

## PARP conference

Quality versus quantity –  
who creates growth?

Warsaw, 6 December 2013

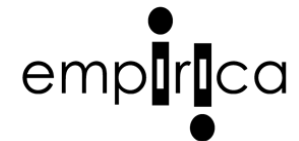


# Policies in support of high-growth innovative enterprises (HGIEs) Special: Poland

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A study on behalf of the  
European Commission





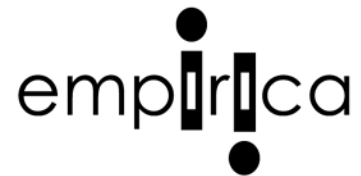
# Study background

- Evidence that HGIEs contribute decisively to job creation
- HGIE are part of new European indicator for R&D output
- However: lack of knowledge about HGIE characteristics and appropriate policies

**=> HGIE study** for European Commission, DG Research and Innovation, 1/2013 – 9/2013



# Partners





## Methods: CATI survey

- Survey in **36 innovative industries** in **eight countries**: DE, FR, UK, PL, CH, US, JP, KR
- Sample: 580 HGIEs (PL: 49)
- “High growth”: Companies’ number of employees grew **at least one third** over three years in past five years (PL: 22% in two years)
- Only internal growth, **no mergers and acquisitions**
- Size threshold: ten employees at beginning
- Data base for sampling incl. 4% HGIEs (PL: 3%)



# Further methods

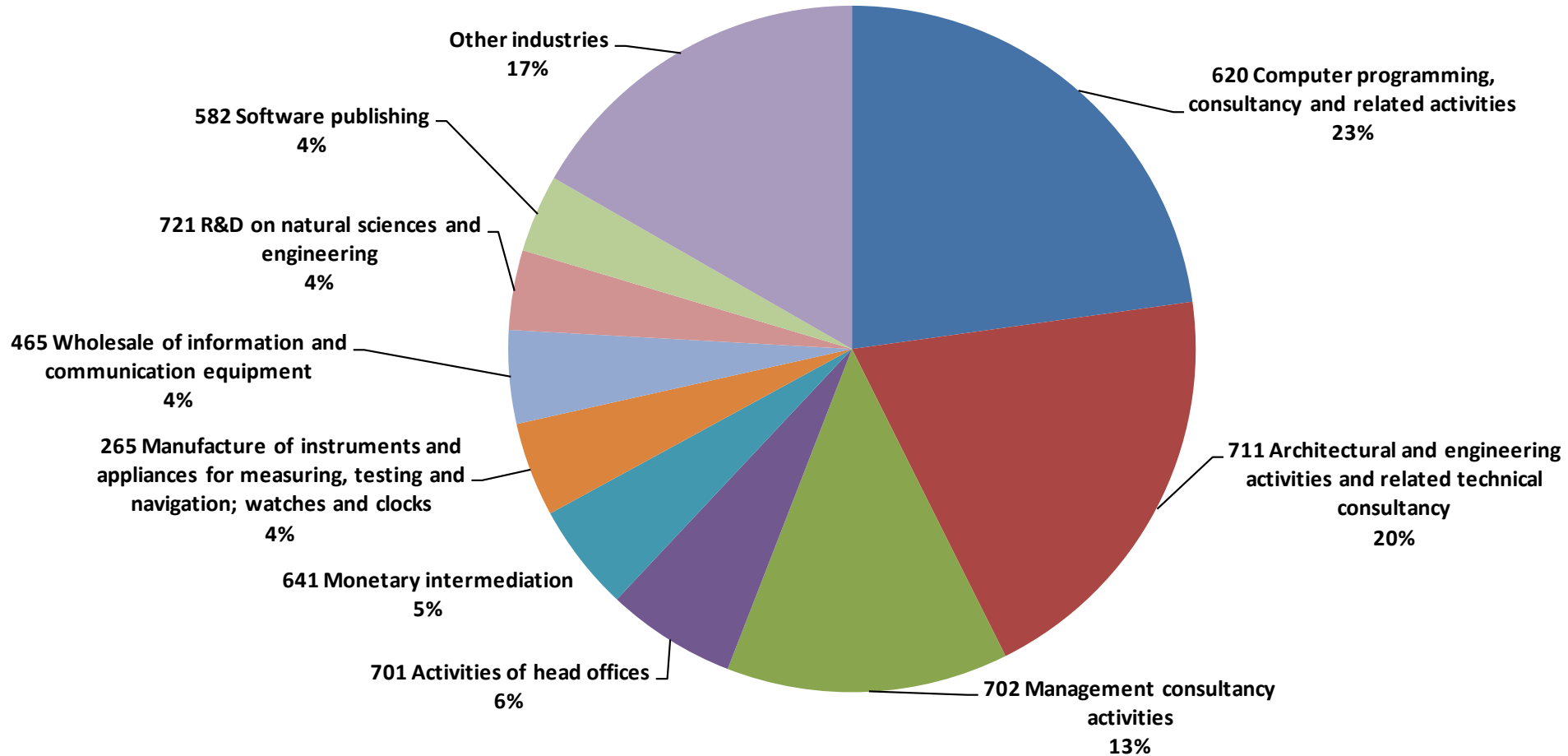
- **Interviews with experts**
  - Three interviews per country  
(one academic, one governmental, one business)
- **Literature research**



# HGIE characteristics

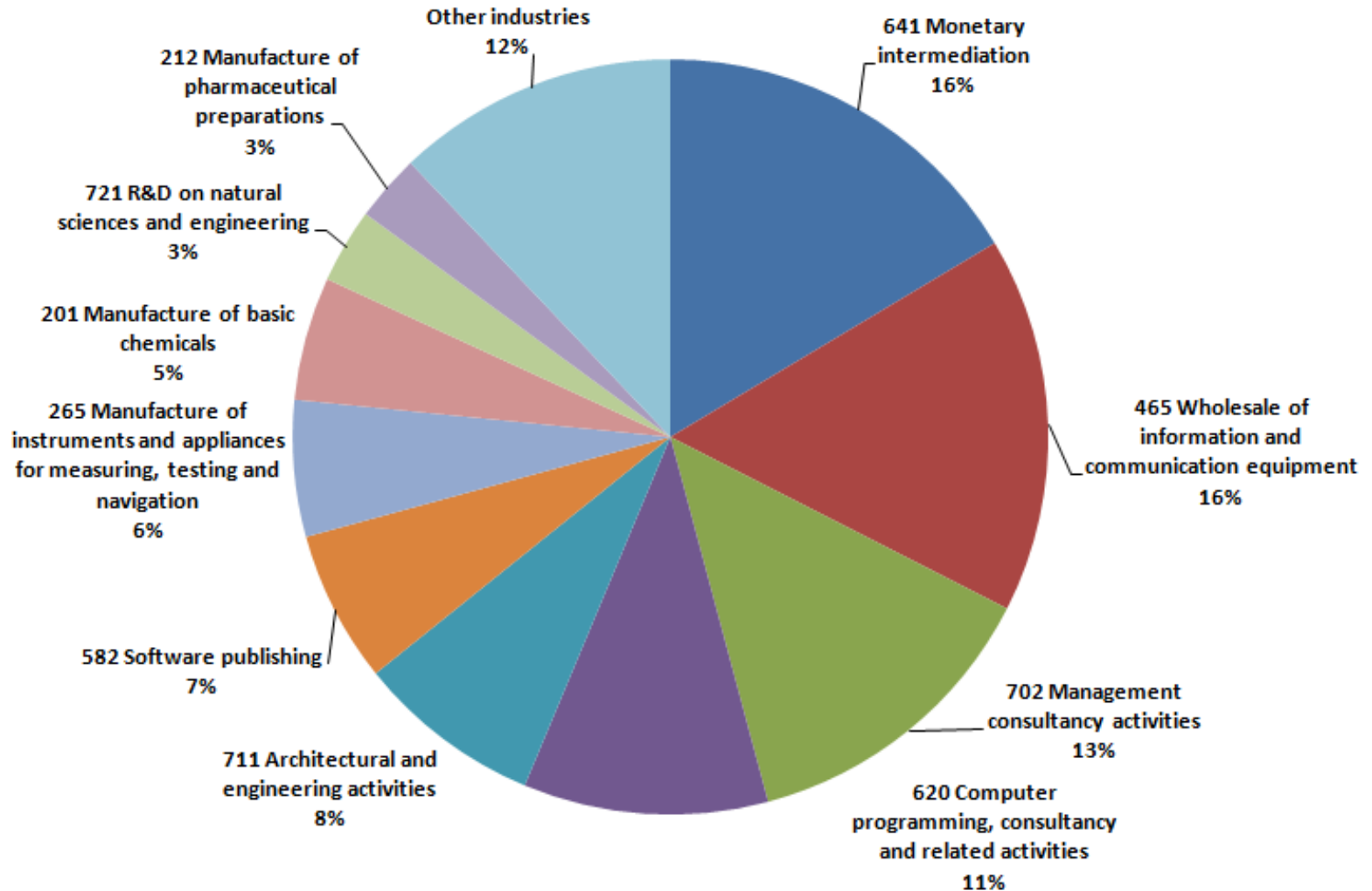


# Industries in HGIE universe (All countries)





# Industries in HGIE universe (Poland)







# Size

(Applies to country total and Poland)

- Majority of HGIEs small (10-49 employees)
  - Considerable share medium-sized; below 10% large
  - Share of medium-sized HGIEs larger than share of all medium-sized enterprises; for small enterprises it is the other way round
- => for many enterprises medium size may be required to take off for high growth (economies of scale and scope)



# Age

- Majority of HGIEs in sample older than 10 years
  - Applies to all countries and sectors
- => High growth not a start-up phenomenon but takes place after initial struggle of establishing firm in the market



# Year when fast growth started

- Vast majority: high growth started in past 10 years
  - 45% of HGIEs: 2009-2012; further 45%: 2004-2008
  - Similar in Poland
- Small share of HGIEs (10%) performs continuous high growth (> 10 years). Characteristics:
  - Largest share among medium-sized enterprises
  - Share considerably larger in services (12%) than in manufacturing (5%)



# Spin-offs

- 14% of HGIEs in sample are spin-offs (PL: 10%)
- Origin:
  - Most spin-offs (71%) from other companies
  - 25% from universities
  - 17% from other public research organisations

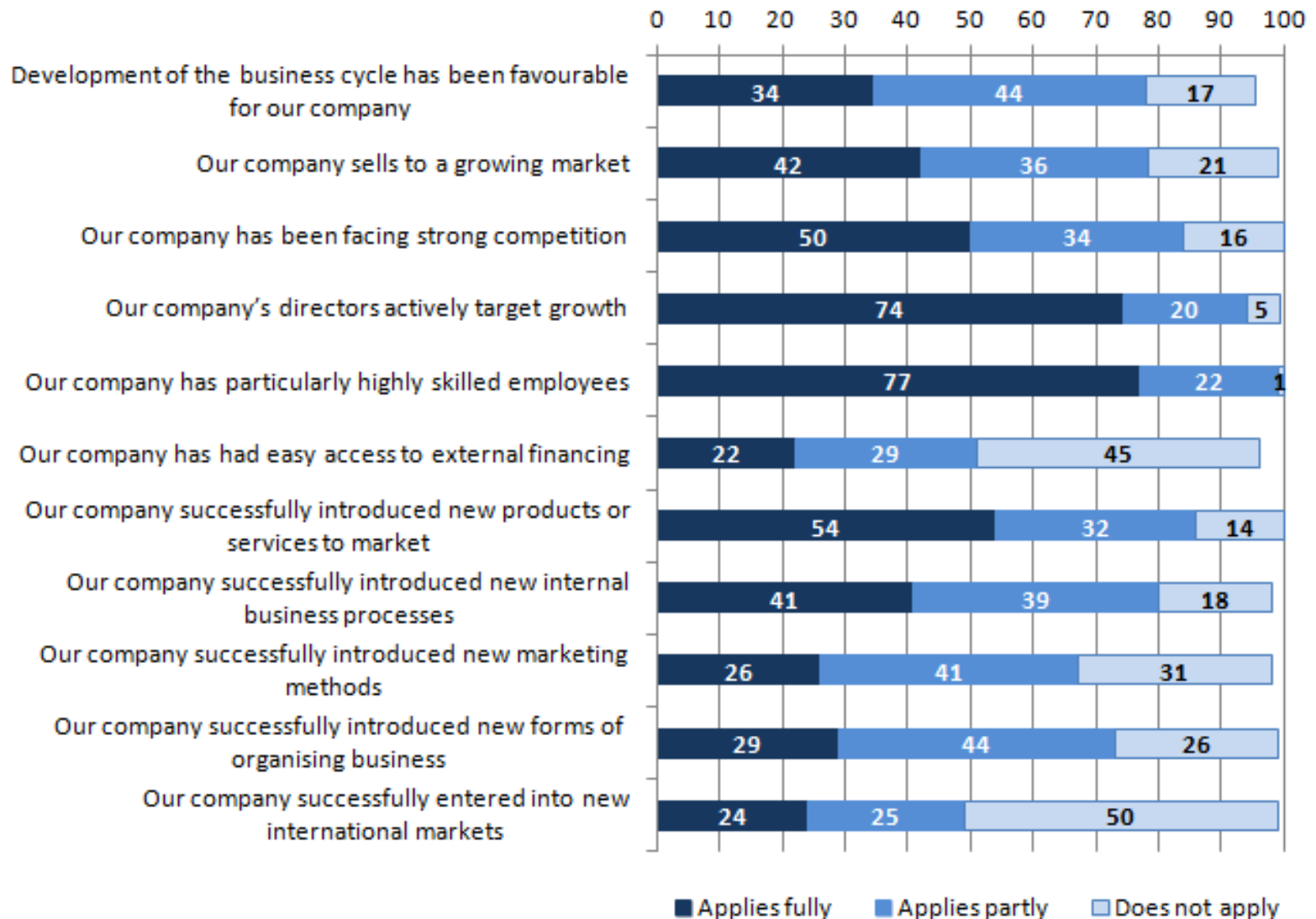


## Other characteristics

- 25% have private equity, 12% VC (PL: 67%,10%)  
=> More than in "normal" companies
- Main customer group: other companies  
=> So don't mind invisibility
- Main market: national (57% of HGIEs, PL: 53%)  
=> Potential to grow internationally



# Reasons for growth of HGIEs (All countries)

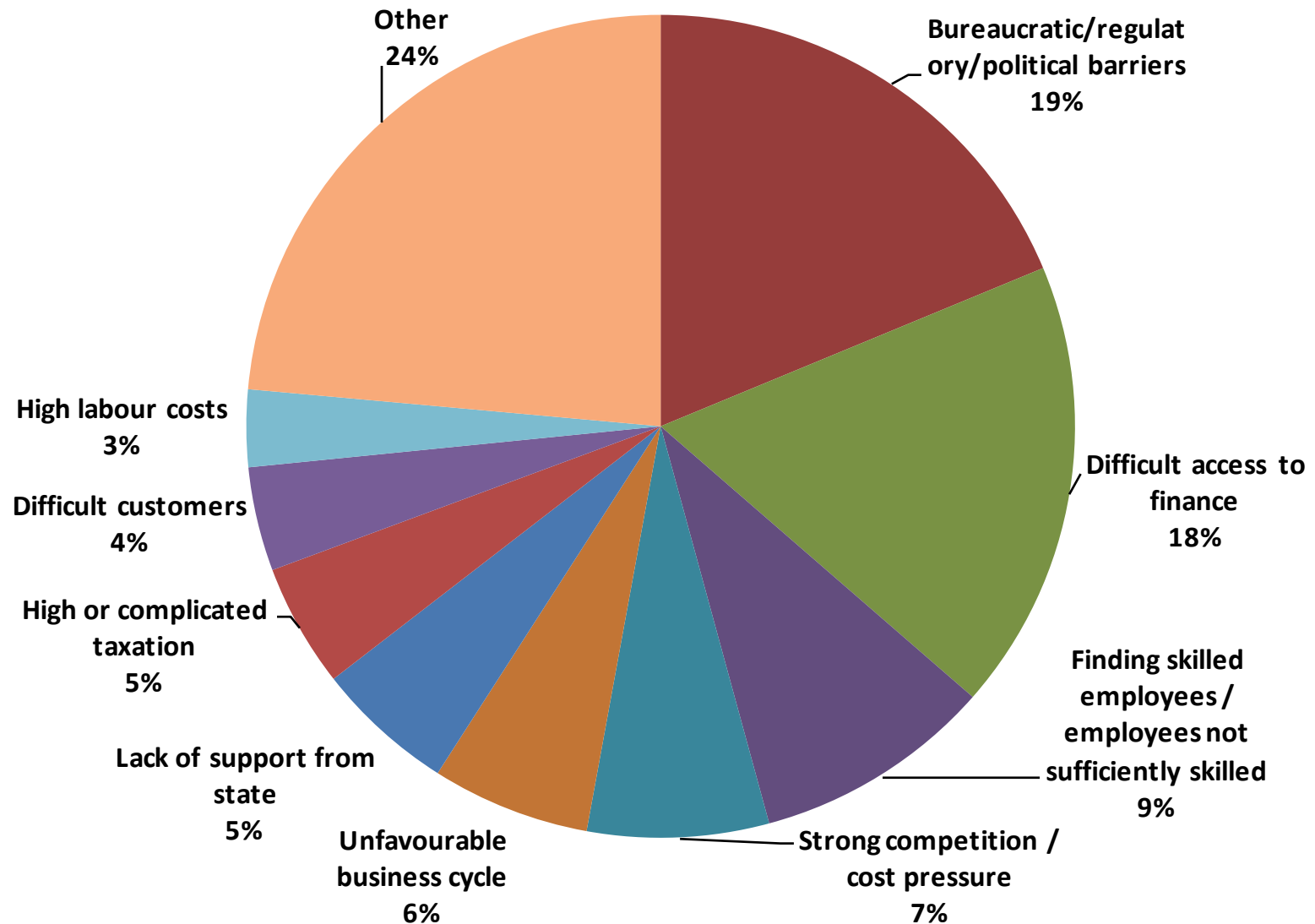




# Reasons for growth in HGIEs (Poland)

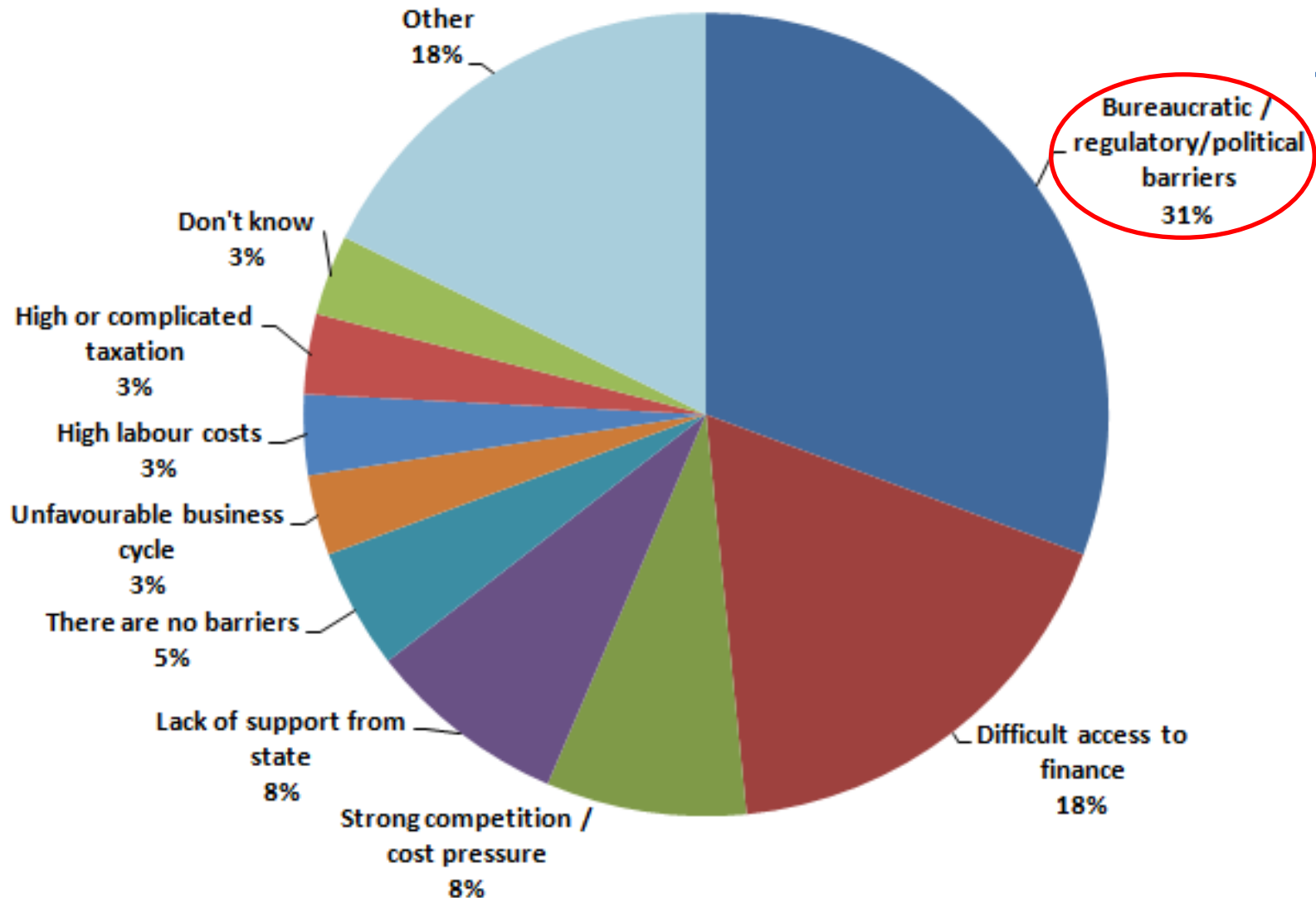


# Perceived main barriers to growth (All countries)





# Perceived main barriers to growth (Poland)





# Breakdown by country

- Similarities across countries:
  - Hardly any particularly high share of HGIEs per industry
  - Majority of HGIEs small
  - Vast majority older than 10 years
  - Most important reasons for growth: “our company’s directors actively target growth” and “our company has particularly highly skilled employees”
  - Other companies are main customers
  - National sales market most important
- Differences in countries’ shares of HGIEs from certain industries, reflecting national specificities



# Breakdown by industry

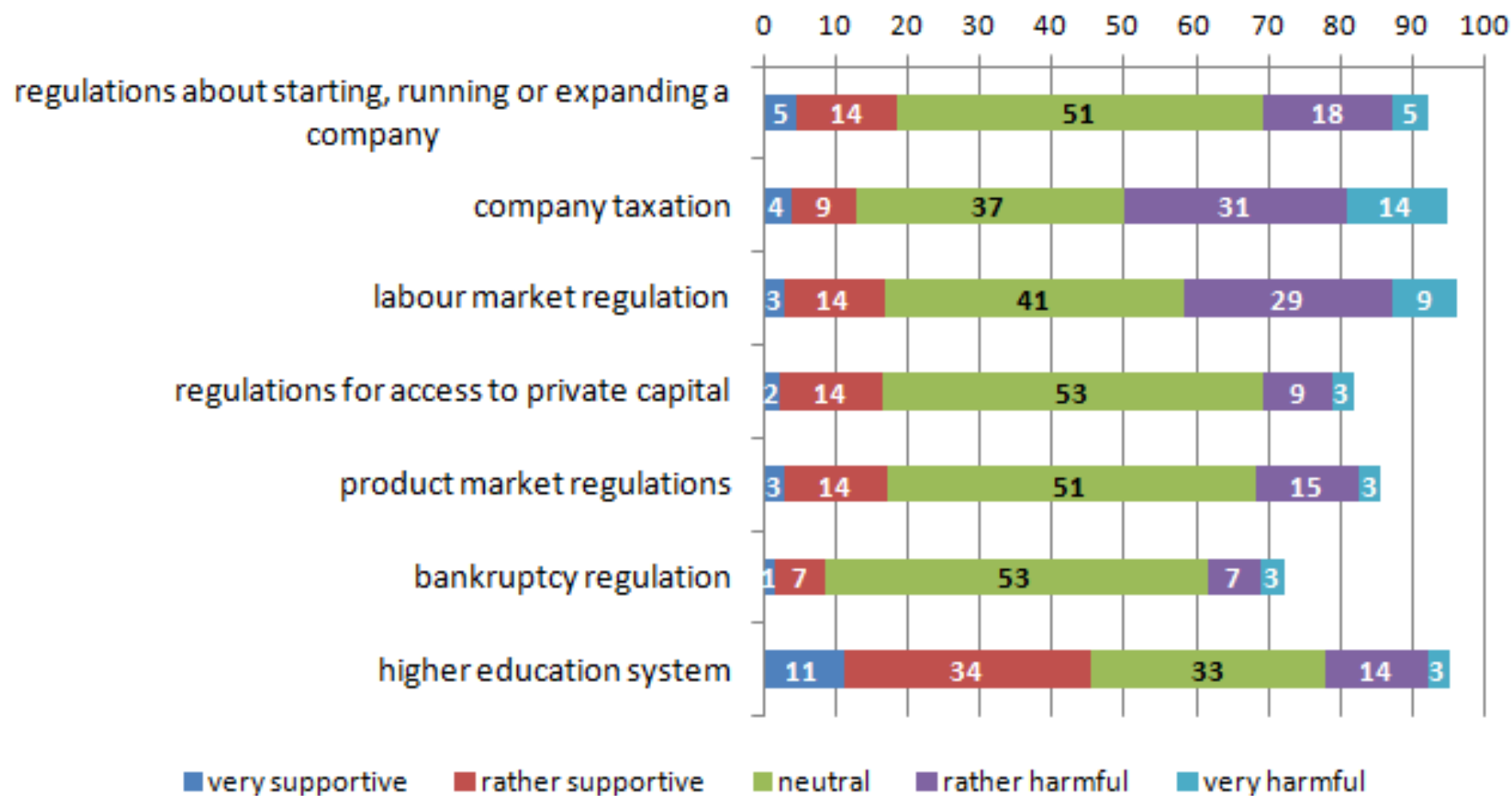
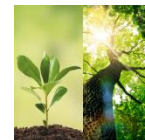
- In data universe: shares of **HGIEs per industry** do not differ much (not  $>7\%$ )
- Growth in **manufacturing and services** partly driven by different factors:
  - highly skilled employees more important in services
  - entering new international markets more important for manufacturers
- Beside “directors targeting growth” and “skilled employees”, each industry has **own profile of growth factors**



# HGIE policies

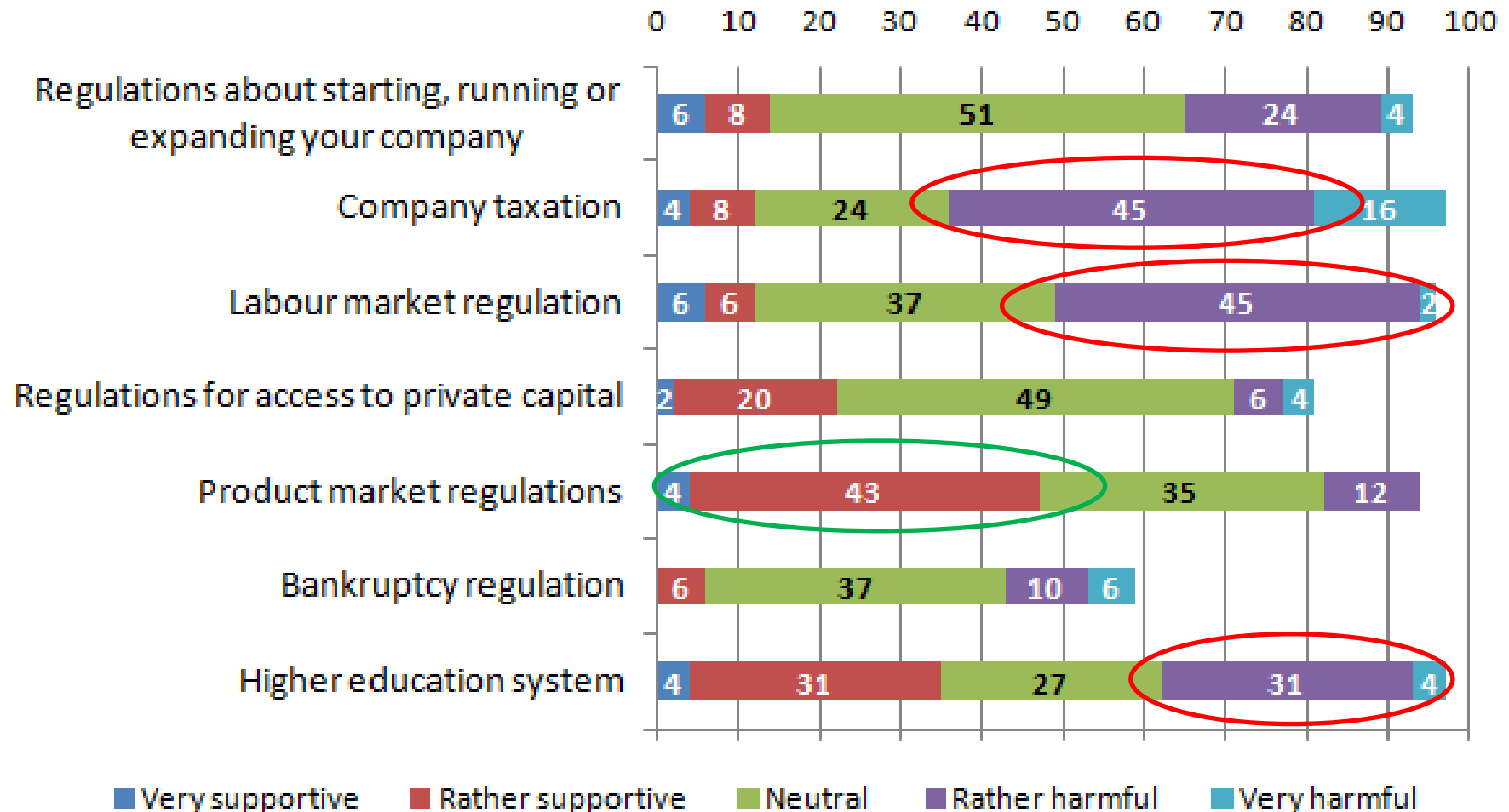
# Assessment of framework conditions

## (All countries)



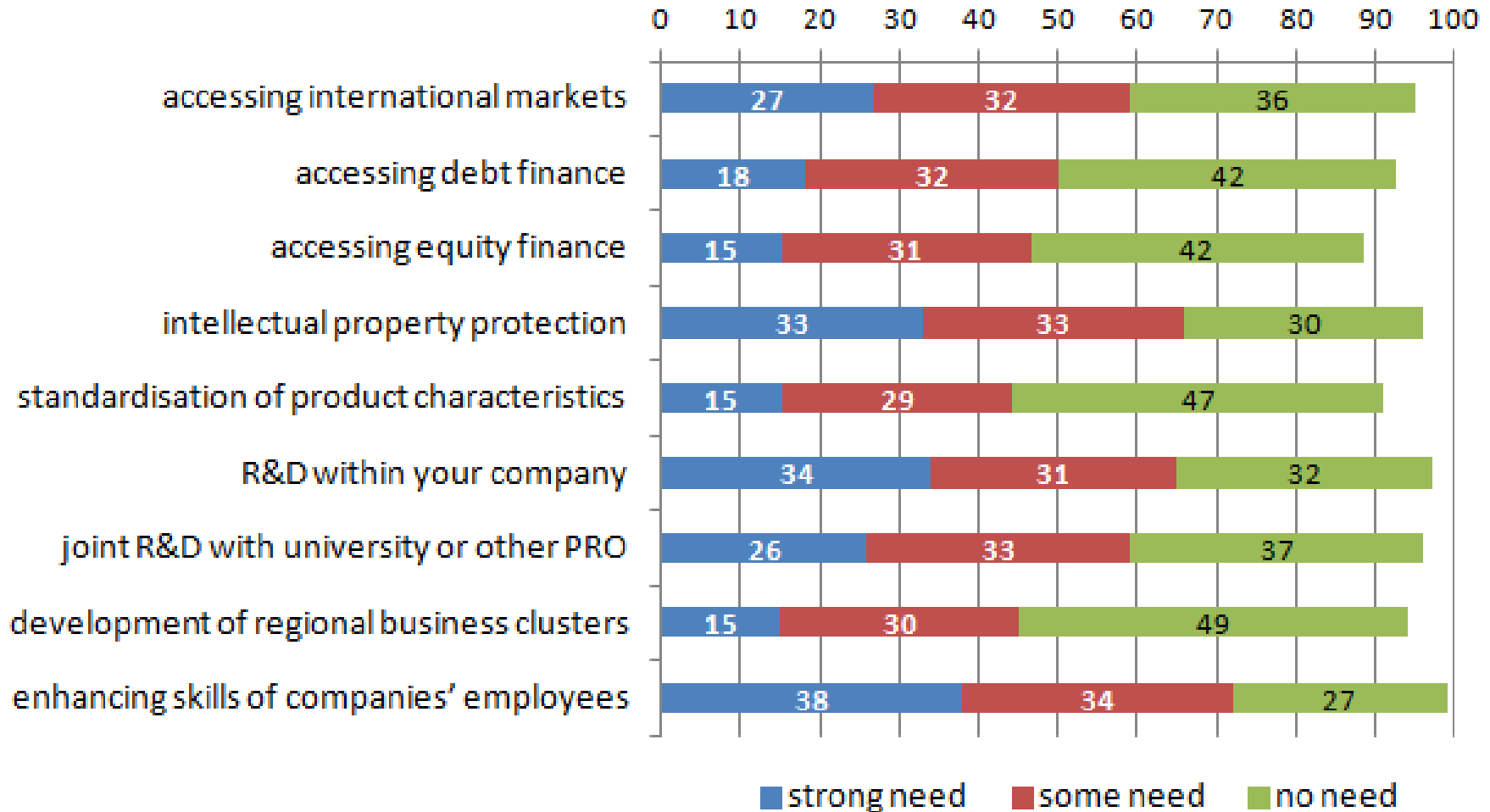


# Assessment of framework conditions (Poland)



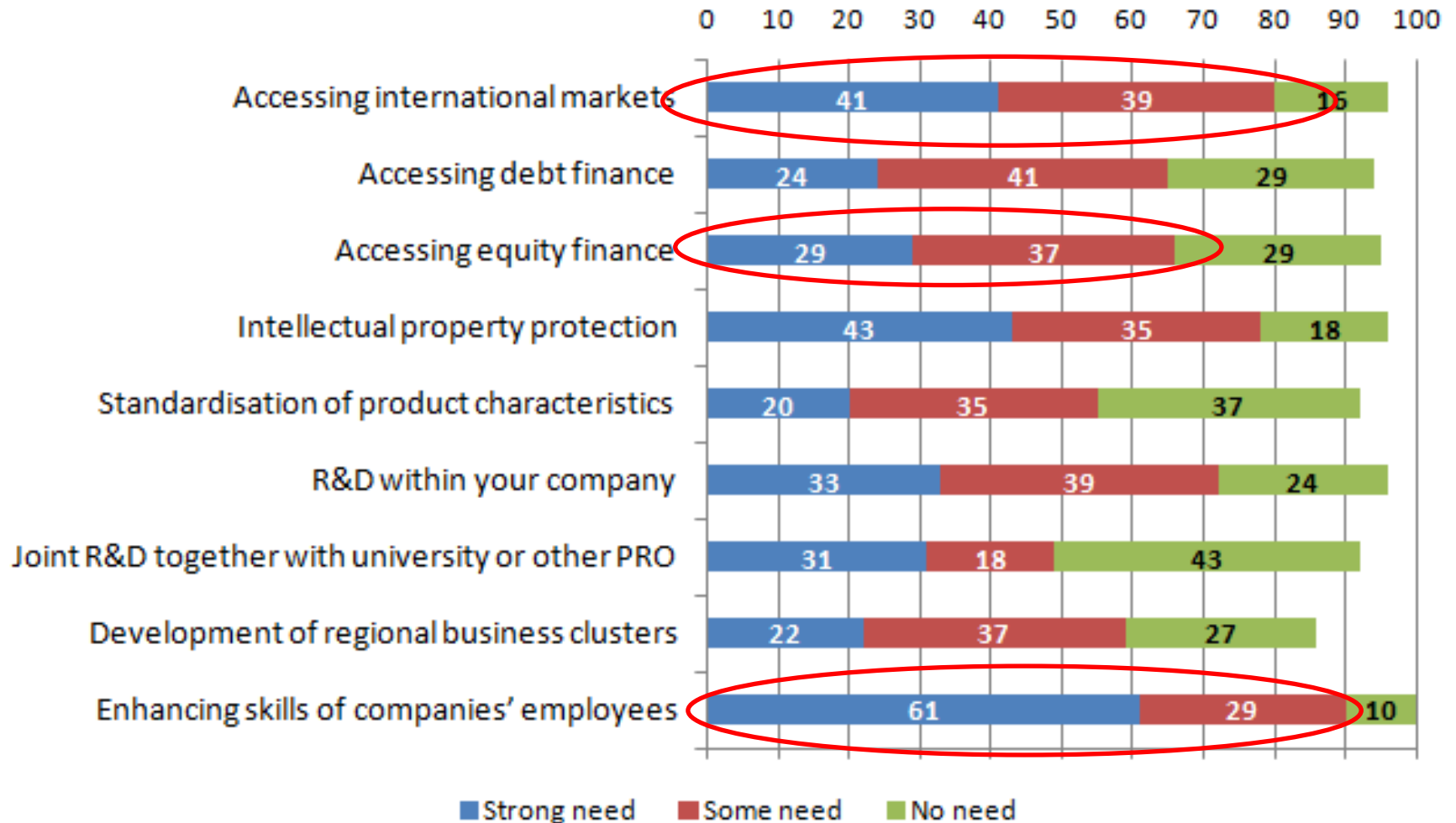


# Perceived need for governmental policy (All countries)





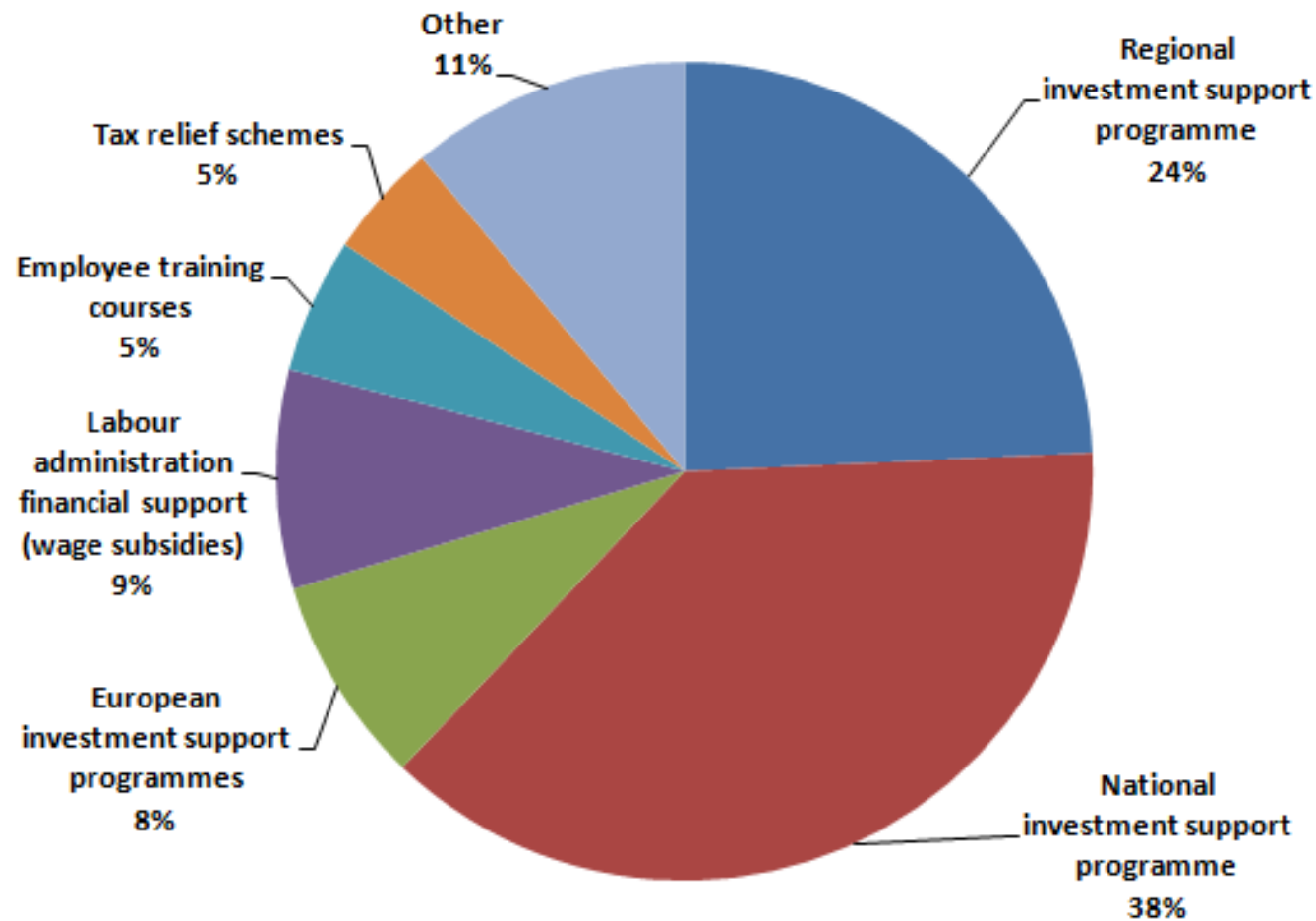
# Perceived need for governmental policy (Poland)







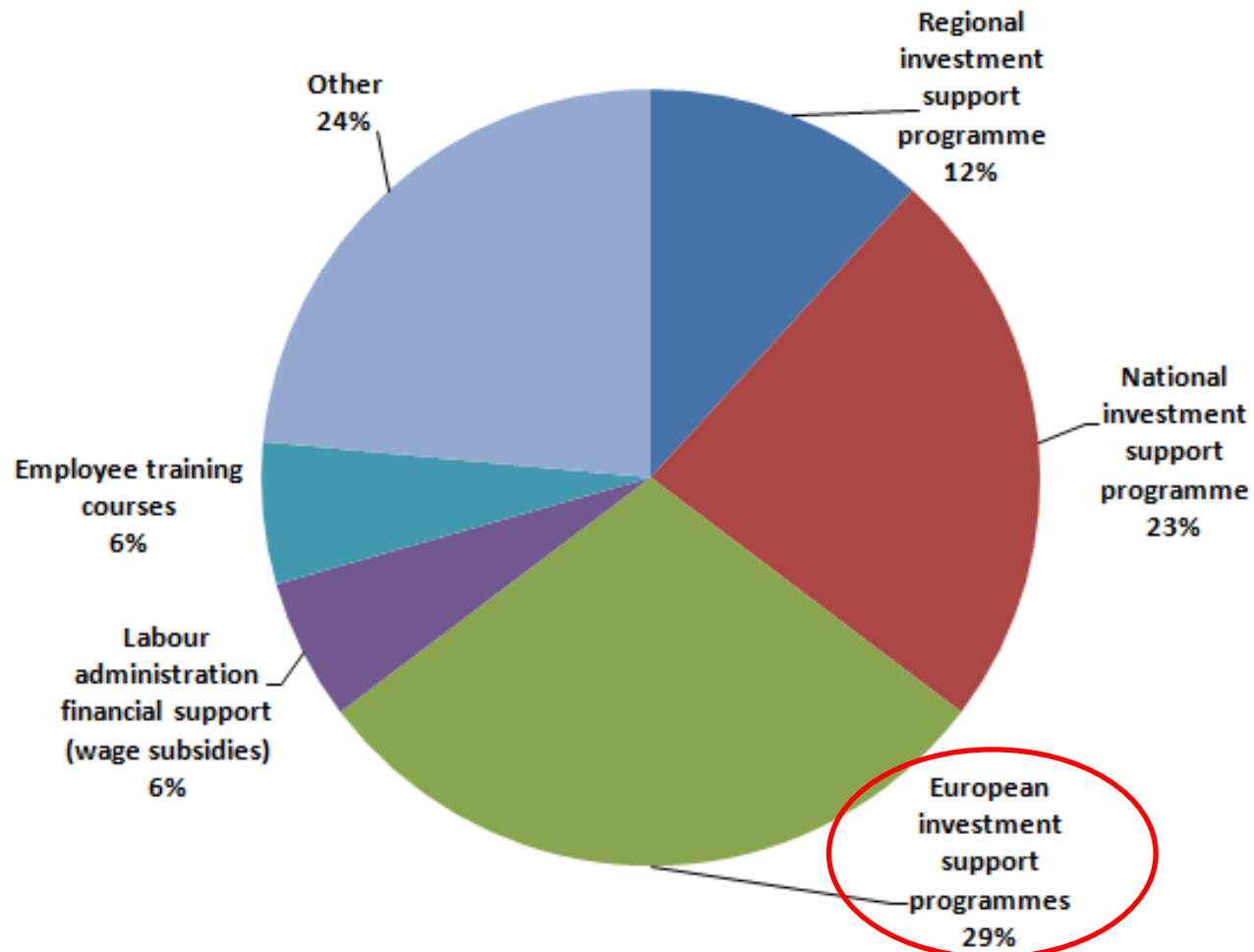
# Use of state support measures (All countries)



HGIEs welcome any type of support that improves the balance sheet



# Use of state support measures (Poland)





# Conclusions for policies

- Consider HGIE characteristics
  - older age, spin-off origin, national and sectoral specificities
- Target key barriers for growth
  - especially regulations for starting/growing a company, access to finance, lack of skilled employees
- Improve framework conditions
  - in particular company taxation and labour law
- Foster key growth factors
  - e.g. ability/readiness to target growth and internationalisation
- Evaluate policies
  - Little scientific evidence about effectiveness and efficiency of specific HGIE support measures



... and if growth is not high but sustainable and persistent, wouldn't this also be attractive?





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**http://www.hgie-policies.eu**

Policy Briefs and workshop summary available for download



## Policies for high-growth innovative enterprises

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### Policies in support of high-growth innovative enterprises

The European Commission considers entrepreneurship and innovation as a key to growth, employment and wellbeing in Europe. However, the Commission sees considerable deficits related to entrepreneurship and innovation in Europe, compared to other regions in the world – notably North America and East Asia.

In recent years, research has widely substantiated the importance of high-growth innovative enterprises (HGIEs) for job creation. The number and share of HGIEs in all enterprises is small, but the number and share of jobs they create is disproportionately large. However, Europe has apparently performed relatively badly in generating HGIEs that quickly become global leaders. Therefore Europe is eager to find effective ways to promote HGIEs.

There is uncertainty about how to best design policy measures to support high-growth innovative enterprises in order to reach the desired impact. This study is designed to provide answers to some of the open questions about HGIEs and policies to foster them.

#### Final Policy Briefs, December 2013

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