Dedoles: Behind the Growth Ambitions

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Abstract. The growth ambitions are elementary for business success but taken too far, the growth ambitions could also lead to company failure. The growth ambitions are necessary for the beginning of the growth process, they are also the force that keeps the morale growing. The growth ambitions alone are not enough. Corresponding to the ambitions there should be a meticulously prepared business growth plan. Every managerial decision should be strategically considered, each internal process should change suitably to the speed of growth. There are also external macroeconomic factors that the company should deal with. The main aim of the paper is to analyze the growth of the company Dedoles as an example of a fast-growing company with an ambitious entrepreneur. Dedoles was the company that achieved rapid growth, but now is coping with problems connected to huge growth ambitions without appropriate managerial decisions and consideration of external factors. The paper analyzes the causes of the situation, and the consequences of the managerial growth decisions and presents the company's solution to the situation of not achieving the planned growth by Dedoles.

Keywords: Growth, Ambitions, Dedoles.

JEL classification: O30, M13

1 Introduction

Business growth has always been and will be a driving force for companies and their managers. The growth ambitions lead all business activities. To achieve rapid growth is brave, but in the current highly competitive market environment also necessary. Technologically innovative companies have huge growth potential, although they often cannot release and maintain it. It is expected for these companies to achieve exponential growth. Despite this fact, their growth is usually long and slow.

Achieving the growth ambition and what is more, making it sustainable is not easy at all. It requires a well-prepared business growth plan. Managers should consider the fact that growth needs to be fed. It means that an essential part of company growth is
investing financial resources, especially in hiring new employees and marketing. The company should prepare that these investments will accumulate.

Scaling the business towards growth has an unquestionable impact on every single part of the company. It significantly affects all internal business processes and relationships with stakeholders, which requires suitable managerial decisions and actions. The business growth journey is a massive challenge. Scaling up tests business capabilities to cope with opportunities. Once the company starts to fill its growth ambitions, it cannot be stopped. All decisions are irreversible.

2 Theoretical background

This part of the paper summarizes the current state of the researched problem. It is aimed at the growth ambitions of entrepreneurs, factors influencing the growth ambitions, the crucial role of a well-prepared growth plan, the need for consideration of internal factors, external factors, and the risky over-optimism and acceptance of all opportunities offered. In this part, there is also introduced the main researched object.

2.1 Growth ambitions

Scaling up the business towards growth primarily arises from the growth ambitions of the entrepreneurs. A study from 2015 defines ambitious entrepreneurs as people with high aspirations and high expectations. Some entrepreneurs aim to create as much value as possible and find ways to act upon it by exploiting opportunities and accessing the requested resources. [11]

The key role in the process of scaling up a business towards growth plays the entrepreneur. An entrepreneur is the one, who should explore the growth potential, possibilities, and opportunities. The one who inspires employees to the business growth, motivates them to continue and leads them through the growth journey. An entrepreneur or a manager is the person who should recognize what to do, where, when, and how to do it. They are the people who should know that growth ambitions are just the beginning of the growth process and that every step to the growth should be meticulously considered. The company needs to have a growth plan because the growth influences all internal processes and is affected by external factors.

Swedish research from 2018 examined the effects of internal and external resources on the early business performance of the sample of 401 new technologies-based firms. Growth orientation is found to be negatively related to business performance, which might suggest a certain level of over-optimism among entrepreneurs with an aspiration to grow fast. [23]

The research from 2018 found strong evidence between entrepreneurs’ growth orientation and their experience as an entrepreneur. According to the research, there is a negative association between them. Research suggests that those who do not have extensive entrepreneurial experience are more likely to be growth-orientated in comparison to entrepreneurs who have extensive experience. This finding can be caused by too optimistic evaluation capabilities of nascent entrepreneurs in growth orientation. In contrast, more experienced entrepreneurs tend to be less optimistic. [22]
When an entrepreneur in a company has growth ambitions, something which is highly possible to happen is to seize all offered opportunities. Acting like this can be very dangerous in business. The more the entrepreneur says yes to offered opportunities, the more opportunities become available to the company. But saying yes too often siphons momentum. Sometimes, there is a need to learn to say no, because the faster pace and exciting results will open doors to more opportunities. Important is that increased opportunities can also increase the distraction from the company’s main purpose. The few new opportunities to consider are those that directly contribute to the company’s growth goals. All other opportunities become a diversion that will slow the hard-won momentum of growth. Successful entrepreneurs say no to distractions and yes to accelerating momentum on the growth curve. [30]

The study from 2016 examines the influential factors of entrepreneurial growth ambitions in technological startups. The study finds that these factors include startups’ institutional and market contexts, the scalability of their business models, their personal characteristics and experience, and their perceptions of the barriers and constraints of the field. [29]

Another research from 2022 suggests that an ambitious entrepreneurial profile has an impact on stimulating the creativity embodied in technological innovations. [21]

The research results from 2016 indicate that entrepreneurs with intrinsic motivation, ambition for growth, and a risk-taking predisposition stimulate small- and medium-sized enterprises’ innovativeness. Based on the research, the ambition of the founding entrepreneur for growth turns out to be decisive in the development of technological companies. However, the disproportion between entrepreneurial ambitions and company resources can lead to company failure. [19]

2.2 Characteristic of the company Dedoles

Dedoles is a Slovak company established in 2011 that focuses on selling clothing and happy products. The most famous products from the Dedoles are happy socks. Surprisingly, happy socks which are now connected to this brand were not the main products of Dedoles since the brand’s establishment. At the very beginning, Dedoles sold T-shirts of the American brand The Mountain. Today, the product portfolio except for happy socks also includes underwear, nylon tights, face masks, cycling shorts, leggings, sports bras, hats, shirt dresses, flip-flops, slides, and swimwear made from recycled plastics. Dedoles’ happy products are unique mostly because they combine the imaginative design of talented Slovak designers with verified and certified features. [1]

The trademark was invented by the founder during a walk. It is a combination of „Dedo” which symbolizes wisdom and „les”, which symbolizes a connection to nature.[17] The key values are satisfaction and humanity, improvement, and sustainability. [6]

The story of Dedoles started written when the founder Jaroslav Chrapko decided to establish a company with respect for nature. He said that beginning was quite difficult because he did not have enough capital or necessary experience. He was just learning what was going on in the business. Saying it in his words, it was hard for anyone to describe to him, how to do something when he had no idea what it was all about. [16]
The founder had been learning from his mistakes and step by step the process improved, and the business grew.

3 Research Design

The main aim of the paper is to summarize the most important results connected to managing business growth and entrepreneurial business growth ambitions in the current home and abroad research papers and to present and analyze the business growth process of Dedoles, analyze the entrepreneurial growth decisions and consequences of managing the business growth of the company Dedoles.

The research object is the company Dedoles, which represents a technological fast-growing company with growth ambitious entrepreneur Jaroslav Chrapko. This company is an example of how important a need for a growth plan with consideration of internal processes is. It shows us that every single aspect of business doing matters and should correspond to the speed of growth and that there are also external factors, which could affect the growth results. The growth ambitions are not enough without appropriate strategic managerial decisions and actions.

The research methodology is based on a literature review on the theme of business growth, growth ambitions, entrepreneurial growth aspirations, scaling up the business towards growth, managing business growth, and growth plans, especially with the connection to the examination of technology ventures, startups, scaleups, and new technology-based firms. In the results of the paper, there is a summarization and financial evaluation of Dedoles’ business growth process. There is a summary of information from the company website, publicly available articles about the company, and interviews with the founder published between the year 2015 and the year 2022. All articles and interviews were studied and analyzed, and the main findings were presented in a comprehensive form.

4 Results of the Paper

This part of the paper is focused on the process of Dedoles' business growth, the decisions which lead to business results, and the consequences of these decisions. There is also a financial evaluation of Dedoles sales through revenues.

4.1 Dedoles business growth story

In 2015 Dedoles achieved its first huge success. It launched a new e-shop and today well-known characteristic design. The company set a new basic e-commerce business model. It was a turning point because since then the company has started to name itself a successful business. [16] Revenues climbed to the limit of 1 million €. The next success points were in 2016 when the revenues exceeded 3 million € and in 2017 4 million €. In 2018, the company started to sell its first collection of happy socks, and revenues raised to almost 6 million €. [2] From 2015 to 2018 Dedoles growth was great. Despite this fact, the company felt that the current business plan had a problem. At this
point, the company stopped expanding for a while, and then it came up with the idea of having its own brand of products. Setting up working processes and the business model was challenging.\[16\] The business model modification focused on product development and building the brand. [33]

In 2019 the revenues turned to about 15 million €. Dedoles has a team of internal designers which means that 90 % of their designs arise there. [2] Dedoles’ designers try to make designs timelessly. They reflect the current lifestyle and popular activities and respond to things people like. That includes listening to customers who often send them suggestions for new products, and the brand tries to implement them. They want to achieve that people will also be able to express themselves.

In that year Dedoles employed about 100 employees. In 2020 Dedoles launched a massive marketing campaign with dancing hamsters to sell a collection of happy socks and the revenues were raised to almost 50 million €. [2] Happy socks commercial with dancing hamsters to the original song named Wild hamster party won the most successful marketing campaign on the YouTube Ads Leaderboard. The famous commercial was created in cooperation with creative Agentur Somebody & Somebody. Head of Brand Strategy in Dedoles Richard Mareček explained that the main goal of the recognizable commercial was to increase the awareness of the brand. The company was looking for a concept that well presents the products, dramatizes cheerfulness, and creates unique features typical for Dedoles. [15] It started to use a new logo and corporate design. In 2021, the revenues of Dedoles grew to 93,5 million € and the number of employees raised to 800. [2] It reviewed the strategy, starting to focus on “Dedoles as a clothing brand recognized for jolly colorful designs”. The mentioned change of strategy was accompanied by a replacement of the logo, which now represents joyfulness and colorfulness. [9]

Dedoles currently operates in 21 European countries. In 2012 the company expanded to the Czech Republic, and in 2015 it started to sell the products in Austria and Hungary. In 2016 Dedoles expanded also to Germany and Romania, and in 2017 to Poland. In 2020 Dedoles launched a sale in Bulgaria, Croatia, Slovenia, German, Great Britain, France, Netherlands, Belgium, Ireland, Sweden, Finland, Denmark, Spain, and Italy. Chrapko said that Dedoles operates in 21 European countries through its online stores. Almost 80% of our sales are made outside the Slovak Republic. Income from all over the EU remains in Slovakia as taxes, levies, and profits, which we reinvest into the development of the company and the creation of job opportunities in the 21st century. [3] The largest market is the Czech Republic, then Slovakia, Germany, France, and Poland. The Czech Republic and the Slovak Republic make about half of the revenues of Dedoles. The company saw future opportunities for business growth in foreign markets. [12]

The German magazine Computer Bild, together with the renowned market research institute Statista, has selected candidates out of 10,000 online stores in German that have seen extraordinary growth in the last two years. It was also considered total turnover, number of visitors, and technical quality of the e-shop. The German version of Slovak e-shop Dedoles received the best grades in established criteria in the category of Fashion and accessories. [10]
In December of 2020 when the whole world was suffering due to the global pandemic, Dedoles was creating 180 new jobs. Chrapko then said that two years ago, Dedoles was a small Slovak company with 20 employees and that despite the complicated situation due to the pandemic, it could grow and provide jobs for several hundred Slovaks. [4] Chrapko saw opportunities in these global changes that he wanted to exploit.

Jaroslav Chrapko in 2021 said about the plans of Dedoles that the company wanted to continue to expand its business model, to find new places in the world where it can break through and expand. Its huge ambition is to move into new business sectors and become a global brand. [16] For Trend magazine, he was talking about business growth plans for 2022. He said that the European fashion market has a value of 364 billion € and grows about 4 % per annum. He wants to focus on completely new customers and innovate their products. [32] When Dedoles expanded to the 13 European countries in 2020 it helped the company scale up towards growth. He claimed that the stunning increase in the revenues at this time was mainly due to the launch of its line of products and expansion into several European markets. [3] The company even had to slow down the potential growth to be able to process all orders. [20]

Jaroslav Chrapko said for Forbes magazine that the company grows too fast, and it has large reserves in between what the processes in a company should look like and what they look like. In the short term, it can be maintained thanks to the hard-working team, but it is not sustainable in the long term. He emphasizes the complexity of high-speed growth and the fact that rapid exponential growth creates pressure. From the cash flow perspective, he said that the company has enough finances from banks and other legal persons for financing growth in 2021. [12]

Chrapko claims that rapid growth is difficult to manage. His company changes from month to month which requires continuous development of processes. The business model must adapt to the circumstances. The company is constantly looking for opportunities to enrich the current business model and make it competitive. [28]

Even though Dedoles was the perfect example of exponential growth and the plans for next years were even more ambitious, recently leaked information about serious problems connected to rapid growth to the public. Dedoles confirmed that it had a problem paying invoices, and because of that, the company had to dismiss employees. These problems were firstly recognized by the magazine Index, which wrote that Dedoles overestimated its strengths with growth. At the beginning of 2022 Dedoles employed 800 employees, recently it had to dismiss 200 of them. The company is experiencing a decline in sales of the products, which is related to the problems with invoices payment. [28]

The founder of Dedoles admits that he has made wrong managerial decisions because, from his point of view, high growth is always associated with great inefficiency. The company grew fast, but it was not capitalized enough. [18] When Dedoles started growing so rapidly, the company was dealing with associated internal problems, which every company that is growing rapidly encounters. But since the season did not go as planned and Dedoles did not achieve the planned revenues, mostly because of the global pandemic, it could not generate enough cash and sell out inventory. The company was left with large stocks and as a result an uncomfortable
cash situation because Dedoles did not make a profit that would support the balance sheet. By not achieving the ambitious growth plans and worsening the macroeconomic situation as well, the company had to cut costs. That is why Dedoles had to reduce the number of employees at the headquarters in Slovakia. The company urgently needs to solve the cash flow situation, which requires the support of banks or investors and suppliers to have time to sell out inventory.

4.2 Development of the Dedoles’ revenues

Revenues, as a total amount of company income generated mostly by the sale of goods, are the key indicator of business success. Every single company wants to succeed in the generation of revenues. The development of the revenues between the years 2015 and 2021 is captured in figure 1 below.

![Fig. 1. Development of Dedoles’ revenues between the years 2015 and 2021](image)

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<td>Revenues (in mil. €)</td>
<td>1,06</td>
<td>3,10</td>
<td>4,12</td>
<td>5,83</td>
<td>14,59</td>
<td>49,44</td>
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Between the years 2015 and 2016, the revenue growth was 192.45 % which was a huge breakthrough point for Dedoles. Then the revenue growth slow down, and between the years 2016 and 2017, it was 32.90 %, and between the years 2017 and 2018, 41.50%. Between the years 2018 and 2019, there was a 150.26 % growth in revenues. With a massive marketing campaign launched in 2020, the revenue growth
between 2019 and 2020 represented 238.86% and between 2020 and 2021, there was 89.12%, even though Dedoles expected the revenues in 2021 to be 150 million €. [18] If the assumption would be true, the revenue growth between the years 2020 and 2021 would be 203.40%, but it did not happen.

5 Discussion

Based on positive business results, when the company managed to increase revenues, in 2021 it prepared for an ambitious growth plan. According to this, Dedoles has significantly increased the number of employees and invested not only in marketing and brand building but also in information systems, especially in a new warehouse. However, the expected growth did not occur. At the same time, e-commerce was experiencing shock and decline culmination of the pandemic, thus not providing a sufficient degree of stability for the interest of strategic investors, whose were for Dedoles growth speed necessary.

The negative situation connected to rapid growth without appropriate managerial decisions has some further analyzed causes.

Firstly, despite the rapid growth during the global pandemic, the company's sale was slowed down by the unfavorable logistics situation in the global trade. It is necessary to emphasize that a huge part of Dedoles' production is produced in China, Turkey, and the latest also in Italy. [26] The import was delayed.

Secondly, Dedoles invested in warehouse equipment and IT systems. The company was preparing for even higher growth, so it invested money in IT systems, warehouses, and infrastructure. Intelligent warehousing process systems, as well as the involvement of robots by Anasoft and by Photoneo, should have helped Dedoles significantly reduce the human error rate and increase efficiency in completing orders. [24] By operating in many countries and several currencies, the complexity in each department increases. The need to work on processes and strengthen IT infrastructure was enormous.

Another cause is that Dedoles became in March 2020 100% owner of the British company Something different Europe Ltd. [27] The main expectation from this transaction was that the British company would serve as a shipping center for Western Europe. At the same time, it had a solid turnaround through Amazon and eBay. Dedoles expected expansion to platforms and other countries of the world. [13] This transaction needed to be feed.

Fourthly, Dedoles expanded product lines and planned to reach new target groups of customers. The company expanded beyond the online space and opened kiosks and stores. [5] Dedoles was moving from the segment of happy products more to fashion. But also aimed to move into completely different business areas. [31]

We need to realize that Dedoles does not sell necessary products. The company sells discretionary products [25], so when people limit their spending because of significant changes in energy and commodities prices connected to the macroeconomic global situation, it will affect retail of the company.

Another cause is that Dedoles ordered part of the products with the prediction of higher growth, and therefore the company is still getting large quantities of goods,
which are more difficult to sell out during this period. It has two times more stock than the company need. Dedoles has inventories at sales prices of 40 million euros, which is a much higher amount than the liabilities. [25] The previously mentioned supply chain crisis and related delayed orders affect the sale of the seasonal collection, which must be sold out to stabilize the current situation. The surge in retail has the negative that Dedoles must pour a lot of money into stocks, which is difficult to fund from its own resources. However, both investors and banks were cautious during the pandemic.

The founder states several factors that led to this situation. These are mostly connected to the supply chain. Suppliers had problems, orders did not go on time, and Dedoles had to contract everything sixty to ninety days earlier. These problems complicated the sales of the summer collection, and the company had to postpone the marketing campaigns. In addition, costs increased, so Dedoles lost around a million euros in margins. [7]

These were the main causes of this unpleasant situation, many of them arose from managerial decisions which did not reflect the current global situation and the importance of adapting all internal processes to the speed of the growth. Ambitions need the corresponding and appropriate changes and different scenarios preparation. Strategical thinking plays a key role here, especially when the company grows too fast. Great managers need to think ahead. On the other hand, the development was indeed affected by a global macroeconomic situation, which was something nobody could be prepared for enough. Maybe, with the consideration of external factors, the growth plan should not be as ambitious as it was in this company. It is an example of how fragile rapid growth is. One day it can turn high speed, and on the other, growth can stop and even slow down.

Dedoles tries to solve the problem by selling out the inventory and trying to find new sales channels. The company sees another solution in considering opportunities for various forms of franchises or wholesale collaborations.

Chrapko admits that he was too ambitious but having an ambitious plan in his point of view would be fine if the company had external capital. Now Dedoles is looking for an investor, and Chrapko thinks that if the company had thought about it sooner, it might have avoided today’s problems. [18] In 2021 the founder of Dedoles said that he did not see a potential investor in the Slovak Republic. He would only consider the investor who would help the company become a global brand through the penetration of the Asian and American markets. [12] Since the company did not have external capital, it decided to find a partner who would help the company grow with new capital. Dedoles needs to cover long-term commitments.

Jaroslav Chrapko admits that Dedoles faces a challenge. There is a necessary need for organizational changes and managerial changes. Dedoles has suffered on morale, the people inside are under pressure and no one is comfortable with it. It all happened so fast. The company is also undergoing a reorganization. Dedoles is in the middle of an investment process and under pressure from suppliers. [14]

Finally, with the deteriorating situation, Dedoles has prepared a recovery plan and asked for permission to reschedule. Chrapko acknowledges that the company has eroded the trust of the creditors and has had to take appropriate action. The company itself has applied to the court for protection from creditors, which should give it
sufficient time to rehabilitate the company. [25] In the recovery plan, Dedoles drastically reduces both expected sales and investments. The plan is aimed at actively selling and improving the cash flow of the company. [8]

6 Conclusion

Managing business growth is an entrepreneurial dilemma. The entrepreneur should consider if he would like to achieve slow, systematical business growth and let some of the opportunities go or to achieve fast growth. It is a balance of advantages and disadvantages, and each balance can be insured. In this case, the insurance is the investor. Having an investor or not is another entrepreneurial dilemma that depends on the entrepreneur’s character.

The entrepreneur of Dedoles was ambitious, he chose the fast growth and the exploitation of all opportunities, but alone, without an external investor. Dedoles’ sales plan was dimensioned for higher growth. The company did not expect sales to slow down due to external factors such as war, inflation, or rising energy prices. The company did not adjust the number of inventories and investments accordingly.

To sum up, I would like to use Jaroslav Chrapko’s words about the complexity of business success and growth. He once said that every business is a problem in a positive sense. If there are no challenges in it, there is something wrong. As he claims, you are still doing something new in your business, and when you do something new, you overcome the problem. However, following this path, the company develops, and the team becomes stronger.

Dedoles is now an example of how hard scaling up a business toward growth can be. It shows us that business growth affects all business processes, and there is an important and necessary need for strategic managerial decisions. This example emphasizes the need for risk-balanced capital adequacy. Through the company example, we can see that even with huge growth ambitions, not every single opportunity should be taken. There is an important need for a well-prepared business growth plan with strategic consideration of internal factors, and external factors.

Hopefully, entrepreneurs and managers will learn from Dedoles’ rapid growth development, and I hope that Dedoles will handle this situation, and as a result, will build a more stable company in the future.

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