and culture of a firm.

The case study enlightens the difficulty for Epsor to handle the subject of Knowledge Management. The Onboarding week took a few months to set up but is now effectively transmitting knowledge and corporate culture to new employees at Epsor, ensuring a sense of continuity and sharing. However, the construction of a Knowledge Base took longer than expected and is not finished yet.

For an hypergrowth startup, we saw that it was essential to structure and formalize the expertise to ensure the handover to the new workforce incoming. The onboarding definitely allows Epsor's teammates to share a common foundation of knowledge, therefore being productive and effective as quickly as possible.

But we cannot fully assess the usefulness of the Knowledge Management approach at Epsor as this process is only at its beginnings. The work done on the onboarding week has clearly shown fully positive results, as all the new incomers who went through this onboarding week and process applauded it and expressed a feeling of integration, learning and sharing throughout the process. All of them claimed they had a better understanding of the firm and its expertise and felt ready to start their own jobs.

However, the structuration and formalization of all know-how, knowledge and processes barely started at Epsor. This project needs months of implementation, as it requires phases of observation, mapping, interviews, and redaction. Then, once all the content is written down, there is a hard work to share it and ensure all collaborators adopt the tool and use it on a frequent basis. If the firm spends months mapping and structuring its processes but does not update or share them, it is a complete waste of time, hence, of productivity.

In Epsor's case, it has been frequently observed that people did twice the same researches, tasks, etc. The lack of formalization penalizes productivity. There is no need to re-invent the wheel, just to ensure each one may access all knowledge acquired through the firm's existence, avoid reproducing errors already made and allow the transfer of experience between individuals.

In regard to Nonaka and Takeuchi's Spiral of Knowledge, it represents the Externalization phase, or the clarification of practices and beliefs. The other three stages of Socialization (learning on the job), Combination (communication between pairs) and Internalization (learning by doing) are commonly spread at Epsor. It is missing Externalization to have a full Knowledge Management approach and therefore assess if it really enhances productivity and helps maintaining the skills, know-how and culture of a firm.

We assessed the improvements it brings in terms of productivity, but it also helped in decision-making (notably during CODIR and weekly meetings) and valorized the skills of individuals. Even though the formalization of knowledge is not yet finished at Epsor, the process of interviews of each individual to map their jobs and all the different tasks and knowledge they own was rewarding for them. It brought attention to their job and valorization as it felt important enough to assess, analyze and write down for others to know better their job and skills. Epsor therefore confirmed three of the four Knowledge Management benefits explored in Chapter 5. The only benefit that was not witnessed at Epsor is the support to innovation.

In regard to the case study and the literature review, we can say that Epsor partially confirms the hypothesis. What Epsor achieved in terms of Knowledge Management definitely helped the teams increase their effectiveness and productivity by being operational quickly, but there is a lot of internal knowledge, know-how, practices or expertise that need to be formalized before fully confirming the hypothesis.

7.1.3 Human Resources

Finally, our last hypothesis was that a structured Human Resources Management with a formalized recruitment strategy is a powerful tool helping a startup go through hypergrowth successfully.

First, we can say Epsor presents most of the characteristics of Human Resources management in SMEs as specified in Chapter 5 :

- Low diversity in recruitment channels and recruitment based on network and cooptation and often from the competition

Epsor is definitely recruiting through networking and cooptation, mostly off the leaders' own network and uses only two recruitment channels on a frequent basis.

- Low investment in continuous formation

Epsor handled the initial training with the onboarding week but not at all continuous formation. However, it is a very young startup but the issue will be raised shortly if not cared about.

- Salary policies below market standards

Epsor had salaries below market standards but recently redefined their salary grid, hence adapting it to the offer and demand. They are now on average in adequacy with the market.

- Weakness in forecast management of skills and agenda

Epsor has done a pretty good job at planning the needs for recruitments and skills so far, with a variety of job openings and a reflection a few months in advance to prepare future needs in recruitment.

- Lack of union representation and collective negotiation

There is not any union representation nor collective negotiation at Epsor, since it has not reach the legal threshold to put it in place.

- Importance of affective dimension in work relationships

This characteristic is very present at Epsor, as the affective dimension is omnipresent in work relationships and the symbolic dimension of the organization. Everyone is very attached to the startup, the product, its history and mostly the people it is composed of. Indeed, the last interviews in the recruitment process is almost exclusively dedicated to evaluate if the candidate fits the people, culture and general mood of the startup.

Even though Epsor was pretty representative of these characteristics, they did a great job at handling them. Their hypergrowth meant a massive increase in workforce. It could not have been possible without a proper formalization and recruitment strategy.

Indeed, Epsor had trouble recruiting before structuring the human resources pole. It could take weeks to see a first candidate for a job, as no one really knew their role in the chain of events leading to a recruitment. The structuration of this process defined precisely the contours of each one's tasks and increased the general productivity and treatment of each application. Since the process has been defined, candidates get a first contact within 2 to 3 days at most and are usually called during the same week. A smooth recruitment process can now take less than 3 weeks between application and a job offer if all parties are generally available.

This rapidity brings flexibility and adaptability, therefore a better management of human resources as it can rapidly adapt to the needs of the teams.

Moreover, the definition of a recruitment strategy and planning helped decision-making by giving a clear frame with a lot of information: type of jobs, when the job needs to be filled, the criteria the candidate must fulfill, the skills he or she needs to have, etc.

We can therefore conclude that the third hypothesis is confirmed through Epsor's case study. By formalizing Human Resources Management and a clear recruitment strategy, Epsor managed to hire 12 new employees in September and 5 more in October. This strategy was implemented at the beginning of summer. In just two months, Epsor managed to get all stakeholder adopt the new process, use it, and successfully offer a job to 17 new collaborators that arrived throughout September and October, showing just how successful and useful this formalization was.

7.2 Limits of this study

The case study of Epsor almost confirmed all three hypotheses. However, in order to conduct a more complete analysis, this study should be continued with other startups in hypergrowth in order to compare different organizations, leaders and internal policies concerning these three subjects that are Leadership & Culture, Knowledge Management and Human Resources Management.

Moreover, the data collection could include a more precise framework if further startups are investigated to clearly measure the benefits of implementing such policies in a startup in hypergrowth and capture its impact more precisely.

In addition, Epsor is still at an early stage of hypergrowth. This growth will continue for a few years. As we analyzed Epsor with an increase from 10 to 40 employees, it would be interesting to observe the future challenge they might face when they go from 50 to 100: will they face the same issues at a different scale, or will totally new issues blossom?

7.3 Recommendations

Regarding Leadership & Culture, it is key to maintain the link and communication between the leaders, managers, and employees. At first, management style in startup is often directive, as it is a small group of individuals working around leaders. With the increase in workforce, a shift is needed in order to increase retention of talent, make them part of a whole adventure and improve well-being at work. By listening, paying attention, staying accessible for exchanges, confrontation and idea sharing, leaders ensure a real communication between teams, hence, teams that feel included, involved, engaged and therefore more productive.

As the workforce increases, it is more and more difficult for leaders to have interpersonal relationships with everyone. This is why there is a need for weekly meetings to share professional information regularly, but also unformal encounters to favor more relaxed and honest interactions.

Moreover, to ensure the employees fit the firm's culture, leaders need to ensure the contrary is also true: employees should contribute to the definition of the corporate culture, values and goals. Of course, leaders have the final words, but including employees in these reasonings increases a sense of recognition and involvement. If leaders listen to the person doing the job in the definition of objectives and goals, they will feel more engaged, and will definitely show more motivation to reach the goal that helped define.

On the matter of Knowledge Management, it relies on IT tools (corporate portals, collaborative work tools, Intranet, project management tools, etc.) but not only. It also assumes adherence of the human resources of the company who possess the knowledge studied.

If transmission remains a weakly anticipated issue that is not always taken into account by companies, encouraging a dynamic of exchange of knowledge between employees will definitely facilitate integration and professionalization of young entrants. Although the expertise of the job and professional environment is partly acquired in the individual confrontation with the concrete experience of work through trial and error, the speed of acquisition of new knowledge largely depends on the socialization that takes place by and in the collective, in direct contact with experienced employees.

This process should not be underestimated and need a constant remodeling and updating by incorporating the new expertise and challenges of teams on a regular basis. These concern as much the knowledge of informal rules, networks of power and circulation of information as the handling of cultural and relational codes.

In terms of recruitment, the next step for Epsor is to structure the arrivals of incomers. These 17 persons arrived each week, being at most three at the same time. For a month and a half, Epsor welcomed incomers each week. To increase productivity even more, Epsor needs to gather arrivals, so that onboarding weeks happen once or twice a month at most. By doing so, they do not over-solicit the trainers who take care of formations, but they would also ensure that each incomer has his onboarding week the week they arrive, and not 3 weeks after.

Moreover, Epsor really need to prepare for future issues, such as continuous formation, raises, career plans, and all the continuous Human Resources challenges that a company eventually faces. Being still young, the issues are still quite not here but if not prepared and anticipated, it could cause a lot of frustrations amongst the teams, hence consequently diminishing productivity and motivation, and ultimately altering talent retention, and consequently, knowledge and skill loss.

This shows more than ever that all hypergrowth startups challenges are linked to one another. It takes great patience and experience to master all subject well enough not to deliberately provoke a crisis, but these problematics inevitably needs handling.

8. Conclusion

In conclusion, this professional thesis explored the pitfalls a startup should avoid to sustain business while going through an hypergrowth phase, more precisely in terms of Leadership and Culture, Knowledge Management and Human Resources Management.

Out of the three hypotheses, two were validated by the case study and the third was partially validated. It therefore established that internal communication enables the leaders to assess their vision and goals to the team and strengthen the company's culture and that a structured Human Resources Management with a formalized recruitment strategy is a powerful tool helping a startup go through hypergrowth successfully. Moreover, it seems that a Knowledge Management enhances productivity and helps maintaining the skills, know-how and culture of a firm. However, in order to have a broader understanding of these subjects, it could be interesting to extend the study to other startup in hypergrowth.

To conclude, startups should not underestimate the violence of hypergrowth. This process could either damage the company by diluting the culture and disrupting processes and order previously in place, or strengthen the relationships and business with collaborators becoming ambassadors of the startup.

There is a fine line between damage or improvement, mostly relying on the leaders vigilance and concern. Lastly, a new concept seems to please entrepreneurs and startups : shared experts. Senior experts in the field of entrepreneurship split their time as consultants between startups and occupy a top management job, part-time. This concept allows them to have good insights of the startup, give advices and mostly share their own expertise and experience, therefore helping startup not to fall into the pitfalls stated earlier. This could be a good concept to explore hypergrowth in a calm and sustainable way.

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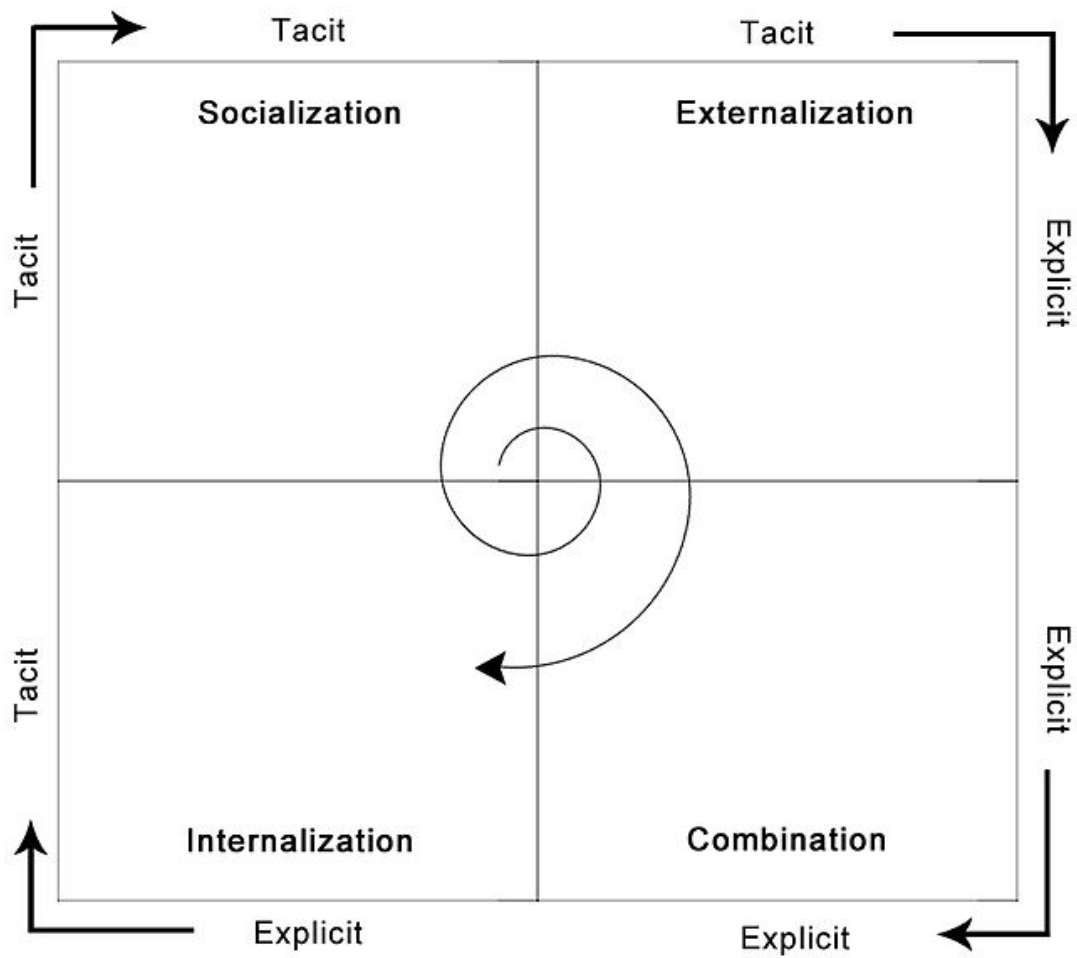
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10. Appendices

Appendix 1 : Nonaka and Takeuchi - Spiral of Knowledge



SECI model of knowledge dimensions [http://en.wikipedia.org/wiki/File:SECI_Model.jpg]