

SCALEUP WORKSHOP – PROCEEDINGS

*These proceedings¹ compile key messages of the **Scaleup Workshop** organised by Nordic Innovation in Brussels on 16th October 2019. The workshop gathered together around 45 invited experts, practitioners and policymakers to discuss key developments, needs and opportunities for scaleup statistics and research as well as lessons learnt from successful scaleup programmes and policy measures.*

The first part of the workshop was devoted to statistical data on scaleups (Session 1) and scaleup research (Session 2) and the second part to scaleup programmes (Session 3) and designing scaleup policies (Session 4).

Background

As highlighted in the opening words by **Svein Berg**, Managing Director of Nordic Innovation, there is an increased consensus that **scaleups are important** for countries' value creation and maintaining the current standard of living and welfare societies. It is therefore not surprising that there has been an **increased attention to scaleups** across Europe – as also demonstrated by the broad interest towards the workshop.

Despite ongoing initiatives – regarding both scaleup statistics, programmes and policies – **there has been no shared understanding of the scaleups and policies to support them** and it is therefore **important to share experiences and good practices** among the different actors. This has been one of the key priorities for Nordic Innovation, and also the main reason behind this workshop.

Session 1: What kind of statistics are needed?

The first session of the workshop discussed the scaleup statistics, with a specific emphasis on the questions of *what kind of scaleup statistics exist* and *what kind of statistics are needed in the future*.

Revised scaleup definition and fresh data on Nordic scaleups

The session was opened by **Peter Bøegh Nielsen** (Statistics Denmark) who presented the main results from the reports 'Scale-ups in the Nordics – Statistical Portrait 2008-2016'², published in May 2019 and 'Scale-ups in the Nordics 2017'³ published in October 2019. The reports are commissioned by Nordic Innovation and produced in cooperation by the five Nordic statistical institutes in Denmark (coordinator), Finland, Iceland, Norway and Sweden. The reports focus on developing new scaleup statistics since little scaleup data has been available. The definition used in the report follows the eligibility criteria of Nordic Scalars programme and is stricter than the EU definition concerning the level of growth (20% instead of 10% and operating, with an annual turnover in the start year of €2M or more). In *Scale-ups in the Nordics 2017*, the definition has been further refined, including also the growth in *turnover*, allowing comparisons between '*employment scaleups*' and '*turnover scaleups*'.

¹ These proceedings have been drafted by 4FRONT on behalf of Nordic Innovation. For further comments and questions regarding the proceedings you may contact Vesa Salminen (vesa.salminen@4front.fi) and Anna-Maija Sunnanmark (a.sunnanmark@nordicinnovation.org).

² Nordic Innovation (2019) Scale-ups in the Nordics - Statistical Portrait 2008 – 2016. Nordic Innovation. <https://www.nordicinnovation.org/2019/scale-ups-nordics-statistical-portrait-2008-2016>

³ Scale-ups in the Nordics 2017 (2019). <https://www.nordicinnovation.org/2019/scale-ups-nordics-2017>. Nordic Innovation.

Some of the key findings in the latest report are that more than **half of the scaleups are turnover scaleups and that turnover scaleups are also more productive than employment scaleups**. Turnover scaleups generate an average of 145 000€ per employee in cross value added which is 50% more than Employment scaleups. In addition, the new data highlights that Nordic scaleups are mainly growing due to organic growth, but the growth rates are higher for those who grow non-organically (through mergers and acquisitions). As items for future discussion, Nielsen highlighted the following:

- Definition and delineation of scale-ups: Should the official definition of high growth enterprises be supplemented with enterprises with turnover growth (only)? Have we got the focus activity groups right – seen from a policy aspect?
- Sustainable scale-ups: How many enterprises are scale-ups over more than three years?
- Establishing an “Early Warning System?: By analysing the performance of enterprises in the pre scale-up years, can we then identify indicators for future scale-ups?
- Importance of export markets: Can we identify patterns in the development of export markets in the scale-up period?
- Unique scale-ups: How many scale-ups are continuously scaling up over several growth periods?
- Composition of the qualifications of the employees: Does the level of education of the employees in scale-ups have an impact on the growth?

Mainstreaming scaleup statistics: More granularity?

In the second presentation of the session **Nadim Ahmad** from OECD built on the previous presentation by discussing the mainstreaming of scaleup statistics for policy making. The presentation highlighted that there have been long-standing efforts to measure entrepreneurship, but there have been **only limited innovations in last decade regarding the way how we measure entrepreneurship and high-growth firms**. Meanwhile, also the **demands for more granular statistics** have grown, which also reflects the growing heterogeneity in firm performance. This, as was pointed out, is driven by the adoption of radically different business models (within the same sector). Ahmad also agreed with Nielsen’s previous presentation that the current mainstream definition (10+ employees, 10% p/a growth over 3 years) may be too broad, and **additional definitions at more targeted granularity is needed** to better understand the scaleups. **The work by Nordic countries was considered as an important step forward** and the momentum should be used to build upon it, for example by focusing on:

- better identification of ‘organic growers’ and their export markets,
- making ‘digital firms’ (e.g. platform firms) better visible through statistics,
- differentiating better with high/low productivity firms or with high/low skilled firms, and
- providing timelier ‘forward looking’ measure to describe potential scaleups by adding more granularity on scaleups’ characteristics and drivers

Snapshots of ongoing projects and initiatives

The two presentations were followed by shorter snapshots on ongoing projects regarding scaleup statistics.

Samul Rikama from Eurostat presented their ongoing project on broadening the scope for High Growth Enterprises. The project aims to bring **more information on ‘micro scaleups’**, i.e. companies who have less than 10 employees at the start of the growth period. Currently there is no information about these companies as they are excluded from the official definition. Second, the projects aim to provide information on the sustainability of the growth, i.e. what happens after the intensive growth period. Third objective is to explore the differences between younger (5 years or less) and older (5-10 years) high-growth firms. First findings of the project should be available in spring 2020.

Ludger Odenthal (European Commission) and **Alexander Lembcke** (OECD) informed about a **joint EC-OECD project** which aims to bring more data regarding the entrepreneurs behind the scaleups, and better link the data with policies. The project is currently at the pilot phase, focusing on some frontrunner countries and mapping different scaleup policies across countries. The goal is to build on what Nordic Innovation and Nordic statistical offices have already done and to get more evidence for the scaleup situation in Europe.

Outside the initial programme, **Isidro Laso** (European Innovation Council), shortly informed about a new **European Innovation Council initiative**, which focuses on supporting especially risky and ambitious ideas with the focus on building of European innovation ecosystems. The initiative, labelled as “European DARPA”, will fund joint programmes with different regions/countries, for example. There is also currently ongoing consultation process for setting up an EIC Forum to support the initiative, and Laso invited the participants to join the process.

Panel discussion emphasised the value of different definitions and granularity

The session was concluded with a panel discussion. **Marjo Ilmari** (Business Finland) highlighted that the work on Nordic scaleup statistics has been very useful from the point of view of an innovation agency, and especially differentiating the employment and turnover scaleups has been an important addition. **Ludger Odenthal** emphasised that instead of one definition, we need different definitions and typologies and better understand the different types of scaleups, and the implications from policy perspective. **Peter Nielsen** also called for better understanding of different companies and their business models. **Alexander Lembcke** also highlighted that the current view on scaleups is very static, and more information is needed to know what happens to the companies afterwards. **Samuli Rikama** highlighted that it is important to innovate scaleup statistics but proceed by step-by-step and pilot different approaches before deciding on obligatory statistics. Finally, **Nadim Ahmad** concluded that we’re not looking at wrong things, but the focus should be on added granularity and focusing on the potential of the scaleups and identifying the future scaleups. It was also highlighted that it is important not to abandon the existing definitions, but instead add more indicators and granularity to the statistics.

Session 2: Formulating the future research agenda

The second session focused on discussing the latest takeaways from research, aiming at discussing the future research agenda on scaleups.

What do we know?

The session was opened by **Christopher Haley** from Nesta, who summarised what do we actually know about the scaleups and their characteristics based on previous research. First, according to research findings, in every economy, growth is disproportionately driven by a very small number of rapidly growing firms. However, we still **do not know robustly that much about the characteristics** of these firms, or of the impact of the different scaleup support programmes and policies. To summarise the findings, Haley concluded that:

- growth is highly inhomogeneous,
- age is a better predictor of high growth than size
- export orientation and innovation capabilities are significant distinguishing characteristics of HGFs
- overall business dynamism of the economies and local conditions (city level) matters
- supporting potential high-growth firms requires different policy tools than supporting SMEs in general

- more evidence is needed to help choose between tools.

As for the **future research agenda**, Haley highlighted especially the needs for better understanding the entrepreneurs' mindsets, mentorship and enterprise education. Also, the importance of identifying potential (or non-potential) firms and encouraging more such firms to start, as well as encouraging multiple (and longer-lasting) high growth phases was highlighted.

Data on key scaleup characteristics and challenges

In the second presentation of the session **Irene Graham** (UK Scale-up Institute) further emphasised the fact that very few startups managed to survive and scale, and that we need to better align resources to support these companies by **segmenting, targeting and coordinating the support for the companies**. Graham also presented the various different research and datasets compiled by the UK Scale-up Institute. The following findings on **scaleups' characteristics** can be drawn from their research:

- Scaleups are more productive than peers
- Scaleups are more international: two thirds are involved in international trade
- Scaleups help create high-quality jobs with more satisfied employees
- 40% of all scaleups have at least one female director
- 4 in 5 scaleups have introduced or improved a product/service/process in the last three years
- scaleups are across all sectors, and majority of them operate outside technology sectors
- 64% of scaleups offer opportunities for young people through internships or apprenticeships
- 80% of scaleups expect to scale again in the coming year, 62% expect to achieve 20%+ turnover growth and 41% expect to achieve 20%+ employee growth

Graham also highlighted that, based on their research findings, the **five key scaleup challenges** include 1) finding the right employees, 2) accessing customers, 3) building their leadership capability, 4) accessing the right combinations of finance and 5) navigating the right infrastructure. Graham also presented the UK ScaleUpInstitute work on identifying **good practices for scaleup programmes**, highlighting that there is a lot of information regarding the different programmes and 'what works'.

More focus on entrepreneurs and entrepreneurial spillovers

Vesa Salminen (4FRONT) built on the previous presentations on scaleup research, by highlighting that we tend to often focus too much on the company-level factors and neglect the role of entrepreneurs and their impact. Salminen argued that we should also pay **more attention to the spillover effects** of scaleups and especially the '**entrepreneurial recycling**', i.e. the important role of successful entrepreneurs in the development of successful scaleup ecosystems. According to Salminen, the future scaleup research agenda should aim to bridge the gap between company and entrepreneur level to better understand the role of entrepreneur level factors and the role of policies in enhancing the 'entrepreneurial spillover effects'.

New tools for scaleup research

Jörgen Sandiq (ScaleUpNation) presented the ScaleUpNation's approach to scaleups. ScaleupNation runs scaleup programmes, collect data on the participants and carry out research. With its research activities, ScaleUpNation aims to understand the contribution of certain scale-up success factors (as opposed to 'stallups'), and how they contribute to the scale-up probability. To support that, ScaleUpNation has set up a continuous data collection stream for research purposes, supported by the development of online tool (ScaleUpNavigator) for scaleups to track their performance. The tool is based on creative commons and free to use and Sandiq invited participants to start using the tool. The future agenda of ScaleupNation includes

deepening understanding of scaleup success factors, focusing on certain verticals (food and agriculture, social enterprises) and developing digital proxies for success factors.

Comments and panel discussion: Building on knowledge and good practices

In an invited comment on the scaleup research agenda, **Marie Wall** highlighted that from a policy development point of view, different scaleup definitions are still mixing up. Wall also emphasised that there should be more sophisticated evaluation methods and more focus on the spillovers to understand, how scaleups actually affect societies in different ways. Furthermore, Wall agreed with Graham in that we shouldn't "reinvent the wheel" instead **focus on what works**. Wall also agreed with Haley on the proposed research agenda with more focus on the skills, attraction of talent and diffusion of knowledge.

The panel discussion maintained that although we do not know that much robustly, there is a lot of information available on scaleup characteristics and good policy practices. In the future we should try to disseminate and share this information to be able to **build on existing knowledge and practices**. The workshop was seen as a good platform for such knowledge exchange.

The panel was also presented with the question of "why are we actually doing this and what is the ultimate aim of focusing on scaleups". The discussion highlighted that **scaleups should not be seen as an end-goal** but rather as instruments for the renewal of societies, maintaining the welfare states and contributing to the current societal challenges.

Session 3: Key learnings from scaleup programmes

Presentations in Session 3 highlighted key learnings from scaleup programmes and discussed, what makes a successful scaleup programme. The session consisted of four programme snapshots. This summary focuses on the lessons learnt from the programme. More information about the programmes can be found on the workshop presentations and programme websites.

Innovate UK Scale Up Programme⁴

Maxine Adam from Innovate UK introduced the Scale Up pilot programme. The programme by Innovate UK is targeted at ambitious companies driven by innovation that disrupts existing markets, capable of 50 to 100% annual growth. Over 1200 companies were initially reached out, followed by an intensive situational analysis visits of 35 companies. The final selection included 29 companies. Three top 'scalers' challenges among the companies included international markets, accessing finance and innovation & IP exploitation. Based on the experiences from the programme, Adam highlighted the following good practices and lessons, among other, for improving the programme in the future:

- More focus on established businesses with significant revenue traction
- Innovation potential is important for scalability
- Strengthened site visit to remove reviewer bias in company selection
- Engagement with wider ecosystem for recruitment
- Improved focus to draw on the collective Scaleup Board expertise
- Intensive support to businesses irrespective of no. of days
- Selection of pre-revenue companies by exception – If already received equity investment

⁴ <https://www.enterprise-europe.co.uk/blog/Scaleup-Programme-supporting-30-companies-rapid-growth>

- Strengthening partnership with London Stock Exchange Elite Programme
- Plan to have case studies for all companies – role models for innovators

The Flight Programme⁵

Menno van Dijk from the ScaleUpNation described the lessons from the Flight Programme, one of the programmes provided by ScaleUpNation. The programme provides venture partners, leadership coaches and expert sprints for companies with serious growth potential and achieved product/market fit (among other criteria). ScaleUpNation is in general focusing on companies who are committed to “returning” something for the broader society, highlighting urgent social challenges (e.g. climate change) as much as major entrepreneurial opportunities for innovative solutions. Van Dijk also emphasised the **difference between scaleups and ‘stall-ups’**, concept introduced by ScaleUpNation to describe ‘failed scaleups’, i.e. startups who fail to (further) scale after an initial growth spurt. As for more concrete lessons, van Dijk highlighted the following:

- Building the scale-up database is a bottom-up, named-basis, exercise (little overlap between top-down lists of scaleups)
- Enterprise development and leadership development are two sides of the same coin
- Surviving the second valley of death is a transformational effort, not an acceleration effort.
- Ecosystems are not countries, not even cities, but sectors.
- Access is a differentiating skill, not an enabler (that should be taken care by the government)
- Important to build a powerful link between empirical research (on what works at the business level), practice and venture capital/private equity.
- Scaleup support services is an emerging market that will become more competitive, specialized and differentiated.

ELITE⁶

Umerah Akram from London Stock Exchange Group LSEG presented the ELITE Program, London Stock Exchange Group’s international business support and capital raising programme for ambitious and fast-growing companies. ELITE programme is focused to provide the companies a “full service” in understanding the growth challenges and preparing the companies for investments. ELITE is one of the first programmes targeted at the most ambitious companies. The company network involves 1249 companies from 43 countries and 36 sectors with an aggregate revenue of €88bn and 505 000 employees. It describes the benefits of the programme as follows:

- Best practice framework in key areas of growth and opportunity to build know-how
- Extensive global network of companies, investors, advisers, business leaders and experts
- Unique access to a range of capital options through ELITE’s funding platform
- Sharing of challenges and experiences with peers
- Increased visibility with the business and financial community

Nordic Scalars⁷

To conclude the programme snapshots, **Anna-Maija Sunnanmark** from Nordic Innovation described the Nordic Scalars programme. Nordic Scalars is a 2-year pilot program initiated by Nordic Innovation, to help

⁵ <https://scaleupnation.com/programs/flight-program/>

⁶ <https://www.lseg.com/elite>

⁷ <https://nordicscalars.io/>

Nordic scaleups to accelerate their next stages of growth through an access to competence building, networks and capital. To be eligible, the company needs to have *at minimum*: 1) Generating revenue in preceding 3 years; 2) Annual revenue at minimum of 2M€ ; 3) Personnel of at least 10 people; and 4) Annual growth figures of at least 20% in the past 3 years. Additional qualitative criteria have been used. The programme is implemented as a public-private partnership in 2017 – 2019. As lessons learnt, Sunnanmark highlighted the following:

- A scaleup is not a startup – startups and scaleups have different needs
- Startups, scale-ups and SMEs don't mix with each other
- Many startups consider themselves as scaleups but..
- Growth skills & competences can be developed
- The minimum of 2M€ has been the most important criterion to target the 'right' scaleups
- Mentoring is the highest ranked benefit for scaleups
- Thus, it is more costly to give support to a scaleup than to a startup
- There are a limited number of scaleups in the Nordics - clear advantages for a Nordic approach

Currently Nordic Innovation together with innovation agencies in the Nordic region are planning the continuation of Nordic Scalars. The focus will be on ecosystem building and ecosystem learning with enhanced networking and collaboration as key elements. The pilot phase is currently being evaluated, with the focus on the relevance and appropriateness of the programme. The preliminary evaluation findings conclude that the programme has addressed relevant challenges in the Nordic ecosystem and there have been clear benefits for the participating companies. The evaluation recommends Nordic Innovation to elaborate an 'exit plan' for running the programme and continue sharing lessons and building collaboration in the Nordic scaleup ecosystem.

Comments: Think about the pipeline and make entrepreneurs as stars

Due to a tight schedule, **Anne Lidgard** (Vinnova) and **Lars-Michael Paqvalén** (Trä Group, serial entrepreneur) provided their commenting remarks as separate keynotes.

Lidgard thanked the presentators and organisers for the fruitful workshop and expressed her hope that the workshop will be used as the beginning to build further collaboration. She also emphasised that the environment for being a scaleup is much different than it was a decade ago and now the support system is much more developed. Lidgard was also "struck by the commonalities between the programme", and especially programmes' **emphasis on peer-learning and ability to learn fast** resonates well with her own experience. She also emphasised that it is important to keep in mind the rhythm and the (lack of) time of the entrepreneurs, **putting the scaleups in the centre** and thinking what makes sense from their perspective. Lidgard also pointed out that scaleups are not born out of nothing and we should remember to pay **attention to the whole "pipeline"** – especially as "scaling too quickly" is one of the main reasons why many startups fail in Silicon Valley.

In his comment, Paqvalén emphasised that the focus should be on "**building entities with a clear purpose**" as true entrepreneurs will, first and foremost, "**want to make a difference**". Thus, policy makers should aim to lift up the entrepreneurs and **make the entrepreneurs as stars**. Paqvalén also stressed that this does not cost much and its more about execution and making the good companies and communities more visible. Networking is important as well as enabling the community and lifting it up.

Session 4: How to design scaleup-friendly policy?

In Session 4 the focus was on the elements of scaleup-friendly policies. The session consisted of presentations and a concluding panel discussion.

In the first presentation **Marie Wall** (Ministry of Enterprise and Innovation, Sweden) discussed the policy challenges, emphasising that the scaleup policies should aim to **contribute to the renewal of the society as a whole** and offer innovative and dynamic ecosystem which is needed for **traditional industry to stay competitive**. Wall also pointed out that many startups are **born globals**, which means that they adopt an international or even global approach right from their birth or very shortly thereafter, and majority of them are financed by VC money that expect an exit. This can result in a process where the growth and societal economic return does not always match, as many of the best companies are acquired by foreign companies, meaning that **economic returns will spill out to other ecosystems** (e.g. from Sweden to Silicon Valley). Therefore, potential new industries never get realised since the most valuable scaleups get acquired. Wall also stressed that exits are not the only reason for poor societal economic return and there are also other reasons why scaleups move away from smaller economies like Sweden. These include the need to be close to their customers, lack of and/or difficulties to attract competence, lack of access to test markets, and economic incitements from competing countries. Finally, Wall concluded that **scaleup policy need not only to focus on the company growth but also on how they grow and how they create value**.

Irene Graham's (UK Scale-up Institute) presentation focused on the **10-point scale-up policy plan**. The plan **has been** prepared by the Scale-Up Institute for the government of UK, but it is applicable to other countries as well. The plan consists of the following 10 points, each presented shortly by Graham:

1. Current TAX and NI data should be used to allow the ecosystem to verify the 'Scaleup Status' of a business, to fast track solutions to scaleup leaders.
2. A 'Scaleup Visa' should be created to enable scaleup leaders, across all sectors, to recruit the staff they need to increase their capacity to grow.
3. Funding for local communities should be tied to the effective deployment of initiatives that close the scaleup gap.
4. All local communities should appoint a Scaleup Champion and develop a relationship management structure for scaleup businesses. A Minister for Scaleups should be in place.
5. Funding for impactful business support (whether it be mentors, leadership or networks) should have a significant focus and segmentation towards scaleup businesses.
6. Central Government when implementing Export Strategies should allocate a significant portion of resources to scaleups. All local areas should set up a local exchange programme for scaling businesses, such as the London 'Go to Grow' programme.
7. Public bodies should report on the procurement involving scaleups and increase expenditure with such parties. All public bodies should improve the way opportunities are promoted to scaleup companies by significantly raising the visibility of Procurement Champions.
8. Large companies should report on the level of collaboration and procurement they source from scaleup companies. Any procurement contracts with Government should require an increase in the amount of business undertaken with scaleups as part of the contracting process which should be monitored.
9. Education Institutions should use their convening and promotional power to ensure that students at schools, colleges and universities come into contact with scaleup business leaders. The public, private and education sector should continue to work together to close the gap on provision of high-

quality flexible scaleup leadership programmes. Better connections should also continue to be made between national programmes and local ecosystem leaders.

10. Government and industry should ensure progress is made closing the finance gap for scaleups. Growth finance should be included as core curriculum in all local scaleup leadership programmes.

On a general level, Graham highlighted the importance of data in getting the right services for the companies, the need to segment the customers better, breaking down barriers for collaboration, and linking different initiatives and programmes at local, national and international level.

Panel discussion: Need for targeted policies

The workshop was concluded with a panel discussion on scaleup policies. The panellists **included James Gavigan** (EC Joint Research Center), **Lars-Michael Paqvalén**, **Alexander Lembcke**, **James Golding** (Innovate UK), **Irene Graham** and **Marie Wall**.

In their comments, the panellists highlighted especially the **need for a holistic, yet segmented approach, where different initiatives and instruments – ranging from financing and public procurement to support and mentoring programmes – are targeted to the different needs of different companies**. **Gavigan** shared information about the European semester process. It will start next month and include, among others, fact sheets on high-growth entrepreneurship in 21 countries. According to **Paqvalén**, there is still a lot of country specific regulations in Europe that inhibit scaleups and their growth. **Lembcke** emphasised that time is most critical factor for scaleups. If we are able to bring people with the right incentives together things will start to happen. **Golding** emphasised that we also need to rethink how innovation agencies work. This will be a huge change for the public sector in general. **Graham** called for quality over quantity. Especially focus on close collaboration with companies and entrepreneurs, networking between different actors, robust data and analysis, and strengthening the bond between the large corporations and startups/scaleups were highlighted.

Concluding remarks and the way forward

In his concluding remarks **Svein Berg** from Nordic Innovation stressed that together we do have a lot of information (even if not complete) about the scaleups and support programmes, and that – as well as on the scaleups themselves – also policy makers and agencies need to execute and keep moving on the basis of the information we have, even though it might be imperfect.

Finally, Berg concluded that the workshop had proved that there's a lot of potential in learning from others, sharing knowledge and building collaboration. As a concrete next step Nordic Innovation promised to take the initiative and contact OECD about setting up a joint agenda for a follow-up workshop next year.