



**UNECE**



Sweden

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*Promoting support policies for  
innovative, high-growth enterprises  
(IHGEs) in Eastern Europe and South  
Caucasus (EESC)*

**Training Session 2**

**The portfolio approach for effective IHGE  
support**

*18 March 2021*

# Agenda for the session

- 09:35-10:00 Effective support for IHGE – insights from countries with a portfolio approach to high-growth support  
Alasdair Reid, Policy Director, European Future Innovation System Centre, Belgium
- 10:00-10:45 Case study session  
Participants will be divided into two breakout groups - moderated by Alasdair Reid and Lyudmyla Tautiyeva.
- 10:45- 11:00 Virtual coffee break
- 11:00- 11:15 Report back from the case studies
- 11:30- 12:00 The Scottish scale up ecosystem – ensuring high growth firms have access to the right mix of ingredients for success  
Leah Pape, Head, Scale Up Programme, Scottish Enterprise
- 12:00-12:25 Wrap-up brainstorming - “How, Now, Wow”.  
What can be done to develop ecosystem to provide more targeted advice to IHGE
- 12:25-12:30 Conclusions  
Katia Adamo, Economic Affairs Officer, Innovative Policies Development Section, UNECE

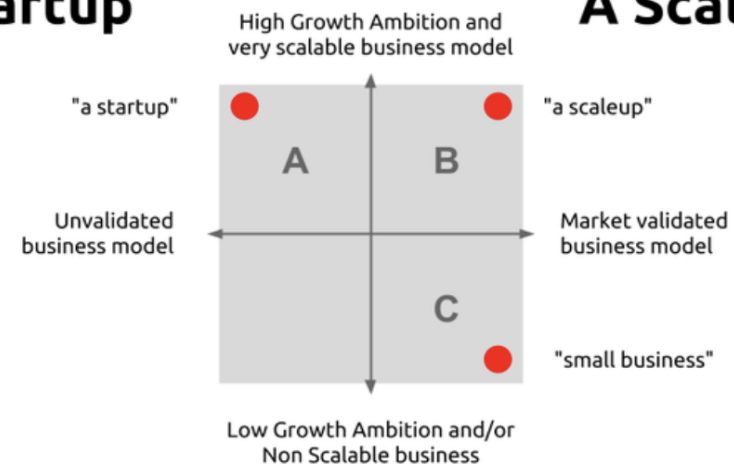
# Reminder: What are innovative high-growth enterprises (IHGEs)?

IHGEs are firms that meet three criteria:

- have at least 10 employees in the beginning of their growth,
- have average annualized growth in number of employees and/or turnover greater than 10% per annum over a three-year period,
- carry out innovation activities in a broad sense, i.e. introducing new or significantly improved products, services, marketing and organizational methods to the local market or industry.

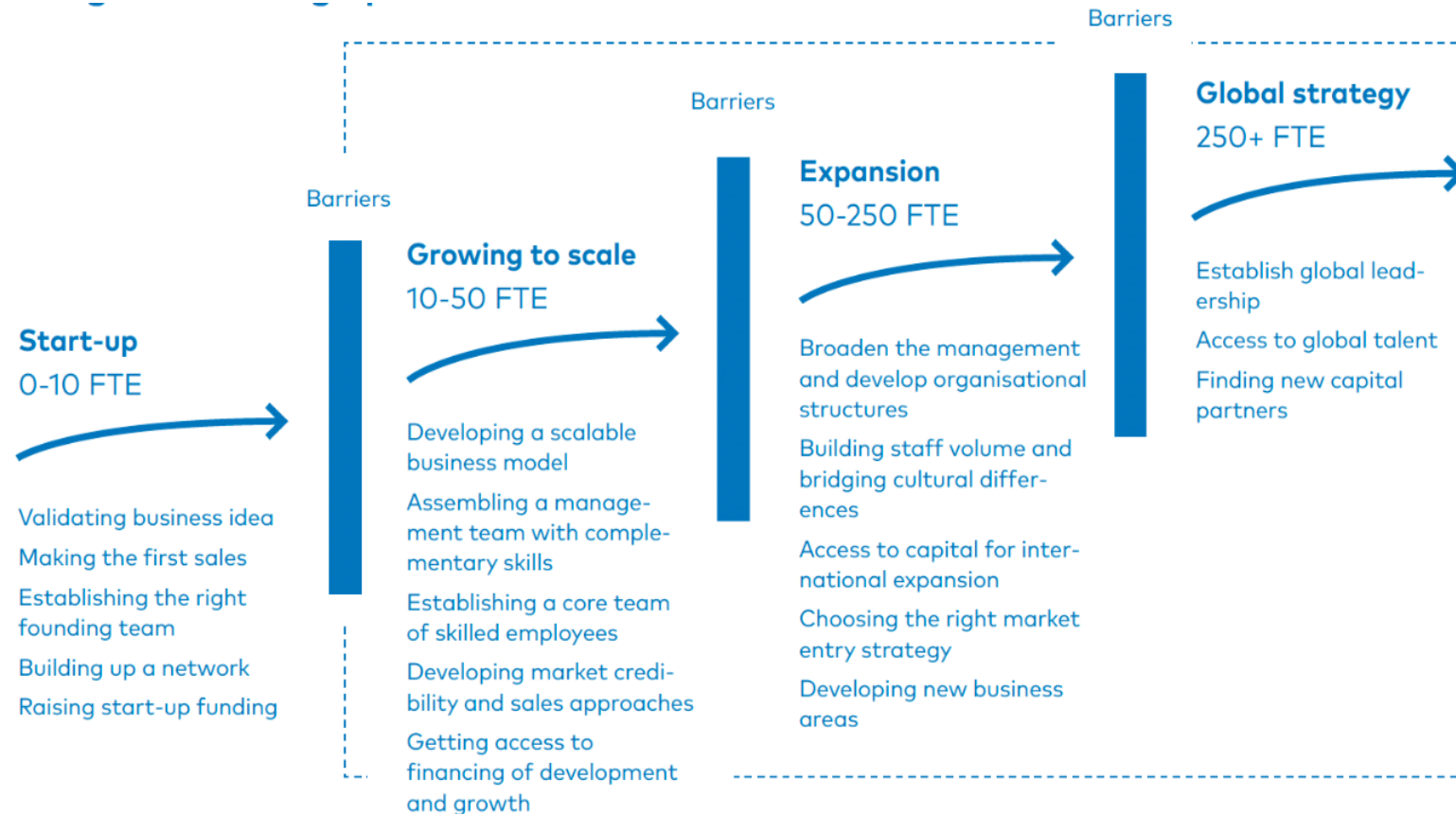
They are not necessarily start-ups, nor only found in 'high-tech sectors'.

**A Startup**



**A Scaleup**

# Reminder: support for IHGEs should be adapted to each growth stage



Source: IRIS Group, 2019

# Reminder: a policy tool-kit for innovation high growth enterprises

## Pro-growth business environment

- Regulatory framework for innovation and growth
- Taxation - incentivising R&D and innovation and investors
- Demand side measures - Government as a first mover.

## Tailored services for IHGEs

- High growth programmes - client management approach
- Developing ecosystems and peer-to-peer networks
- Access to innovation services and infrastructure

## Finance adapted to each growth stage

- Grant and loan instruments
- Crowdfunding, business angel investors & accelerators
- Venture capital : co-investment and fund of funds models.

## Reinforcing firms' internal capabilities to grow

- Leadership skills
- Availability of employees with technical and creative skills
- Talent attraction and retention

## Internationalisation & business networks that support scaling

- Advice on market trends and entry
- International networks - structuring diaspora links.

# A portfolio (account management) approach for IHGEs

The four key building blocks of a portfolio approach are:

- Dedicated high-growth advisory teams;
- Objective selection criteria for firms seeking support that determine their growth ambition;
- Support adjusted to each stage of growth and the type/market segment of company;
- Inter-agency co-operation and partnership with private sector expertise.

Different segments of the SME population demand instruments suited to their specific needs

Type	SME Policies	Start-up support	HGE Policies
<b>Target of policy</b>	Existing SMEs	Potential entrepreneurs and start-ups	SMEs with the potential and ambition to grow fast
<b>Objective</b>	Creating a level playing-field for SMEs	More start-ups in the economy	More high-growth firms in the economy
<b>Nature of support</b>	Financial incentives; regulatory simplification	Trainings, match-making, and facilities for incubation	Capacity building, growth strategy development, management advice, network development, peer learning, finance
<b>Eligibility</b>	All or most SMEs	All entrepreneurs; sometimes limited to ICT sector	Limited eligibility, enterprises with high growth potential
<b>Processes</b>	Standard processes, with long-term and yearly work plans and indicators such as number of SMEs/start-ups supported.		Focus on key account logic. Decisive performance criteria that, if not reached, lead to discontinuation of support.
<b>Limitations</b>	Deadweight costs and displacement effects	Most start-ups fail or never grow	Difficult to predict high-growth

# International examples of support for IHGEs

Country	Agency	Dedicated activities for firms with growth ambitions
Estonia	Enterprise Estonia aims to develop the Estonian economy through three principal areas of activity: developing Estonian enterprises and boosting export capacity; Increasing tourism revenue; bringing high value-added foreign investments to Estonia	Enterprise Development Programme – supports ambitious enterprises with the readiness to invest and desire to grow, develop and launch new products and services. Both funding and advisory services
Finland	Business Finland provides support for enterprises for R&D work and helps them to grow and assists their efforts to expand internationally. It provides expert services in target countries and information about international markets.  Finnvera - a specialised State-owned financing company and the official Export Credit Agency	Growth Engines support growth of platform companies and related ecosystem of firms  Advisory services for International Growth  Growth Loan - debt-based mezzanine financing product
Scotland	Scottish Enterprise is Scotland's national economic development agency. It delivers a range of funding and advisory services to businesses.	Support for Scale-ups – tailored package of advisory and skills development services.  Grant and loan funding from Scottish Enterprise or other agencies can be mobilised.
Singapore	Enterprise Singapore work with committed companies to build capabilities, innovate and internationalise. They support the growth of Singapore as a hub for global trading and start-ups.	Scale-up SG – Peer learning and collaboration plus advice from a network public and private sector partners.

# Estonia – Enterprise Development Programme

- Estonia performs relatively well on a number of factors determining the development of high growth enterprises, including the regulatory environment, entrepreneurial skills and availability of finance.
- However, the HGEs firm demography does not reflect the above-mentioned favourable conditions.

Enterprise Estonia's Enterprise Development Programme (2014-20, €60m) aims at ambitious enterprises with the readiness to invest and desire to grow, develop and launch new products and services.

Participation is open to:

- industrial enterprises that have been operating for at least 3 years with a minimum of 8 employees and that have a first experience in export or have increased their sales each year by 5% on average.
- companies in smart specialisation fields (operating for at least 3 years, minimum of 8 employees) and that have a first experiences in exporting or have increased their sales each year by 10% on average.

The enterprises should have:

- clear ambitions and potential for growth,
- ability to bring new or significantly improved products or services to the market.



# Estonia – Enterprise Development Programme 2

## Stage 1 – enterprise's ambition and readiness for change

- EAS carries out a mapping of the enterprise's status - production, development activities, sales, finances, staff, etc.
- Customer manager draws up a written report for go-no decision

## Stage 2 – preparation and approval of the development plan

- Firm is provided with training and consultation to prepare the development plan from the customer manager and an experienced mentor.
- Multi-year development plan is drawn up and assessed against objective criteria

## Stage 3 – implementation of the development plan

- The firms implements its development plan in stages.
- Progress is assessed and the development plan may be modified.
- The customer manager monitors the implementation of the development plan, and signposts the enterprise to additional expertise

# Estonia – Enterprise Development Programme 3

In order to implement the development plan, enterprise can access :

- EAS services, for example, training, information and consulting services, support from export advisers on foreign markets, participation in foreign fairs, etc.,
- the development plan grant (up to €0.5m) – co-financing 45% to 25% of projects costs: recruitment & training, process and product development, marketing activities and production equipment (<€200k)
- Grants and services of other national agencies, for example:
  - energy and resource saving investment support of the Environmental Investment Centre
  - KredEx loan and guarantee products
  - Applied research grant of the Archimedes Foundation

Enterprise Estonia reports that their portfolio of ‘growth clients’

- were mostly from metal industry, followed by food, ICT, and textiles.
- are mostly concentrated in the regions around Tallinn and Tartu.

# Singapore : Scale-Up SG programme



Dedicated programme aimed at support a 'cohort' of companies that facilitate the development of peer networks, collaboration and learning.

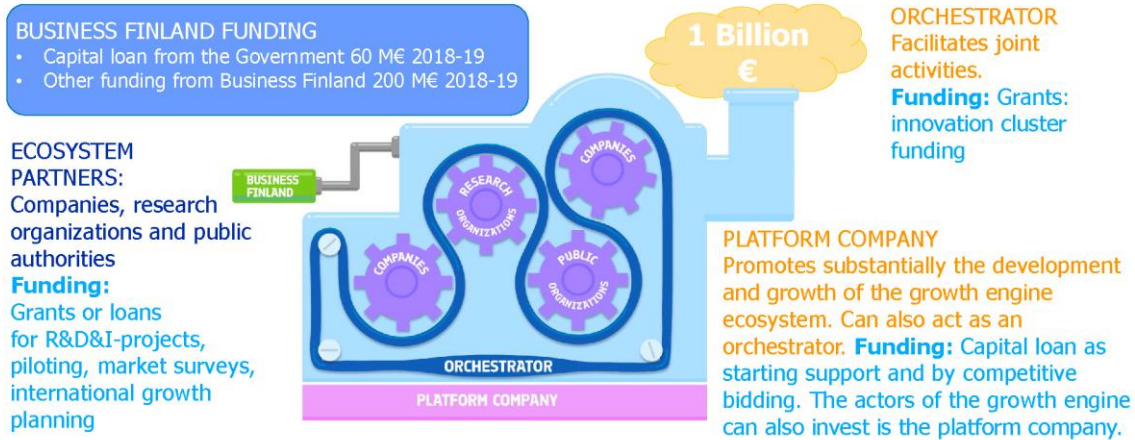
- Groups of 10 to 15 companies with similar growth profiles and priorities (from a range of sectors/markets).
- Co-funding – 80% of cost of programme covered by Enterprise Singapore
- Criteria include: headquarters in Singapore, leadership with strong growth ambitions, high potential for positive economic spin-offs for Singapore (jobs, etc.)
- Delivered with support from private sector companies from private sector anchor partners (McKinsey & Company and PwC Singapore) to help firms complete the analysis of their growth plans.

# Finland – growth engines

- Business Finland aims to develop ‘business ecosystems’ that help Finnish companies gain critical positions in global markets.
- Focus on access to knowledge, competence and talent as well as establishing “significant large-scale real-life experimental platforms and environments, attracting leading global companies”.
- Companies typically enter Business Finland services through innovation vouchers (explorer grants) or R&D/innovation programmes.
- As they develop their business and more demanding projects they are ‘shepherded’ into co-innovation consortia and/or ‘ecosystems’.

## THIS IS HOW GROWTH ENGINES WORK

Aiming for billion-euro new business, exports and investment to Finland



The growth engine can also operate without a platform company or separate orchestrator.

Mechanism	BF inputs / activities	Outputs	(Intended/assumed) Additionality
Ecosystem facilitation support	Growth Engine orchestration grants	Ecosystem orchestration	Joint vision, increased collaboration between ecosystem actors, broader networks and new capability combinations
	Growth Engines capital funding	Ecosystem collaboration	'Solution stacks', new business models, access to new markets
	BF programmes	Programme events for beneficiaries and stakeholders, meetings, networking, matchmaking (depending on the programme)	Networking, new capability combinations, knowledge dissemination, international linkages...
	Non-financial support for ecosystems	Sparring, goal setting, etc.	Ambition, directionality, broader networks, new partners and new capability combinations
R&D support	R&D funding (grants and loans) for companies	Enterprise-led R&D-projects	New products and services Knowledge spill overs, Increased collaboration between companies & research organisations
	Co-innovation, co-creation, research to business (TUTLI) -funding	Joint applied research projects	
	Testbed Finland funding	New / scaled testbeds	
Network & expert services	BF thematic programmes Export promotion & market access services	Networking events, market information, client meetings	Knowledge dissemination
Investment attraction	Invest In –activities	Increased visibility of investment and collaboration opportunities, positive country and business environment image	New R&D investments and companies in Finland; global attractivity

Source: 4Front, 2020

# Key principles for a portfolio approach to supporting innovative high-growth enterprises

1. Be selective in accepting companies with real ambition and a clear growth strategy into the programme – avoid helping already successful and fast-growing companies.
2. Support companies that can generate broader potential economic and social returns – e.g. emergence of a new sector/cluster, increasing value added and jobs
3. Provide support in stages linked to agreed performance targets
4. Companies should be advised and monitored by an account manager who follows their growth lifecycle - peers / mentors can provide additional 'industry' expertise
5. Signpost and support businesses to the best available expertise for their needs (public and private sectors) and work with investors to mobilise finance – high-growth requires team-work !

# Case study session – support IHGEs on their growth journey

During this session, the participants will be split into groups supported by a moderator and will work in two steps.

**Step 1 (40 minutes)** : develop together an outline ‘customer journey’ to ensure an IHGE receives timely support at each growth stage.

Each group will be assigned one of two proposed business cases.

**Step 2 (10 minutes)** : summarise lessons in three takeaways focusing on issue like which organisations in the EESC could play the ‘high-growth account manager’ role or what are the gaps in the ecosystem of support for IHGEs that need ‘filled’.

## **Case 1 – an existing (10+ years since establishment) food manufacturing firm - registered HQ in an EESC country.**

The company has +/-100 employees and has in-house a small lab for testing and quality control staffed by three qualified food technicians. The company has existing export sales (30% of turnover) to the EESC region, Romania, Bulgaria, Greece, Iran, etc. .

**Trigger point:** change of management

**Ambition** : first mover in new ‘plant based proteins’ products in EESC

**Challenge:** to secure investment and expertise for new product development and export markets

## **Case 2 : IT start-up launched by two young founders in 2017 focused on services based on Internet of Things (IoT) devices and data.**

The +/-20 strong staff (including the R&D team) are based in one of the EESC capital cities. However, the company is incorporated in Delaware and one of the founders is now located in Boston (USA). The company has received several rounds of seed-stage investment (up to €1.5m) from a mix of local and US equity investors.

**Trigger point:** Internet of Behaviour global trend

**Ambition** : become a global player in IoB for health sector

**Challenge:** Raise Series A investment and secure entry to market subject to strict data protection legislation

# Brainstorming session – How, Now, Wow

The aim of this session is to identify priority actions that should be taken to enable EESC countries business support ecosystem to provide more targeted advice to IHGEs.

**Now** – what can be done in the short term in my country, based on existing capacity/organisations, to better serve IHGEs.

**Wow** – ideas sparked by the training that are new or innovative to my country which could be implemented relatively fast.

**How** – actions that require more time and investment to prepare but that we need to do in a medium-term perspective to put in place a portfolio approach / scale-up programme.