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High-Growth Support Initiatives

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1 Introduction

New firms create new jobs. The magnitude of the job creating power of new firms however, has much been discussed in studies regarding this issue. Since the seminal work of Birch (1987), who stated that small and medium sized enterprises (SMEs) create most of the new jobs, the interest in entrepreneurship and new firm formation has grown rapidly. Many studies have shown that SMEs do play an important role in job creation (Broersma and Gautier, 1997; Picot and Dupuy, 1998; De Kok, de Wit and Suddle, 2006). Others state that this role is overestimated due to the high job destruction rate among SMEs (e.g. Davis et al, 1996). Still, the net effect of new firms on employment creation can remain positive, especially when a there are fast growing firms among these new firms. In consequence, there has been increasing policy interest in new firm formation, and especially in high-growth firms.

However, even though governments worldwide are increasingly aware of the importance of high-growth entrepreneurship, it is difficult to design effective policies for this group, because this group experiences specific bottlenecks. In this report, we describe the available policy and support initiatives specifically aimed at supporting rapidly growing entrepreneurial firms in the Netherlands. These initiatives are directed at the various stages of the firm life cycle, especially the creation, start-up, early growth and stable growth. Furthermore, we also describe a number of high-growth support initiatives in other countries.

The set-up of this report is as follows. Chapter 2 presents an overview of the prevalence and importance of high-growth firms. Next, Chapter 3 gives an overview of policy and support initiatives in the Netherlands. Chapter 4 describes support initiatives that can be found in a number of other countries and addresses some lessons that can be derived for the Netherlands from these initiatives.

\footnote{De Kok, de Wit and Suddle (2006) develop a size class decomposition method using net employment creation and show that SMEs (correcting for job destruction rates) are still the main source of employment growth in the Netherlands during the period 1993-1998.}
2 High-growth entrepreneurship

2.1 Introduction
Before focusing on policy and support initiatives regarding high-growth (as will be done in Chapter 3 and 4) it is important to have some insight into the prevalence (Section 2.2) and importance (Section 2.3) of high-growth firms in national economies. The current chapter will focus on these issues.

2.2 Prevalence of high-growth entrepreneurship
The Netherlands has a relatively low share of fast growing companies as compared to other countries. In the period 2000-2003 only 8% of all companies was a fast growing company, whereas for example for the same period in the United States this share was 24% and in the United Kingdom 19% (Gibcus, 2006).

The Global Entrepreneurship Monitor (GEM) presents an annual assessment of the national level of 'early-stage' entrepreneurial activity and the institutional conditions to which this is subjected in a large number of countries. In the GEM Adult Population Survey the early-stage entrepreneurs (nascents and owners/managers of young businesses) are being asked whether they expect to employ 20 employees or more in five years time (as a proxy of potential high-growth firms). On the basis of this question it is possible to provide an indication of high-expectation entrepreneurship, defined as the share of early-stage entrepreneurs (nascents and owners/managers of young businesses) in the adult population (people aged between 18-64 years) who expect to employ at least 20 employees in their firm within five years time.

According to this measure in the Netherlands in 2005 0,3% of the adult population is involved in high-expectation entrepreneurship. This is rather low in comparison with the average of the in 2005 in GEM participating OECD-countries, for which the average is 0,6%. In European context, 0,5% of the adult population expects to employ 20 or more employees within five years after the start of their company. Countries that are very entrepreneurial, like the US and New-Zealand have a higher share of potential fast growers in the adult population (for both countries this share is 1,4%).

Under the heading of the Global Entrepreneurship Monitor, a special report has recently been published on high-expectation entrepreneurship (Autio, 2005). It is the first international comparative study in the field of (potential) high-growth firms. The analysis is based on the GEM-dataset covering the years 2000 to 2004 and 44 countries. Among others, the report looks at

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1 In this study fast growing companies are defined as companies with 50 to 1000 employees that, in the past three years, have increased employment by at least 60%.

2 A survey that is held annually among at least 2,000 people of the adult population (aged 18-64) in countries that participate in the Global Entrepreneurship Monitor.
the prevalence of high-expectation entrepreneurial activity in various countries and world regions.

A first finding of this report is that prevalence of high-expectation entrepreneurship is low around the world; approximately 1.5% or less of the adult population is a nascent or an owner of a young business that expects to employ 20 or more people within a period of five years. This means that only a small proportion of all early-stage entrepreneurial activity involves high-expectation entrepreneurship.

Another finding of the high-expectation entrepreneurship study includes that the prevalence of high-expectation entrepreneurship varies greatly between world regions. More specifically, the prevalence is highest in North America and Anglo-Saxon countries and lowest in Europe and highly developed Asian countries. In North America (USA and Canada) about 1.5% of the adult population is involved in high-expectation early-stage entrepreneurial activity; for Anglo Saxon countries the participation rate is 1.4%. On the other hand, in Europe and highly developed Asian countries (Hong Kong, Japan, Singapore and South Korea), which score lowest on the prevalence of high-expectation entrepreneurship, the participation rate is about 0.5% of the adult population. Participation rates for other regions identified in this study are 1.1% for Oceania (Australia and New Zealand); 1.0% for Latin America (Argentina, Brazil, Chile, Ecuador, Mexico, Peru and Venezuela); 0.8% for Asian developing countries and 0.7% for developing countries in Africa.

The study on high-expectation entrepreneurship also explores whether differences exist between European regions. It is found that no significant differences can be observed between for example small and large European countries, Nordic countries, Benelux countries and between EU and non-EU Member States.

### 2.3 Economic contribution of high-growth entrepreneurship

From an economic viewpoint, high-growth companies are very attractive for a national economy. High-growth companies create a huge number of jobs and are often very innovative (Gibcus, 2006). A study by Deloitte (2004) shows that fast growers created one third of all new jobs in the Dutch economy in the period 1997-2001.

The study by Autio (2005) on high-expectation entrepreneurship also addresses the economic contribution of high-expectation firms. The study concludes that the economic impact of high-expectation firms is substantial as these businesses are responsible for up to 80% of total expected jobs by all entrepreneurial activity. Only a small percentage of all new firms is expected to deliver the bulk of all new jobs. This confirms results that have been found by several other studies that it is only a small proportion of new firms that create the bulk of new jobs (e.g. Storey, 1994; Birch, Haggerty and Parsons, 1997; Autio, Arenius and Wallenius, 2000; Bangma, Gibcus and Eck-Van der Sluijs, 2005). For example, Birch, Haggerty and Parsons (1997) found that high-growth firms were responsible for more than 70% of employment growth in the US, whereas they only represent 3% of the total
firm population. Bangma, Gibcus and Eck-Van der Sluijs (2005) found that fast growing firms accounted for almost 44% of job creation in the Netherlands in the period 1998 to 2002. Some studies have indicated that growth is a crucial determinant of success for a firm (Covin and Slevin, 1997; Low and Macmillan, 1998). Also, other studies have looked at the impact of high-growth firms e.g. in terms of crowding out competitors, outsourcing and innovation (Verhoeven, 2004) and also at benefits for the firm itself in terms of greater efficiency through economies of scale, higher profits and prestige for organizational members (Philipsen and Kemp, 2003).

Because of the economic importance of this small proportion of high-growth firms, the GEM high-expectation entrepreneurship study suggests that it would be advisable to target government measures specifically at high-growth firms or firms with a high-growth potential (Autio, 2005). In particular the study suggests that, in order to be able to support high-growth of firms, it is important to investigate what kind of people are behind this type of entrepreneurship. The GEM high-expectation entrepreneurship study also provides some insights in this respect, as the study also explores characteristics of people who are involved in high-expectation entrepreneurship. It is found that a high household income, a high level of education, and opportunity motivation are positively and most strongly associated with high-expectation entrepreneurial activity. Also, it is observed that when individuals are more actively involved in all kind of entrepreneurial activities (e.g. making informal investments in other people’s firms, know other entrepreneurs, have discontinued a business recently etc.), it is more likely that they will be involved themselves in high-growth entrepreneurial activity. Furthermore, prevalence of high-expectation entrepreneurs is highest in the age group 25-34 years. Also, substantial differences between industry sectors are observed: prevalence rates are highest in manufacturing as well as business services and lowest in retail trade and hotel and restaurant business.

More than in the past, the Dutch government realizes that there are too few fast growing companies in the Netherlands as compared to other countries. Therefore, support for high-growth companies has become a high priority. Recently, some new initiatives have been developed in the Netherlands. These will be described in the next chapter.
3 High-growth support initiatives in the Netherlands

3.1 Introduction

In this chapter, we will provide insight into the various support and policy initiatives for high-growth firms that are available in the Netherlands. These initiatives are mainly initiated by the Ministry of Economic Affairs or an independent government agency. First, Section 3.2 will deal with general entrepreneurship policy in the Netherlands. In Section 3.3, an overview is given of the most important policy and support initiatives. All initiatives are then shortly summarised in a table at the end of Section 3.3. Finally, we will discuss a number of initiatives in more detail in Section 3.4, 3.5 and 3.6. Most initiatives have been set up quite recently. Therefore, it is not yet possible to give an evaluation of the initiatives.

3.2 Entrepreneurship policy

The government of the Netherlands aims for generic policies that benefit all entrepreneurs equally. In recent years, the attention towards entrepreneurship has increased, as the Netherlands is lagging behind other European countries in the formation of new firms. With a TEA (Total Early-stage Entrepreneurial Activity) rate of only 4.4% in 2005 – indicating that in 2005 4.4% of the adult population (18-64 years old) was involved in concrete activities to start up a new business (nascent entrepreneur) or owned a business that was less than 42 months old (young business owner) –, the Netherlands is amongst the OECD-countries with the lowest TEA. Furthermore, Wennekers, Meijaard, Vroonhof and Bosma (2005) urge for more stimulation of entrepreneurship. They state that more entrepreneurship is not only necessary for economic growth and employment creation, but that it is also inevitable in the context of globalisation and increasing competition. The Dutch government aims to develop entrepreneurship policy that, firstly, stimulates engagement in entrepreneurship. However, the focus is not only on the quantity but also on the quality of entrepreneurship. Therefore, secondly, the government also aims to improve the quality of entrepreneurship. In order to achieve these goals, an action plan has been developed, which applies to all stages of the firm life cycle (Ministry of Economic Affairs, 2004b). According to this action plan some target groups deserve extra attention.

In this action plan three sub-goals have been specified for stimulating new, or nascent, entrepreneurship. Firstly, the policies will try to encourage different groups of potential entrepreneurs. In this respect, the focus will be on female entrepreneurs, older entrepreneurs and ethnic entrepreneurs. These three target groups will be approached by general information and personalised advice. Family-owned businesses will also get extra support during the business transfer stage. Furthermore, entrepreneurship will be promoted in education.
Secondly, in order to achieve better start-up companies, the TechnoPartner Programme has been developed. This programme is targeted specifically at techno-starters and replaces all earlier initiatives set up for this group. The so-called techno-starters are one example of high quality fledgling entrepreneurs, as they develop their innovative ideas into innovative products. The TechnoPartner Programme became operational in mid-2004 and aims for more effective spin-offs from research institutes. Besides the encouragement of the exploitation of knowledge by research institutes, this programme aims to improve the capital market for techno-starters. Furthermore, techno-starters that participate in the programme will get more specific information and advice.

Thirdly, the government aims to stimulate research and development by innovative SMEs. Therefore, the government is investigating how the American SBIR scheme (Small Business Innovation and Research scheme) can be applied in the Netherlands in an effective way. In November 2004, the Ministry of Economic Affairs launched a pilot with contracting out of innovative R&D to SMEs. The SBIR scheme subsidises the development of innovative ideas, the development of the prototype and provides an official quality endorsement at the moment of the commercialisation of the product. In the beginning of 2007, the working group will give a recommendation about whether or not to implement the SBIR scheme in the Netherlands.

Policy is not only focused on nascent or new entrepreneurs, but also on incumbent firms. In stimulating incumbent firms, the Dutch government aims for more secondary growth companies. More specifically, the focus will be on reducing unnecessary or conflicting legislation and regulations, by which the administrative costs for entrepreneurs will be reduced. Furthermore, innovative companies will be supported by financial incentives, including the provision of information and advice and subsidy schemes and financing instruments. By doing this, the government hopes to increase the number of rapid growth companies. From various studies, it became evident that such companies have difficulties in obtaining financing, which restricts their growth. Therefore, the government examines whether existing financial instruments can also be targeted at rapid growth companies.

In the Progress Report Entrepreneurship Policy (2005) the State Secretary of Economic Affairs describes the preliminary results of efforts to achieve above mentioned goals. One of the results is that the administrative requirements have been reconsidered and reduced by 10%. Furthermore, some key aspects of the TechnoPartner Programme have become operational, particularly the Subsidy Regulation Knowledge Exploitation and the Seed Facility.

Besides these specific measures, the Ministry of Economic Affairs and the Ministry of Education, Science and Culture have jointly founded the Partnership for Entrepreneurship and Education to stimulate education in entrepreneurship.

1 At the time of publication of this report this is not yet known.
3.3 Policy and support initiatives for high-growth firms

Policy initiatives for entrepreneurs are often generic; there are not many specific initiatives for fast growing companies in the Netherlands. However, the government has been focusing on the innovative power of the Netherlands in order to strengthen the competitive power in international perspective. Furthermore, Verhoeven, Kemp and Peeters (2002) empirically show with simulations that policy initiatives aimed at (high) growth firms are most successful in terms of effect on economic development. In their simulations, the authors incorporate the effects of several policy impulses, like the stimulation of start-ups, the reduction of bankruptcy cost, etc.

In order to stimulate innovations in the Netherlands, the government has studied fast growth companies. Fast growth companies experience extra bottlenecks above the “normal” bottlenecks for each firm at random, e.g. administrative complexities. In particular, fast growth companies are more likely than other companies to encounter the following bottlenecks (EIM & Ministry of Economic Affairs, 2006):

- Fast growth companies have difficulties in getting qualified employees. The employees have to function effectively in a very dynamic environment. It also takes more time and efforts to acquire and dismiss employees;
- Fast growth companies have difficulties in getting funding or capital against reasonable conditions. Banks are distant, because they perceive a greater risk. For the target group, it is also not always clear which subsidies and regulations exist for them and can benefit them;
- Fast growth companies are more likely than other businesses to encounter difficulties with the adjustment of processes and systems (knowledge management, customer relationship management (CSR)) to new circumstances.
- Finally, fast growth companies experience, more often than other companies, difficulties in the field of management and organisation. The division of tasks is often unclear and this makes it hard to delegate tasks.

These findings have led to the decision of the government to take some specific actions in order to stimulate and upgrade (potential) fast growth entrepreneurship in the Netherlands. These actions encompass four areas: (1) awareness raising, (2) supporting managerial capabilities, (3) improving public services through Enterprise Zones and (4) improving financing. In order to cover these areas, the policy initiatives mainly provide financial support, advice and networks to support the high-growth firms. In the next subparagraphs these policy initiatives are being discussed in more detail. Some of these initiatives are explicitly targeted at high-growth firms, but most of them are targeted at ‘high potentials’, i.e. innovative small firms and techno-starters. Most initiatives are being supported by the Ministry of Economic Affairs (albeit not financially), and executed by a government agency. The most important government agencies in the Netherlands targeted at high-growth are Syntens and SenterNovem.
3.3.1 Financing facilities and subsidies

The TechnoPartner Seed Facility (RSCT) is the most specific financial support initiative for high-growth companies. This facility is aimed at stimulating venture capitalists to invest in fast growing technological companies, as this is seen as a high risk investment. Technological start-ups that are financed by venture capitalists get 50% more funding by lending from the Seed Facility. This lowers the risk for venture capitalists. Another financial facility provided by TechnoPartner, is the TechnoPartnerLabel. The main aim is to make it easier for high potentials to get loans from banks. The label implies that the Ministry puts itself for 80% guarantor for the financing of high potentials. We will discuss this program in more detail in Section 3.4.

There are several other financial support initiatives that provide funding to technological innovative firms. Most of these initiatives are regional, like the South-Holland Investment Fund (ZIF) and the Techno-starter Fund North- and East-Holland. These regional initiatives are carried out by regional agencies, in which municipalities (or provinces) and banks participate.

Besides funding, there are some initiatives that subsidise knowledge exploitation. The Subsidy Regulation Infrastructure Techno-starters (SIT) is the best known initiative. This initiative provides subsidies to knowledge institutions for their support to new technology firms. Also, the TechnoPartner Subsidy Regulation Knowledge Exploitation (SKE) is an important one, which is aimed at knowledge exploitation. Other initiatives are regional, like the Buys Ballot Fund for Knowledge-intensive Starters in province Utrecht (BBVKSIDPU). This initiative provides capital to knowledge-intensive start-ups that is seen as ownership equity. This makes financing by other parties more attracting.

Furthermore, there is a fiscal regulation which makes it more attractive for entrepreneurs to conduct Research & Development. This well-known and well-used initiative amongst techno-starters is the Techno-starter Regulation (WBSO) of SenterNovem.

Finally, the Ministry of Economic Affairs has started an initiative that subsidises Master classes for high-growth firms. The organisation of these master classes is done by government agencies or management centres. The master classes are targeted at both incumbent growing firms and young innovative firms that aim to grow.

3.3.2 Advice

As said before, a main focus of the government is to reduce administrative burdens for entrepreneurs. In order to achieve this, the government tries to create more opportunities for starting and fast growing companies. The Ministry of Economic Affairs has therefore created literally zones of opportunities called Enterprise Zones, specifically for technology based fast growth firms.

The zones of opportunities are meant to bring down the administrative burden of firms caused by government regulation. These zones are located
near the three Universities of Technology in the Netherlands\textsuperscript{1}. In each of these zones, a formula manager will be settled and financed. This so-called formula manager helps start-ups or fast growing firms free of charge with problems regarding regulations, subsidies and licenses. Furthermore, the formula manager provides other consult and coaching. Eventually, the firms that make use of these zones should experience lower taxes and less regulation, without the government directly lowering taxes for this specific target group.

Another initiative from Syntens together with SenterNovem, is the Innovation Relay Centre Netherlands (IRC). This initiative contains information provision and personal advice. More specifically, it facilitates and supports the technology transfer on European level for stimulating innovations in Dutch manufacturing, e.g. by linking firms from different countries.

CUBE and YES!Delft are two regional public initiatives that provide business locations to techno-starters. Besides this physical facilitation, both initiatives try to provide relevant information and advice to techno-starters. The Information Point TechnoStarters (IPTS), another public initiative in the province South-Holland, provides general information and advice specifically meant for technological start-ups.

New Venture, an initiative of some private companies, is a game aimed at developing an innovative idea into a successful business plan. This idea development is accompanied by coaching, advice and specialist consulting. Furthermore, the participants get free access to seminars and get feedback on their business plan by venture capitalists.

3.3.3 Networks

First of all, the before mentioned master classes provide a possibility for fast growth firms to network with each other. Growth Plus\textsuperscript{2} has been the organiser of the master class Fast Growth, which is subsidised by the Ministry of Economic Affairs. Besides offering networks, the master class provides coaching and promotion of entrepreneurship among the population.

Port4Growth is an initiative that has been developed by the private sector (ING, Euronext, FEM Business and Deloitte). Port4Growth offers a community for high-growth enterprises: it provides the infrastructure to reach other high-growth firms and relevant subcontractors. Annually, Port4Growth organises the High Growth Forum, where current themes in growth are being discussed. Furthermore, it provides the possibility for these firms to exposure.

Syntens provides an innovation network for entrepreneurs, together with advice. As most innovative firms tend to be fast growth firms, Syntens tries to connect innovative firms with each other to achieve synergetic advan-

\textsuperscript{1} The three universities of technology in the Netherlands are located in Delft (Delft University of Technology), in Eindhoven (Eindhoven University of Technology) and in Enschede (University of Twente).

\textsuperscript{2} Growth Plus does not exist anymore.
tages. Another initiative from Syntens, in association with Shell, is LiveWIRE. This initiative focuses on support to technical innovative firms by providing personal coaching and a professional network. Furthermore, the LiveWIRE Young Business Award is given yearly to a high potential on the basis of the growth potential according to an innovative business plan. Periodically, LiveWIRE organises network meetings and innovation meetings.

Together with the Dutch financial newspaper "Het Financieele Dagblad", the Ministry of Economic Affairs organises a multimedia event called FD Gazelles for fast growing companies. At this event, rewards are given to the fast growing companies per region. Deloitte Technology Fast 50, provided by Deloitte in cooperation with other sponsor partners, also rewards and promotes high-growth firms, but focuses specifically on technological firms. Furthermore, regional round tables are organised in the context of this initiative, in which fast growers can share their experiences.

New Business Activity (in Dutch: Nieuwe Bedrijvigheid), a public-private initiative, provides a large network of experienced firms to innovative start-ups. The expertise of the incumbent firms in the field of marketing research, business planning, financing, HRM and organisation development stands central in the workshops of New Business Activity.

Techno-starters also have the possibility to meet each other via Higher Level, a discussion forum on the internet initiated by TechnoPartner. This information network focuses on (past) experiences, networks and information provision for and by technological start-ups.

3.3.4 Summary

The next table provides an overview of the main policy and support initiatives for fast growing companies in the Netherlands. A study of Deloitte & Touche (2004) showed that the initiatives that are specifically meant for fast growing companies are not well-known by the potential users. In the next paragraphs, we will discuss the main initiatives that are provided by TechnoPartner, SenterNovem and Syntens as these organisations are responsible for the provision of the main initiatives.
<table>
<thead>
<tr>
<th>Executing organisation</th>
<th>Initiative</th>
<th>Type of support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Economic Affairs</td>
<td>Zones of opportunity</td>
<td>Free consultation to (technological) start-ups and fast growing firms</td>
</tr>
<tr>
<td>TechnoPartner</td>
<td>TechnoPartner Seed Facility</td>
<td>Venture capitalist funding</td>
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<tr>
<td>TechnoPartner Subsidy</td>
<td>Regulation Knowledge Exploitation</td>
<td>Subsidy for knowledge exploitation</td>
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<tr>
<td>TechnoPartner Platform</td>
<td></td>
<td>Promotion of and information provision about innovative technological entrepreneurship</td>
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<tr>
<td>TechnoPartner Label</td>
<td></td>
<td>80% government guarantee for financing of high potentials</td>
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<tr>
<td>Business Angel Network Programme</td>
<td></td>
<td>Information provision to both innovative entrepreneurs and business angels</td>
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<tr>
<td>SenterNovem</td>
<td>Small Business Innovation Research Programme</td>
<td>Outsource of innovative research to SMEs</td>
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<tr>
<td>Techno-starter Regulation</td>
<td>Fiscal benefits for R&amp;D</td>
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<tr>
<td>Subsidy Regulation Infrastructure techno-starters</td>
<td>Subsidising of knowledge institutions for cooperation with technology start-ups</td>
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<tr>
<td>Innovations Stimulation Regulation Overijssel</td>
<td>Subsidising of innovative SMEs in the province of Overijssel</td>
<td></td>
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<tr>
<td>Innovation Relay Centre (in association with Syntens)</td>
<td>Facilitation and support of technology transfer on European level</td>
<td></td>
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<tr>
<td>Syntens</td>
<td>General Planning Programme</td>
<td>Coaching, advice, promotion, workshops, information provision</td>
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<td></td>
<td>Mastering Growth Programme</td>
<td>Masterclasses (called mutual learning circles) for high-growth companies, targeted at the different growth stages</td>
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<tr>
<td></td>
<td>Buys Ballot Fund for Knowledge-Intensive Starters in province Utrecht</td>
<td>Venture capital funding</td>
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<tr>
<td>Port4Growth</td>
<td>High Growth Forum</td>
<td>Annual forum for (fast) growing companies in various stages of growth</td>
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<tr>
<td>K+V Organisation Advice Bureau</td>
<td>New Business Activity</td>
<td>Workshops, networks and exchange of experience &amp; expertise</td>
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<tr>
<td>YES!Delft</td>
<td>Yes!Delft</td>
<td>Incubator, information provision</td>
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<tr>
<td>Techno-starters Fund North- and East-Holland</td>
<td>Techno-starters Fund North- and East-Holland</td>
<td>Financing of innovative firms in the region, support and advice</td>
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<tr>
<td>BOM Development Fund</td>
<td>BOM Starters Centre</td>
<td>Venture capital funding, advice and support</td>
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<td></td>
<td>Techno-starters Southeast-Holland (Technostars)</td>
<td>Venture capital funding, advice and support</td>
</tr>
<tr>
<td>Province South-Holland</td>
<td>Subsidy Regulation Knowledge-based Economy</td>
<td>Subsidising of exploitation of innovative or existing knowledge</td>
</tr>
</tbody>
</table>
3.4 The TechnoPartner Programme

'The TechnoPartner Programme is designed to improve the business climate for high-tech start-ups by providing them with access to money, knowledge, experience and equipment, by giving them a forum for their questions, ideas and comments and by encouraging academic institutions and commercial investors to back them.'

(Source: EIM & Ministry of Economic Affairs, 2006)

The TechnoPartner Programme is a special programme that has been developed for high growing innovative enterprises. This programme finds its origin in the ambition of the Dutch government to be amongst the most knowledge-based economies of Europe. Currently, the Netherlands experiences some problems with knowledge exploitation: results of scientific research are too less used by businesses. Although the quality of scientific research is high, the link with practice is often lacking. This phenomenon is often referred to as the 'European Paradox' (Ministry of Economic Affairs, 2004a). Innovations, therefore, deserve much attention and are stimulated as much as possible.

Techno-starters also play an important role in levelling this paradox. This is mainly because they link scientific research to business: newly developed technologies are often being commercialised by new firm formation (e.g. spin-offs). This makes techno-starters creative innovators that boost job creation. Job creation is a very important aspect that characterises techno-starters, because techno-starters tend to be (very) fast growing companies.

As the government becomes more and more aware of the strength and potential of this group of entrepreneurs, an action plan has been developed for them by the Ministry of Economic Affairs, together with the Ministry of Education, Culture and Science.

In the TechnoPartner Programme, all former initiatives regarding techno-starters have been incorporated and levelled. Furthermore, it contains proposals for improvements in the institutional environment of knowledge institutions. A revision of the initiatives and the institutional environment was

<table>
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<tr>
<th>Executing organisation</th>
<th>Initiative</th>
<th>Type of support</th>
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<tr>
<td>South-Holland Investment Fund</td>
<td>South-Holland Investment Fund</td>
<td>Venture capital funding, networks, coaching, advice</td>
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<tr>
<td>Rabobank</td>
<td>Rabobank Stimulation Regulation</td>
<td>Attractive loans for innovative start-ups and growing firms</td>
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<tr>
<td>BTC-Twente</td>
<td>Business Incubator</td>
<td>Incubators for innovative knowledge-intensive entrepreneurs</td>
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<tr>
<td>De Baak, Management Center VNO-NCW</td>
<td>New Venture</td>
<td>Stimulation of and coaching, advice and specialist consulting at the time of idea development.</td>
</tr>
<tr>
<td>BVIT</td>
<td>Innovation Network</td>
<td>Two innovation clusters of cooperating firms</td>
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<tr>
<td>CUBE</td>
<td>CUBE</td>
<td>Business location for techno-starters in Utrecht</td>
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</tbody>
</table>

Source: EIM
necessary, because techno-starters experience specific, typical bottlenecks (Kreijen and Van der Laag, 2003):

- **Lack of entrepreneurial skills**
  Due to the fact that most techno-starters have a technical or scientific background, in which entrepreneurship lacks, this group does not (or hardly) have entrepreneurial skills. Therefore, they experience problems when writing a business plan, attracting customers or with regard to product development.

- **Entrepreneurial culture**
  The Dutch entrepreneurial culture is rather weak, as Dutch society is somewhat risk-averse. This has resulted in a relatively low number of new firms, compared to other European countries. As a consequence, there are relatively still less new technology-based firms, as this form of entrepreneurship is seen as more risky.

- **Risk capital**
  Attracting risk-capital often appears to be difficult for a technology-based start-up. This is mainly due to the uncertain market prospects together with high risks. Therefore, they receive limited investment in the seed stage, the stage before the actual launch of the company.

The government has developed the TechnoPartner Programme while accounting for above mentioned bottlenecks. This programme has brought back the numerous former instruments and schemes to one initiative, consisting of the following pillars:

1. **TechnoPartner Seed Facility (RSCT).** As said before, especially new and (potential rapidly) growing firms are having difficulties with obtaining capital. This will be made easier by implementing a Seed Facility, which makes it more attractive for venture capitalists to invest in techno-starters, as their risk decreases. Technological start-ups that are financed by venture capitalists get 50% more funding by lending from the Seed Facility. In practice, this means that these start-ups have to obtain ‘only’ 50% of their required risk capital, as the other 50% is funded by the Seed Facility. Venture capitalists will perceive a decreased risk of investing in techno-starters.

2. **TechnoPartner Subsidy Regulation Knowledge Exploitation (SKE).** This regulation has been developed in such a way that scientific knowledge will be exploited easier by techno-starters. It is both meant for spin-offs and new independent start-ups. A pre-seed facility provides the opportunity to techno-starters to spend more time and effort in the stage before the actual start. A patent facility makes it possible for the knowledge institution to professionalize the internal patent policy. Large companies and knowledge institutes can, together as a consortium, get 50% funding for initiatives that create technological start-ups based on these research programmes.

3. **TechnoPartner Platform.** This platform is aimed at increasing the group of potential innovative technological entrepreneurs. This will be done mainly by information provision and exchange of information. The platform will also follow techno-starters for feedback.

4. **TechnoPartner Label.** Another financial facility provided by TechnoPartner, is the TechnoPartner Label. This label is actually an extension of the regular guarantee facility of the Ministry of Economic Affairs for all start-ups. TechnoPartner Label provides an extra facility to technologi-
cal, high potential start-ups, because the Ministry puts itself for 80% guarantor for the financing of high potentials through a loan. The risk for the loan providing bank will be reduced, but the bank will have to pay a risk premium.

5 Business Angel Network Programme. This programme consists of information provision to both innovative entrepreneurs and business angels to achieve a better match. Business angels are informal investors that provide next to capital, also knowledge, management experience and coaching to (starting) entrepreneurs.

3.5 SenterNovem

SenterNovem is a government agency of the Ministry of Economic Affairs that pays special attention to innovations and sustainability by subsidizing innovative and sustainable companies. SenterNovem was created in 2004 as a venture of the former government agencies Senter and Novem. SenterNovem advises, informs and provides networks and subsidies to innovative and sustainable ideas or companies. Very often, these companies have the potential for fast growth.

SenterNovem has some developed support services for innovative entrepreneurs with a high potential. These services are mainly financial:

1 Small Business Innovation Research Programme (SBIR). First of all, SenterNovem carries out the pilot of the Small Business Innovation Research Programme (SBIR). The SBIR Programme is an American programme in which the government contracts out innovative research with a societal relevance to SMEs. SBIR consists of three phases: feasibility, development and commercialisation. Multiple companies can submit proposals for phase 1 and phase 2. The best proposals are selected. The first two phases are 100% funded by the government. The SBIR programme runs for over twenty years in the USA and can be considered a good practice. In the pilot it is studied how a similar programme can be implemented in the Netherlands. With the SBIR pilot, the Ministry of Economic Affairs aims to stimulate start-ups, young fast growing firms, and SMEs and to challenge them to perform ground-breaking research. With SBIR the Ministry intends to promote the innovativeness of SMEs and the importance of commercialisation of knowledge.

2 Technostarter Regulation (WBSO). This regulation is the most well-known and most used regulation by starting technological enterprises. In order to stimulate innovative renewals, the government provides fiscal benefits to (starting) technological enterprises. This regulation is meant for all enterprises that carry out R&D, experiences bottlenecks and resolve these by themselves. They get discount on tax and national insurance contributions for those employees that are involved in research and development activities.

3 Subsidy Regulation Infrastructure Techno-starters (SIT). In order to stimulate the creation of new technological firms, this regulation pays attention to the infrastructure that is needed for techno-starters. Knowledge institutions, like universities and other research organisations, can apply for subsidy for their cooperation with and support to techno-starters. This can vary from renting equipment to hiring professionals.
4 Innovations Stimulation Regulation Overijssel (ISO). This regional regulation is aimed at stimulating innovative SMEs by providing subsidies. These subsidies can be used for hiring consultants and conducting research and development projects. An extra subsidy is available for techno-starters, new firms, IT firms and sustainable firms.

5 Innovation Relay Centre Netherlands (IRC). Together with the government agency Syntens, SenterNovem has set up the Innovation Relay Centre Netherlands. This initiative comes from the European Commission and consists of a network in 33 EU countries. The Centre facilitates and supports the transfer of technology on European level in order to stimulate innovations in Dutch manufacturing. Furthermore, entrepreneurs can get general information, but also specific contact information with other attractive potential partners trough networks and events.

3.6 Syntens

Syntens is another independent government agency. Its main aim is to support innovative successful entrepreneurship. Special attention is paid to techno-starters and high-growth companies. They are supported by Syntens, as they are confronted with opportunities and put in contact with knowledge institutions and other companies that can help them with realising the opportunities.

The support provided by Syntens has three main focus areas: detailed information about (successful) innovation, digital innovation advisors and a network for potential partnerships. Furthermore, Syntens organises workshops and meetings for innovative entrepreneurs. Most meetings are regional. For young and innovative firms that aim to grow fast, Syntens will organise a Masterclass. Another Masterclass, named Fast Growth, is organised by Growth Plus and De Baak Management Centre.

Currently, the most important initiative that Syntens carries out in corporation with the Ministry of Economic Affairs, De Baak Management Centre and Port4Growth for fast growing companies is the Mastering Growth programme. This initiative mainly consists of masterclasses called Mutual Learning Circles in which companies that are in the same growth stage participate. These interactive masterclasses focus on the entrepreneur’s role and influence on the growth of his company.

Finally, together with the Buys Ballot Fund, Syntens has set up the Buys Ballot Fund for Knowledge-intensive Starters in province Utrecht. This initiative provides venture capital to knowledge-intensive starters in the region of Utrecht.

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1 Overijssel is a province in the Netherlands.
4 High-growth support initiatives in other countries

4.1 Introduction

Recently, a study has been conducted on high-growth support initiatives in a number of countries (Autio, Kronlund and Kovalainen, 2007). This study finds that, in the countries under investigation, there are only few initiatives that focus explicitly on high-growth firms. In this chapter we will exclusively describe support measures that have such an explicit high-growth focus. The measures described in this chapter originate from the following three countries: Finland, Italy and the United Kingdom. Almost all of the measures listed are quite new. This newness may partly be due to an increasing awareness among policy makers of the importance of high-growth firms. After the support measures are described, we will evaluate what lessons can be learned from these measures for the Netherlands.

The descriptions of the high-growth support measures in this chapter are taken from Autio, Kronlund and Kovalainen (2007).

4.2 Finland

4.2.1 Growth Firm Service

Background

The Growth Firm Service was started in 2003 by the Finnish Ministry of trade and industry. The program aims to proactively identify firms and entrepreneurs with a high-growth potential and direct these to appropriate services offered by the various public agencies that support SMEs and innovation. This successful program is implemented as a cooperative effort between these agencies, and it is coordinated by the private SME Foundation PKT.

Description

The goal of the program is to act as a “one-touch shop” for public services relevant to growth firms. There are four major public agencies that offer services to SMEs in Finland, and through the contact with a business consultant in one of these agencies, a firm can get information about and be referred to appropriate services offered by all the agencies. These institutions are Finpro (Internationalization services), Finnvera (State-owned financing company), SITRA (Finnish National Fund for Research and Development), and TE-keskus (Regional Employment and Development Centres). Consultants in all of the agencies proactively seek to identify promising growth firms. When identified, the consultant offers a growth analysis session with the firm, and based on the growth analysis, specific needs for

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1 Australia, Brazil, Finland, Hong Kong, Hungary, Italy, Netherlands, Spain, United Kingdom
achieving growth are prioritized and appropriate services from the four participating institutions are enlisted.

In total, there are approximately 100 different support services that can be offered by the participating institutions to the firms. The majority of these support measures concern financing, since financing is the main activity for 3 of the 4 participating institutions, while the fourth institution is focused on support for internationalization.

The target group is SMEs with a high-growth potential in all sectors. Nevertheless, most participating firms are technology companies, since these companies often may be more interested in the services that are being offered. These firms are often in the expansion stages of development since firms younger than this may not yet be recognized ("on the radar screen") of the public business consultants. The younger firms are often born globals (i.e. firms that have a strong international presence from inception or shortly thereafter) or firms with a strong technology-focus.

The program was started in 2003, and each consultant or service is financed by the respective institution. It is thought that approximately 300-400 people spend around 10-15% of their time on offering growth services. The cooperation between institutions is coordinated by the private SME Foundation PKT and financed by the Finnish Ministry of Trade and Industry. The budget for the coordination and follow-up of the program is 0.5 Million EUR per annum.

Results and Lessons Learned

The growth firm service is distinctive because of its explicit and sole focus on high-growth firms. The program is still being phased in, and it has been approximately one year in operation. So far, 300 growth firms have been identified and received a growth analysis through the program. This corresponds to approximately one firm per consultant. It is thus clear that the number of firms that are supported through the program has room to grow significantly, although no target for the number of firms to be processed has been set. The total population of potential growth firms in Finland is estimated to be in the range of 2 000 - 30 000, depending on the definition of growth. The growth rates of the participating companies has not been analyzed yet, but an analysis will be carried out when enough time series data is available.

The program is generally considered to be successful. The participating firms have been very happy with the service, especially with the aspect of firms being approached proactively and provided with a single contact person instead of one for each institution. Only few firms have declined the growth analysis, arguing that they do not need any of the services that the four participating institutions have to offer. This evaluation is based on feedback from business consultants. A more thorough qualitative evaluation will be carried out this year.

A key lesson has been that the coordination of four strong institutions is quite difficult. Each institution has different working methods, values, and they may have different objectives. It has also proven difficult to engage all of the regional institutions and business consultants in the program, and there is a large spread in the degree of activity. Furthermore, the ability of consultants varies. This is important, since the success of the program depends on the quality of consultants employed in approaching firms.
The current focus in developing the program is on further strengthening commitment among the participating institutions, spreading good practice among participating institutions, and thus evening out regional differences. Efforts are also being invested in reaching out for companies that do not rank among the primary clients of the four participating institutions; these include, e.g., mature companies that have a renewed motivation to grow. In the future, the concept could be further developed to cover not only financing for R&D which is the current focus, but also e.g. marketing and sales and other financial needs of the participating firms.

In all, the measure is quite original in that it acts as an interface to all services of the major public support institutions and is proactive in locating high-growth potentials and directing them to appropriate services. The practice can thus be similarly appropriate in cases where there is a network of disparate public organizations offering support services.

4.2.2 INTRO

Background
The INTRO program was started in 2002 by the SITRA, the Finnish National Fund for Research and Development. This very successful program seeks to correct perceived market inefficiency by working as an interface between entrepreneurs and private investors (business angels). The program offers an online marketplace and a trade-show for business ideas, advice on business plans, and courses and workshops in private equity investments for both entrepreneurs and investors.

Description
The main purpose of the program is to facilitate contacts between investors, primarily business angels, and entrepreneurs. This is realized through an online contact forum and an annual tradeshow where young firms and new entrepreneurs can present their business ideas to potential financial backers. All entrepreneurs and investors are required to sign non-disclosure agreements. In order to participate, the potential investors must be classified as “professional investors” by their wealth. The program also provides training in e.g. early-stage financing, contracting, and valuation to entrepreneurs and investors.

In addition to facilitating contact between investors and entrepreneurs, the program can also co-invest with business angels in firms to up to 50% of the total investment. When needed, the program can also support the formation of syndicates between several private and public investors. The aim of the program is to promote the investment readiness of early-stage and growth businesses and facilitate access to early financing rounds. The program also supports the development of a private venture capital and business angel market in Finland. A secondary goal is to reduce the cyclical-ity of the venture funding market. The program supports growth-oriented firms in knowledge-based sectors, such as service or technology. The participating firms are typically in the seed or start-up stage. Some early-growth stage companies have also par-

\[1\] See www.tuli.info
ticipated, but a requirement for participating is that the firms have not yet received external funding.

The program was started in 2002 and is run and funded by the Finnish National Fund for Research and Development (Sitra). The budget of the program is 1.2 Million EUR for coordination, and in addition, the fund invests 1 Million EUR annually in start-ups.

This funding is matched annually by approximately 4 Million EUR of private investment.

Results and Lessons Learned

So far, 150 firms have participated in the program, of which 30% have raised funding. Last year, 40 firms participated in the program, and 14 of these received financing. On average, the firms raise 350 000 EUR per funded firm. This equity investment is typically supplemented with public capital loans and research grants, bringing the typical total financing up to approximately 1 Million EUR per firm.

In total, 300 business angels participate in the program. Of these, 60% participate actively in screening deals. As a group, the business angels have declared that they are prepared to invest up to 40 MEUR in young firms. The program is considered very successful. One measure of success is that 5 participating companies have raised over 10 MEUR in subsequent private financing rounds. One example of these is the mobile game software firm Sumea Interactive.

One success factor has been a relatively high degree of selectivity in the program. Only 40 companies are chosen annually in the program. It is estimated that this number represents virtually the totality of new ventures that really have a high-growth potential in Finland. The program has recognized that the most promising entrepreneurs and the most promising business ideas tend to get access to venture financing right away without the help of the support program. Nevertheless, there is a need for a program for the high-growth potentials that are “just below” the star firms, and these may be appropriately funded by business angels.

Furthermore, the program has recognized that it is not enough to get just any financing; firms need enough financing to realistically enable growth in the markets they target. Therefore, the goal of the program is to raise at least 300 000 to 500 000 EUR per firm.

The program considers private investment by business angels as superior to public funding of young firms. Business angels have been recognized as more effective in screening and choosing the firms that have the highest potential for growth. In addition to the invested capital, business angels also often have much to contribute to young firms in terms of business knowledge. The program also thinks that there exists no “financing gap” of early-stage firms as long as the firms are of high enough quality. This is illustrated by the fact that in 80% of the deals that the programs broker, business angels contribute all of the capital. In only 20% of the deals, a syndicate with Sitra is needed in order to raise enough financing.

The program has also recognized the importance for of being quick, flexible, and relatively independent in its decision-making. This is accentuated by the fact that the time-to-market is critical in many of the targeted sectors, and firms therefore need to find funding quickly in order to achieve success. In addition, all employees involved in the execution of the program have
been recruited from industry. As a result, they have a good understanding of what both firms and investors require in finding commonly agreeable deals.

Another issue that has been identified is the need for training for both entrepreneurs as well as business angels on early-stage financing and valuation. The program initially focused on training entrepreneurs, but it was realized that due to the complexity of many private equity investments, business angels require training too in order to fund new start-ups. In the program, entrepreneurs and investors attend the same training session, which facilitates the formation of a joint understanding and standards.

Business angels have also, in contrast to conventional wisdom, been found to not be home-biased. Therefore, there has been no need to divide markets regionally. On the contrary, the program sees a future with Nordic and Baltic cooperation around early-stage financing.

While the program is ongoing, consolidation with other support measures is expected in the future.

4.3 Italy

4.3.1 Piemontech VC Fund

Background
The Piemontech VC fund was started in 2004 to support ICT start-ups in the Piedmont region. The fund provides investments of up to 200 000 EUR for start-up funding. Fondazione Torino Wireless, a publicly founded foundation, is the principal institution behind the fund and the fund is also associated with the I3P incubator. The fund upholds very strict criteria for financing and has so far been considered successful.

Description
PiemonTech is a small venture capital fund, investing from 20 kEUR to 200 kEUR for a 20-35% equity stake in Piedmont start-up companies. The fund also provides advice and consulting support, e.g. regarding strategy formulation, new customer identification, and human resource management. The aim of the fund is to promote innovation and foster growth and development in the high technology industry in Piedmont while generating acceptable financial returns to the fund.

The Piemontech fund concentrates its funding and non-financial efforts selectively on a relatively small number of firms. The fund targets innovative start-ups and young firms in the technology sector; mainly ICT, but also to some degree biotechnology, advanced mechanics, and high value added services. In order to obtain funding, firms must have a high-growth potential and aim at international markets. Investments are expected to typically last 4-5 years.

1 See www.piemontech.it
The fund is associated with the I3P incubation centre and operated by Fondazione Torino Wireless, a publicly funded foundation, which owns around 50% of the fund. Many other partner foundations and firms own minority shares and participate in the management of the fund, including the I3P incubation centre, Eurofidi, and Unione Industriali di Torino. The annual budget is 2.5 MEUR, and this is expected to increase to 5 MEUR in the next year and a half. Two full time staff work with administration, and the fund involves its network partners for evaluating proposals.

Results and Lessons Learned
So far, the fund has made 12 investments out of 600 proposals. This implies a 2% funding ratio, which is quite similar to that of private VC funds. The goal is to create a portfolio of 40-50 firms in total. The fund has been regarded as successful in enabling growth through the capital it provides.

While it is too early to evaluate the growth rates of the portfolio firms since the first investments were made 1.5 years ago, there are many positive signs. Out of the 8 first firms, 6 were funded have transitioned from the R&D stage and are now generating revenues, and none of the funded firms have gone out of business. There are also negotiations about second-round financing with some firms, which is also a positive signal.

Another sign of the success of Piemontech is an increasing number of applications and an increased interest among entrepreneurs who apply to the fund. This goes hand-in-hand with a growing awareness of VC funding in Italy and the Piedmont region as a whole. Entrepreneurs who apply to the fund appear to be better trained and prepared when they approach VC funds than they were 1.5 years ago, which also indicates an improvement in the quality of demand of venture capital.

Compared to many other public policies in Italy which fund a larger part of the applicants, Piemontech can apply stricter criteria and thus uphold a higher quality level among the funded firms. This ensures that the resources of the fund are spent effectively on firms that have a clear growth strategy and target international markets, and thus should achieve a larger impact. Another key to success has been the network of public and private partners cooperating around the fund. Although Piemontech is a relatively small fund, the network around it is continuously growing, e.g. in terms of the universities and research centers from which the fund receives proposals.

4.4 United Kingdom
4.4.1 Name initiative: Gateway2Investment (g2i)\(^1\)

Background
The Gateway2Investment (g2i) program was started in London in 2005. The program helps innovative firms become “investment-ready” through a three-stage program that involves self-assessment, training, and mentoring. All 42 universities in London participate in this very successful program.

\(^1\) See [www.g2i.org](http://www.g2i.org)
which is led by Grant Thornton and financed by the London Development Agency.

**Description**

The program provides help and assistance to innovative firms to become investment-ready. The program consists of three stages, where after each step some firms are selected for more comprehensive support in the next step. The program starts with entrepreneurs making a self-evaluation of their firm's investment-readiness. This self-evaluation is aided by the diagnostic software package Gauntlet. Later-stage support is provided through individual and group workshop sessions as well as through mentoring sessions where e.g. investment propositions and business plans are developed. No grants are given out, but the aim of the program is to aid participating companies to become viable and attractive investment opportunities for private investors.

The program targets firms in the technology sector (e.g. biotech, ICT, energy, environmental technologies) which have passed the seed stage and are looking for investors to finance growth. Typically, companies that participate in the program are not new. The goal of the program is that each firm would be expected to raise financing of at least £ 0.5 Million within a 12-month period.

The program is a three-year project, which is principally financed by the London Development Agency. The financial advisory firm Grant Thornton is the lead delivery partner and thus in charge of the day-to-day running of the program. Private-sector partners provide advisory services and software at a discounted price or for free, which reduces costs. The budget for the 3-year period from 2005 to 2008 is approximately 2 Million EUR in total. There are 2.5 core staff members at Grant Thornton who are working exclusively on g2i, and around 20 others are drafted when needed.

**Results and Lessons Learned**

So far, 169 companies have support for 2 hours or more while a smaller number has received more intensive support. 13 companies have raised outside capital, 10 Million EUR in total (between 0.2-2 Million EUR per firm); the target for the program is to raise 50 Million EUR for the participant firms by 2008. So far, the firms have created 117 new jobs. The program is considered very successful. It has a proven success of successfully obtain VC financing for firms. As there are new big investments in currently in the pipeline, the program thinks that it will meet its targets.

The program has recognized that a lack of financing is not a problem in London, but instead the knowledge and skills about how to access the finance is the bottleneck. By acting as a gateway for firms to access financing, the program thus represents a good example of how to improve demand for venture capital in an area where fewer or no measures are needed to improve the supply side. In that it is similar to the INTRO program in Finland which is also built around the idea that there is no supply-side financing gap, but that the cause of the scarcity of early stage investments is on the demand side as entrepreneurs are not aware of how to turn their firms into attractive investments.
Another lesson learned is the importance of managing the participating firms’ expectations concerning the firm’s journey through the program. A related lesson is the importance of making sure that programs are fully thought through and robust at the time of launch in order to generate goodwill and momentum.

4.4.2 High-Growth Start-up

Background
High-growth Start-up is a regional project (Phase 1: 2001-2004; Phase 2: 2004-2009) started by the Business Link organization in South Yorkshire in 2001. The program is co-financed between the EU and the Yorkshire Forward Development Agency. The program provides coaching and mentoring by former entrepreneurs to growth-oriented start-ups in the region. The program is generally considered very successful, and it has assisted several hundreds firms that have created close to 2000 jobs.

Description
The program provides up to 18 months of pre-start and start-up mentoring and coaching support for high-growth start-up firms. The mentors will assist the firm in making a plan for growth, and they also broker appropriate support for the business to overcome any identified challenges. The mentors used are usually experts in the particular business sector and have experience of starting and growing their own businesses.

The program also aims to stimulate the enterprise culture by helping to identify and develop business opportunities, support businesses that are capable of achieving high levels of growth, and remove barriers to growth for these firms. The overall goal of the sub-regional program is to make South Yorkshire the best place to start and grow a business in the United Kingdom.

The program is targeted at ‘high-growth companies’, which are defined as start-up firms that target a turnover of approximately 400 000 EUR by year two. The prioritized sectors are technology (e.g. biotech, advanced manufacturing, environment, and energy technologies) and professional services. The current second phase of the program will run from 2004 to 2009. Nine private sector organizations based in South Yorkshire have been contracted for the delivery of the support. The program employs 7 staff, and the total annual budget is 2.5 Million EUR. The program is co-financed by the Yorkshire Forward Development Agency and the European Regional Development Fund.

Results and Lessons Learned
During the first phase of the program in (2001-2004), 595 start-ups were supported, and these firms have created a total of 2010 jobs. For the second phase of the program (2004-2009), the target is to support 295 start-ups creating 1744 jobs. Last year, 150 firms were supported.

1 See www.yorkshire-forward.com
South Yorkshire has historically had a low rate of entrepreneurship in the region, but the program has generally been considered very successful in increasing the level of growing new firms. One success story is the DVD software company ZOOtech.

A reason for the success has been that the program focuses on unblocking progress and providing the firms with the managerial skills and insight that they need for growth. Another important success factor is that mentors have private-sector experience from entrepreneurial activities. In many other programs, business coaches tend to be publicly employed or do not necessarily have personal experience from starting and running a firm. A lesson learned has been that entrepreneurs need to be shielded from data collection requirements and bureaucracy that often may accompany national and European support programs. The program also must ensure that all interaction with entrepreneurs is timely and based on the client’s time and availability and not on the needs of the support organization.

For the development of the project, the program is trying to design and implement a new diagnostic process that allows the program to identify certain entrepreneurial traits that give projects greater success.

4.4.3  Mustard.uk.com

Background

The Mustard.uk.com program was started in the West Midlands, UK, by the two public organizations Advantage West Midlands and BusinessLink in 2000. The program is co-financed by the E.U., and it offers business coaching and subsidized private consultancy services to nascent entrepreneurs and young start-ups.

Description

The program refers firms to and subsidizes private consultancy services (e.g. in management consulting, law, accounting) for new nascent entrepreneurs and start-up firms. The firms should have a target of at least 250 000 GBP turnover in their second year and be willing to locate in the West Midlands region.

In addition to access to subsidized consultancy services, available support includes workshops for start-ups and nascent entrepreneurs, access to a business opportunity database, and mentoring services for young firms through a dedicated business coach. Support is provided for up to 18 months, but can be extended for up to 36 months.

The program aims to aid the start-up of new growth-oriented firms by facilitating access to business expertise for entrepreneurs and firms in the seed and start-up stage. While the program is not limited to firms in any specific sectors, the priority sectors are creative industries, food, and tourism. The program was started in 2000, and it is run by the Advantage West Midlands and Business Links in the West Midlands organizations, and co-financed with the European Regional Development Fund. The budget is 2,6 Million EUR per annum, and the program employs 3 full time staff in the central manage-

1 See www.mustard.uk.com
ment team and 15 managers working as business coaches across the region, plus contracted private sector consultants.

**Results and Lessons Learned**

Since the inception of the program, approximately 2000 firms have been supported. Last year, 300 firms were supported. The current average size of the companies that have participated in the program is 400 000 GBP in turnover and 8 employees. Some star companies have grown to over 100 employees.

The program is generally considered very successful. The reasons for success have been a clear and independent brand identity of the program, a focus on nascent entrepreneurs who are already in employment, the co-pay system for the services, and a good quality control of the private sector partners.

A brand identity is especially important since many in the target audience have traditionally had a sceptical or outright negative perception of government support programs. It is of great importance to let the program be quite independent from government and have a high degree of interaction private sector partners such as banks, financial advisors and consultants that are well respected by the target audience.

Also important is the insight that potential high-growth entrepreneurs may often be employed, and therefore need support and guidance on their career change path to self-employment. Having a co-pay system for the subsidized services challenges and motivates the clients.

Finally, only private sector partners that have gone through a quality assurance process are involved in the program. This ensures that the clients get what value for their money and time investment in the program.

A lesson learned has been the importance of looking at the needs of each individual business and entrepreneur and tailor the support for that business. This involves packaging the right solutions, with the right consultant and the appropriate coaching. There is no one-size-fits-all in supporting new growth-oriented firms.

### 4.4.4 West Yorkshire Ventures

**Background**

The West Yorkshire Ventures program was launched by the West Yorkshire Enterprise Partnership organization in 2005. The program provides business coaching for firms with high-growth potential through its own consultants. The program is considered very successful.

**Description**

The program offers business coaching through its own consultants and provides financial support for professional services based on a diagnostic analysis of the firm’s needs. The level of funding for the services depends on the firm’s likely level of growth and the type of activities to be undertaken. Advice and coaching is provided for up to 24 months, and financial

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1 See [www.wyventures.co.uk](http://www.wyventures.co.uk)
support for professional services is provided for up to 12 months. The program also arranges training and networking events for entrepreneurs. The aim of the project is to ensure that high-potential firms have the most appropriate and substantial support needed to assist their business development, and thus create sustainable jobs in the region. In order to be eligible for support, the firm must be an SME based in the West Yorkshire region, which targets a turnover of over 1.5 Million EUR within three years. There is an implicit focus on the start-up and early growth stages of development. The program is open to all sectors, with the exclusion of franchisees, real estate, and professional services. The program is similar to the South Yorkshire program, with the difference that this program relies on its own consultants for coaching while the South Yorkshire program contracts private organizations for coaching. The annual budget of the program is 1.78 Million EUR, and it is co-financed between the Yorkshire Forward agency and the European Regional Development Fund.

Results and Lessons Learned
So far, 566 businesses have been supported through the program. These firms have created 920 jobs. The program is generally considered very successful in assisting firms to achieve growth. However, the number of jobs created per firm is quite small, or on average less than two per firm. The program is still new, and it may thus be too early to judge the development of supported firms.

A lesson learned is the need for the program to be flexible and adapt to the varying needs of high-growth entrepreneurs and understand entrepreneur’s dislike of bureaucracy. Equally important is to manage intermediaries (i.e. organizations that refer firms to the program) in order achieve a flow of high-calibre clients, and to ensure that the advisors are competent and can thus are able to build credibility with clients.

4.5 Overview: some suggestions and lessons for the Netherlands
The initiatives described in this chapter can broadly be divided into two categories. The first category involves support initiatives that offer a broad range of advice, training and mentoring, the aim of which is to improve the managerial capabilities of participating firms. The second category involves initiatives that aim to catalyze the provision of resources and business services for growing entrepreneurial firms. For example, venture capital funds and business angels networks fall into this category.

From the description of the measures that are presented in this chapter various suggestions or lessons can be derived that may potentially be useful for the Netherlands:

- **Identify and approach high-growth potentials pro-actively**
  Support programs could proactively seek to identify high-growth potentials. As part of the support measure “Growth Firm Service” in Finland, the consultants of the agencies involved aim to identify and approach high-growth firms. The participating firms indicate being happy with being approached proactively.
- **Provide a single contact person or a single contact point**
  In case different institutions are involved in the provision of a support service it may be advised to provide a single contact person or a single contact point for the high-growth firms/entrepreneurs.

- **No one-size-fits-all approach, but tailored support**
  In supporting high-growth firms it may be useful to tailor the support to the individual needs of the firm/entrepreneur instead of using a one-size-fits-all approach. In order to do this it may help to make an analysis of the needs of individual firms/entrepreneurs and to direct entrepreneurs to appropriate support measures. Furthermore, it may help to provide programs that are flexible and able to adapt to the varying needs of individual businesses and entrepreneurs. In this case services such as advice and mentoring may be useful in particular, since these services can more easily be tailored to specific needs of high-growth firms/entrepreneurs.

- **Seek close cooperation with private sector parties**
  In targeting high-growth firms it may be advised to closely cooperate with private sector parties. For example, people with private sector experience may be useful as mentors and trainers, e.g. by helping entrepreneurs to gain managerial skills and insights that they need in order to be able to achieve growth. In the Netherlands private sector parties are already involved in a number of initiatives aimed at stimulating high-growth entrepreneurship.

- **Facilitate contacts between (potential) high-growth entrepreneurs and business angels**
  Support measures could play an important role in facilitating contacts between high-growth entrepreneurs and business angels, e.g. by providing an online platform for contact. In the Netherlands the possibility of networking is already stressed by a number of initiatives, however, perhaps more could be done to bring (potential) high-growth entrepreneurs and business angels together.

- **Provide support and guidance to potential high-growth entrepreneurs that are wage-employed**
  Potential high-growth entrepreneurs may often be wage-employed. They may need specific support and guidance with the transition to self-employment.
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