



# High Growth Firms: What Makes the Difference?

**Kristin Schreiber**

Director COSME Program & SME Policy  
**European Commission – DG GROW**

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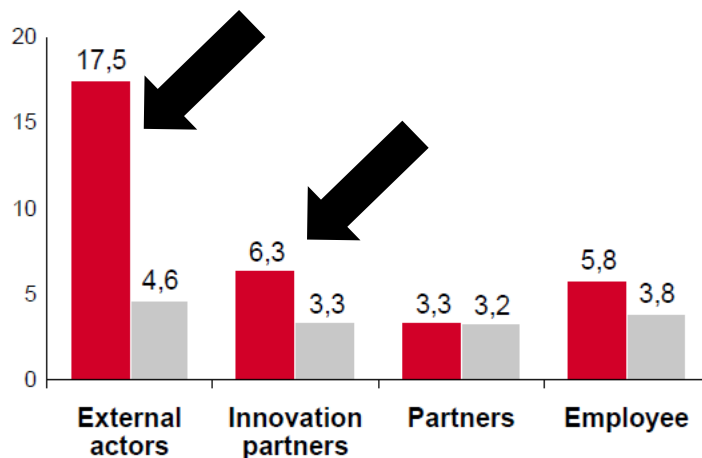
# On average the Growth Leaders<sup>1</sup> in both age groups have more actors involved in innovation projects

## Intensity of innovation partnerships



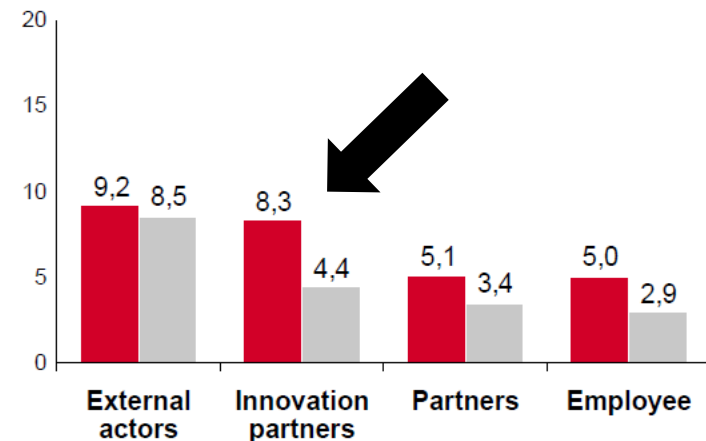
### Sample 1: 3-5 year-old companies<sup>3</sup>

Number of external actors, innovation partners, partners and employees involved



### Sample 2: 6-10 year-old companies<sup>4</sup>

Number of external actors, innovation partners, partners and employees involved



■ Growth Leaders ■ Growth Laggards

<sup>1</sup> The Growth Leaders represent the top 10% of companies in terms of last year's total income and the income growth rate over the last 4 years

<sup>2</sup> The Growth Laggards represent the bottom 10% of companies in terms of last year's total income and the income growth rate over the last 4 years

<sup>3</sup> N<sub>total</sub> = 131; number of Growth Leaders = 13; number of Growth Laggards = 13

<sup>4</sup> N<sub>total</sub> = 294; number of Growth Leaders = 29; number of Growth Laggards = 29

Source: IMP<sup>rove</sup> – European Innovation Management Academy; Figures as of September 2016

www.improve-innovation.eu; IMP<sup>rove</sup> is a registered trademark

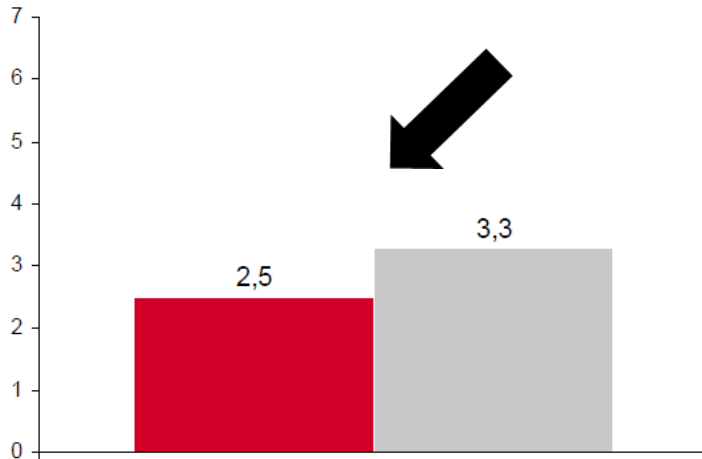
# A more comprehensive definition of the innovation strategy seems to be more relevant for older enterprises

## Characteristics of the innovation strategy



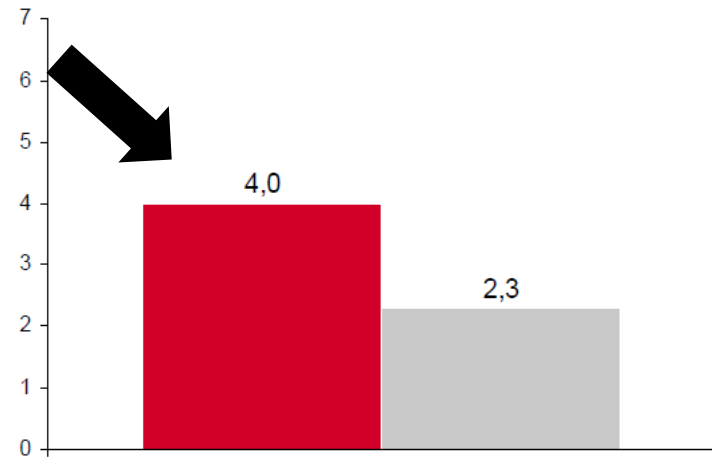
### Sample 1: 3-5 year-old companies<sup>3</sup>

Number of attributes describing the innovation strategy



### Sample 2: 6-10 year-old companies<sup>4</sup>

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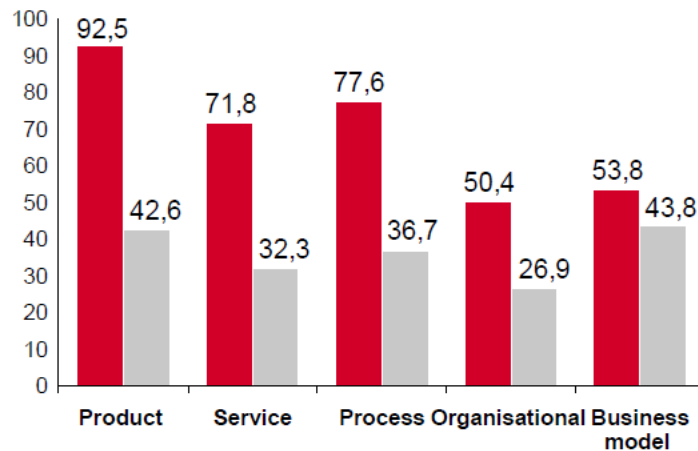
# The Growth Leaders<sup>1</sup> demonstrate an up to 50% higher success rate compared to the Growth Laggards<sup>2</sup>

## Success rate of incremental innovation projects



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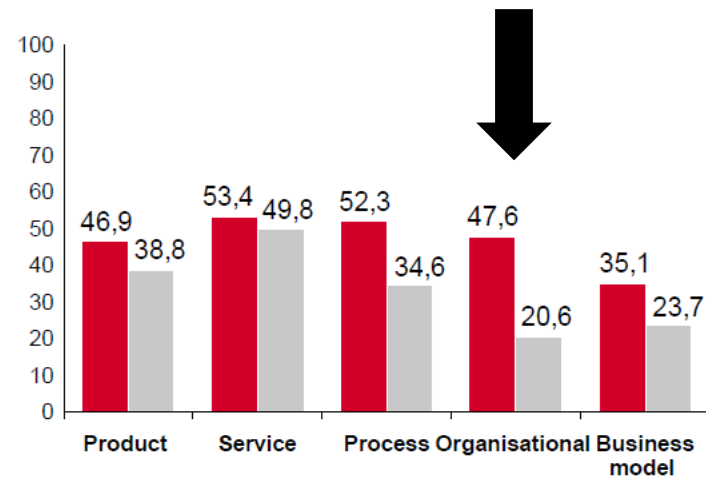
Average success rates of incremental innovation projects for the improvement of the following areas



■ Growth Leaders ■ Growth Laggards

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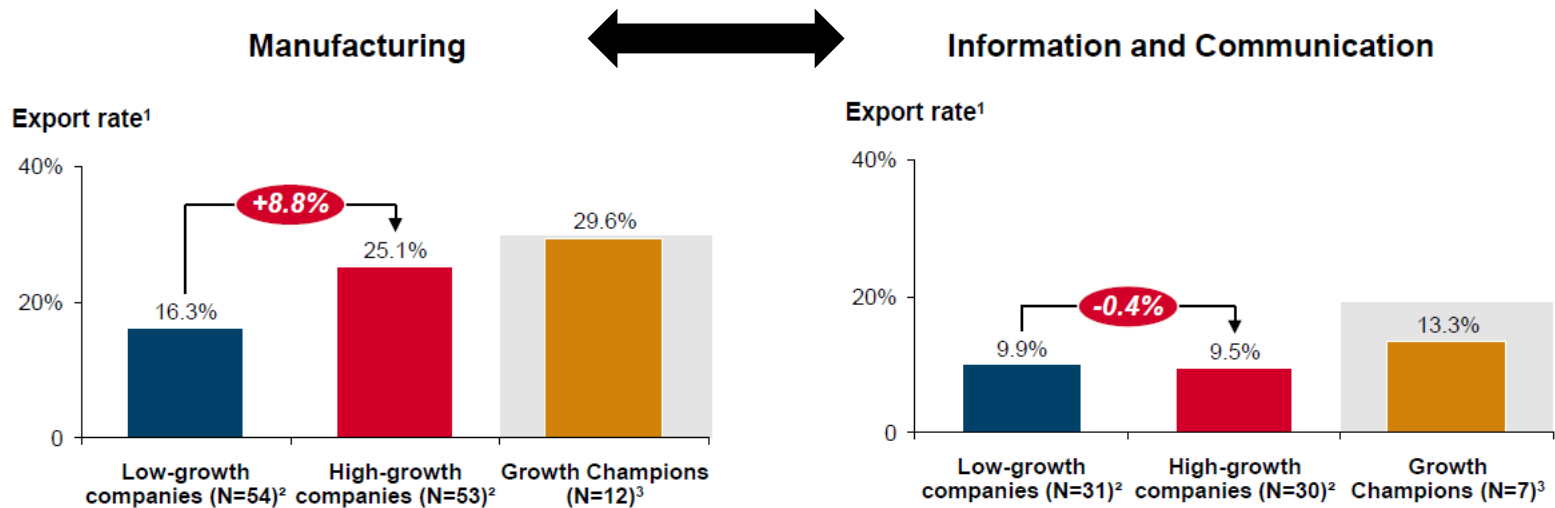
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# The type of industry influences the relationship between export level and sales growth

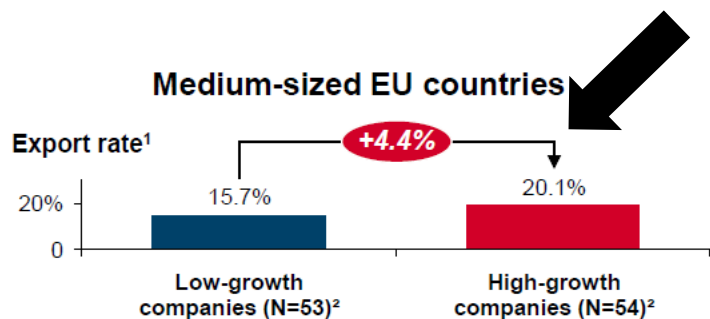
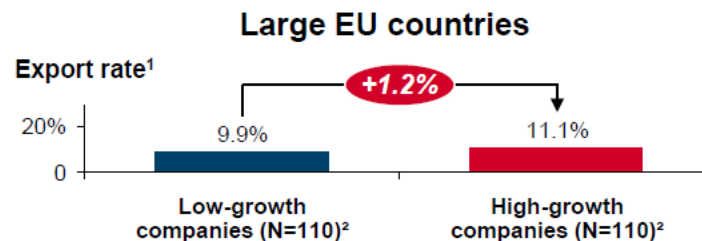
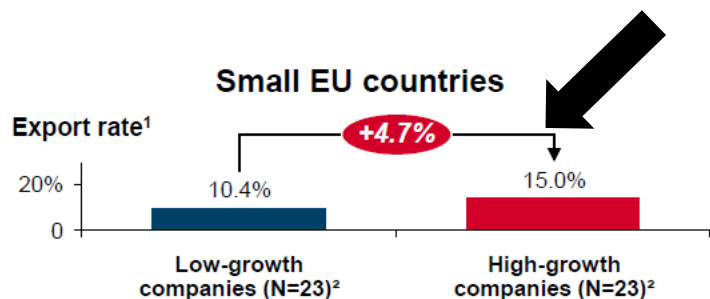
## Export rates by industry



1. Export rate is measured as the average percentage of exports from sales over the past years (maximum 4 years considered).  
 2. Growth rate is measured as the average percentage of sales growth over the past years (maximum 4 years considered); low-growth companies: below the median growth rate per industry sample; high-growth companies: above the median growth rate per industry sample.  
 3. Growth Champions are measured as the top 10% companies in the respective sample in terms of profit growth, sales growth and employee growth.  
 Source: IMP<sup>rove</sup> – European Innovation Management Academy; Figures as of January 2016  
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# The relationship between export level and sales growth varies by size of the country in which the start-up is based

## Export rates by size of country in the EU<sup>3</sup>



**Preliminary interpretation**

- Companies in small EU countries on average lack infrastructure and competences to export.
- Companies in medium-sized EU countries have access to sufficient infrastructure and competences to export while at the same time benefiting from extended market access more than companies in large EU countries.
- Companies in large EU countries are less dependent on foreign markets.

1. Export rate is measured as the average percentage of exports from sales over the past years (maximum 4 years considered).  
 2. Growth rate is measured as the average percentage of sales growth over the past years (maximum 4 years considered); low-growth companies: below the median growth rate per country size sample; high-growth companies: above the median growth rate per country size sample.  
 3. Large EU countries: Germany, UK, France, Italy, Spain, Poland; Medium EU countries: Romania, Netherlands, Belgium, Portugal, Greece, Czech Republic, Hungary, Sweden, Austria, Bulgaria; Small EU countries: Finland, Slovakia, Latvia, Slovenia.  
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## *SMEs in the European Union*

Class size	Enterprises		Persons employed		Value added	
	Number	Share	Number	Share	Billion €	Share
Micro	21 356 252	92,8 %	40 057 410	29,5 %	1 454	21,2 %
Small	1 378 702	6,0 %	27 503 428	20,2 %	1 233	18,0 %
Medium-sized	224 647	1,0 %	23 170 353	17,0 %	1 251	18,2 %
<b>SMEs</b>	<b>22 959 601</b>	<b>99,8 %</b>	<b>90 731 191</b>	<b>66,8 %</b>	<b>3 938</b>	<b>57,4 %</b>
Large	44 458	0,2 %	45 168 733	33,2 %	2 924	42,6 %
Total	<b>23 004 059</b>	<b>100,0 %</b>	<b>135 899 924</b>	<b>100,0 %</b>	<b>6 862</b>	<b>100,0 %</b>

Source: Estimates for 2015 produced by DIW Econ, based on 2008-13 figures from the Structural Business Statistics Database (Eurostat).  
The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N)



# Results of the public consultation related to Start-up initiative



## Public consultation: **key facts**

- ❖ Over 570 replies and 16 position papers
- ❖ Broad consultation reaching beyond the EU
- ❖ Structured around the life cycle of a company
- ❖ Over 53% of respondents: existing or potential entrepreneurs



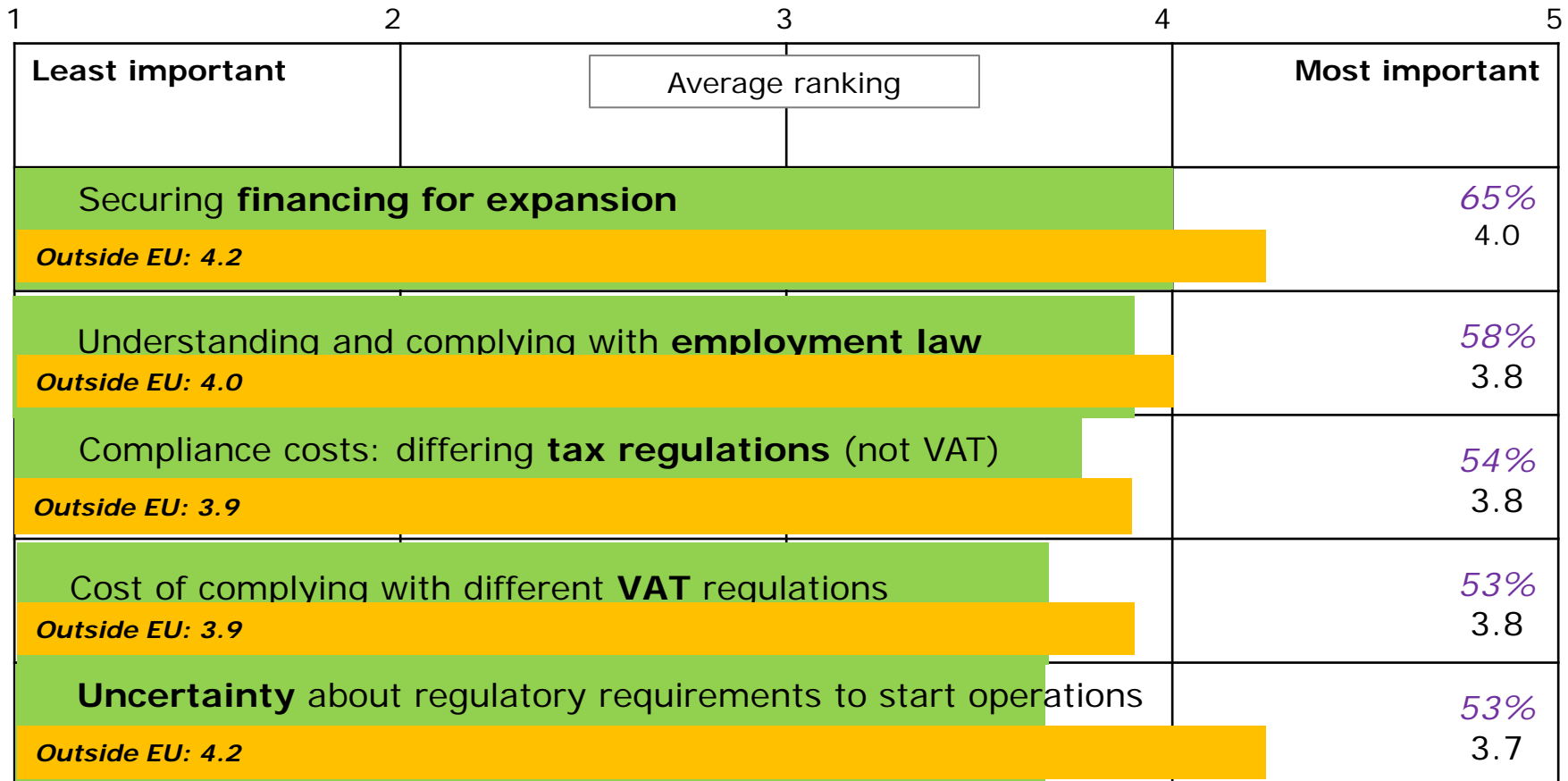
## **Stand-up: most desired support measures**

- ❖ Providing support local structures to encourage entrepreneurial activities' (82%)
- ❖ Encouraging higher education institutions to establish programmes and services to support entrepreneurship (78%)
- ❖ Introducing entrepreneurship education in all levels of formal education (56%)

## Start-up: to what extent is each of the following an obstacle to start a company?

1	2	3	4	5
Least important	Average ranking			Most important
Access to <b>finance</b>				72% 4.2
Rules and costs of <b>hiring</b> workers				66% 4.0
Resources required to navigate overall <b>regulatory</b> complexity				61% 3.7
<b>Tax compliance</b> costs (filing and paying taxes)				55% 3.7
Procedures and costs to access industrial and/or <b>IPRs</b>				46% 3.5

# Scale-up: to what extent is each of the following an obstacle to expand a company?



## Scale-up: how important are the following policies and measures for the expansion?

1	2	3	4	5
Least important	Average ranking			Most important
Facilitating <b>links between large corporations and start-ups</b> to unleash the scale-up potential through collaboration				62% 4.0
Providing financial <b>support for the acquisition of capacity-boosting services</b> from both public and private providers				62% 3.9
Developing <b>tailor-made support measures for rapidly growing scale-ups</b> , e.g. mentoring on how to manage change				62% 3.9
Creating network of regional support centres for scale-ups				54% 3.7
Supporting the uptake of resource efficient solutions to reduce production costs				46% 3.6

## Boosting innovation: **desired measures**

- ❖ support to universities via different schemes e.g. business internship, access to incubators (71%)
- ❖ promoting partnership between start-ups and medium sized companies (70%)
- ❖ support to incubators, university R&D and technology transfer programmes (70%)

## Ecosystem-level: type of measures considered the most useful for start-ups & scale-ups?

1	2	3	4	5
Least important	Average ranking			Most important
Supporting the <b>creation</b> of local/regional/national entrepreneurial ecosystems				85% 4.5
Creating EU networks of investors, entrepreneurs, universities, accelerators and co-working spaces to <b>increase synergies</b> and facilitate access to venture capital, new markets, talents and skilled employees				81% 4.3
<b>Connecting</b> start-up ecosystems across the EU				71% 4.1
Integrating entrepreneurial ecosystems with the <b>Smart Specialisation</b> Strategy				59% 3.9
Creating European <b>centres outside the EU</b> to promote EU start-ups				58% 3.7

## Public consultation: **the key findings**

- ❖ Start-ups looking to scale-up still face regulatory, legal, administrative **barriers** esp. cross-border
- ❖ There are too few opportunities to **find and engage** with potential partners in finance, business and local authorities across the EU
- ❖ Accessing **finance**, especially equity financing is harder in Europe than elsewhere





## Possible actions to support start-ups and scale-ups

- ❖ Removing **regulatory** barriers to scaling-up, cross-border
- ❖ Improving access to **information** on regulatory and tax regimes and sources of finance
- ❖ Maximising the effectiveness of Europe's **ecosystems**
- ❖ Ensuring access to **finance** (VC, angels, crowdfunding)
- ❖ Facilitating participation of start-ups and scale-ups in **public procurement**
- ❖ Improving access to skills and **intellectual property protection**