

Chapter 3

Government policies to support high-growth enterprises

This chapter comments on the findings of a policy survey conducted during winter 2007-2008 among OECD countries and observers to the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) to collect information on government programmes that foster enterprise growth, in particular SMEs. 24 countries provided answers to the survey and reported information on a wide spectrum of policy initiatives aiming at enhancing growth and innovation in enterprises.

The WPSMEE Policy Survey

During winter 2007-2008 a policy survey was conducted among OECD countries and observers to the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) to collect information on government programmes that foster enterprise growth, in particular SMEs. As the policy survey questionnaire covered several policy areas, co-ordination between various administration departments/services was suggested.

The questionnaire is divided into two sections (see Annex 3.A1). Section I seeks to situate the policy context. Governments' broad policy objectives and orientations differ by country/economy and in time. They impact and depend on the wider political, economic, regulatory, socio-cultural and environmental context in which policymakers design and implement their policies and programmes, including enterprise-related and SME programmes. Countries/economies were requested to provide a brief description of this wider context in which their country/economy's programmes aimed at fostering growth and innovation in enterprises, in particular SMEs, are positioned.

Section II focuses on individual programme information. Since there is a wide spectrum of policy initiatives in SME and other related policies fostering enterprise growth, the questionnaire is organised around seven main policy areas:

- A: Foster the growth or high-growth of SMEs
- B: Promote skill development in enterprises
- C: Develop intellectual assets (IAs) management capabilities in enterprises, including intellectual property rights (IPRs)
- D: Support business R&D in enterprises
- E: Stimulate enterprise innovation
- F: Facilitate enterprise collaboration with other partners and open innovation
- G: Improve access to financing for HGSMs and/or innovative enterprises¹:
 - by debt financing
 - by equity financing

Respondents were requested to describe each of these policy initiatives by providing: the title; the date of introduction; the objectives; the target group of enterprises (*i.e.* whether it covers firms of all sizes, including SMEs, or whether it is limited to SMEs specifically); the territorial coverage; the method of funding; the programme partners; the rationale in terms of the type of barriers/market failure being addressed; and the conclusions of any evaluation/review that has taken place.

The questionnaire did not insist on a particular definition of SMEs. Countries responded to it on the basis of their own definition of SMEs as applicable to the programmes addressed in this questionnaire (and taking into account that different programmes in one country may use different definitions of SME). This chapter is based on such responses and does not put forward or adheres to a particular definition of a SME.

Limitations in the analysis of results

Responses were received from 22 OECD countries – Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, the Slovak Republic, Spain, Switzerland, Turkey and the United Kingdom – and two observers, Israel and Romania. The method and extent of description of each programme varied both across and within countries, but overall the responses received were very informative.² The responses were analysed by looking at similarities and differences in the scope and mix of programmes across countries.

The total number of programmes reported by the 24 responding countries was 346, roughly half of them targeted specifically at SMEs (Table 3.1). In view of differences in the descriptions of the various programmes, notably as regards to the classification of the programmes into the seven main policy areas and the coverage of regional initiatives, a certain amount of judgement was required in making some classifications. In particular:

- Some countries have given partial responses (for example, within the main ministry's jurisdiction), while other countries have responded more comprehensively.
- The contents of the explanation differ significantly. Some responses focus more on the objective(s) of the programmes than on the description of the concrete actions. Others focus on the market failures addressed by the programmes but do not provide much information on what is supported by the programmes.
- Within a single category, the objective of the programmes analysed may differ significantly. For example, they may include: "increase the number of businesses"; "stimulate innovation in SMEs"; "improve SMEs business competence" and "provide funding for the establishment of specific centres".
- The question concerning the type of barriers/market failure addressed (question 8 of the Programme Information Template) has been interpreted by responding countries in different ways. Some responses focused on the market failures that the programme addresses, while others presented the problems encountered by the programme to be effective.
- The scale of some programmes is not always indicated and comparisons among different programmes in terms of their scale are therefore difficult. Some responses specify the budget size of the programmes while others indicates the number of firms supported.

Table 3.1. Reported programmes by country

Country	Target		Total
	All Firms	SMEs	
Australia	16	6	22
Austria	2	8	10
Belgium	22	19	41
Canada	6	2	8
Czech Republic	3	6	9
Denmark	1	6	7
Finland	5	15	20
Greece	7	5	12
Hungary	12	4	16
Ireland	2	1	3
Italy	10	7	17
Japan	2	8	10
Korea	0	11	11
Mexico	0	8	8
New Zealand	37	9	46
Slovak Republic	4	1	5
Spain	2	3	5
Turkey	15	24	39
United Kingdom	2	6	8
Israel	5	2	7
Romania	8		8
Total	170	176	346

Note: Programmes with an unclear target or programmes not targeted directly to firms (e. g. programmes targeted to research centres) are classified in “All firms.”

Overview of the responses on the policy context

The most important element of the wider context in which policy programmes to support high growth SME are designed is the increased recognition of the strategic importance of enterprise growth and the higher priority attached to supporting and encouraging it. In many countries, high growth enterprises are the major sources of new employment, as mentioned in Chapter 1. For instance, in Finland a survey showed that just over 2% of all companies that began operating in 1999-2000 had become rapid-growth companies by 2004 (with at least 10 employees and average aggregate salary growth of at least 20% p.a.) and only around 400 of these were ‘gazelles’ with salary increases of at least 50% p.a. Entrepreneurship and innovation now form a cornerstone of Finland’s enterprise policy with a view to increasing these modest numbers.

This increased priority accommodates a variety of rationales for programmes supporting SMEs and/or entrepreneurship. In some countries SMEs receive special support based on their size, while other countries focus more on entrepreneurship policy and address market failures related to starting and growing a business; e.g. Denmark has a strong focus on improving the framework conditions for entrepreneurship and does not

target the size of the firm as such. Similarly, the SME Basic Law passed in Japan in 1999 aims to promote diverse and vigorous growth and development of independent SMEs, rather than rectify “gaps” between SMEs and larger companies in terms of production or labour market conditions. In Finland, since 2000, horizontal policy programmes focused on entrepreneurship involving several ministries or agencies have replaced the previous SME-oriented approach, while SMEs’ needs are integrated in planning and implementation of enterprise policy.

A trend evident in many countries is to try to simplify SME and entrepreneurship policy programmes. One approach is to reduce the number of strategy areas, for example, in Turkey where the number of main strategy areas has been reduced from 10 to 5 over the past years. Another is to simplify the support mechanism. Canada, for example, has focused on correcting market failures, aiming to reduce government programming, subsidies and direct financial support. Denmark does not use direct financial support of entrepreneurs as a means to promote entrepreneurship but does focus on improving the framework conditions for entrepreneurship by improving the public and private entrepreneurship infrastructure, promoting entrepreneurship education, improving the effectiveness of the bankruptcy legislation, and easing access to a fresh start, reducing administrative burdens and creating a more entrepreneurship culture. Greece has planned to unify its entrepreneurship support system to offer strategic information on questions of markets, technological intermediation, promotion and diffusion of innovation. The United Kingdom also has simplified the portfolio of services offered to SMEs.

In 2005, Japan enacted a “Law for facilitating the creation of new businesses” by merging three different laws into one and setting three support areas, *i.e.* business creation, business innovation and new tie-ups. Since 2005 Mexico promoted an “integral economic policy for the development of SMEs”, which is a key component of the government strategy towards an innovation-based growth model. 13 strategic programmes had been implemented grouped around four major actions: creation and strengthening of firms, innovation and technological development; access to financing; regional and sectoral productive structures; and access to foreign markets. Mexico also emphasises collective efficiencies of institutional infrastructure such as incubators, business accelerators and business development centres.

Also, in a number of countries there are programmes with a strong sectoral focus. For example, Italy identifies strategic technology areas such as energy efficiency based on their potential impact on economic growth when they pursue industrial policy for innovation and competitiveness. The Netherlands selects key areas for innovation such as high-tech systems and materials in order to focus the efforts of public authorities, knowledge institutes and companies so that they can achieve and maintain a standard of international excellence, boost private R&D and persuade foreign companies to make knowledge investments. New Zealand’s economic transformation focuses on building upon the strength of its primary sector and biologically-based industries and through the emergence and development of new competitive areas such as tourism, cinema and international education.

Finally, many countries stress the need to improve the business environment and cut red tape (*i.e.* simplify and reduce administrative obligations and regulatory burdens, and to improve and simplify administrative and legislative texts). The examples are numerous. France has simplified procedures with the recent project “Force 5” and Finland has reduced the bureaucracy companies face and promoted access to online services. Ireland’s 2007 Report of Business Regulation Forum recommended a five year

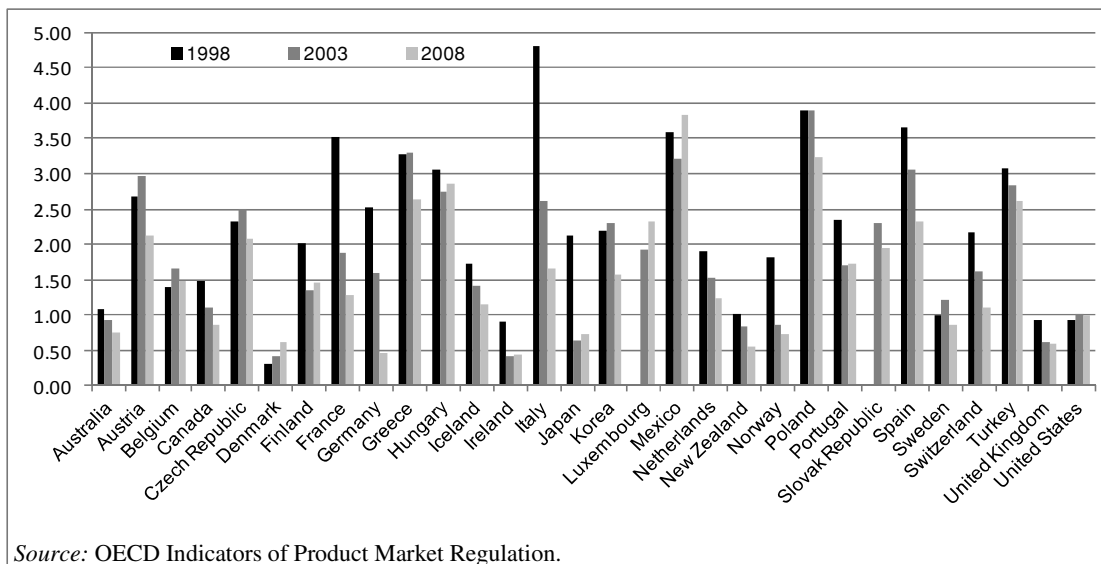
administrative burden reduction programme which could result in more than 500 million Euros per year being cut from business costs. Spain's Enterprise Promotion Plan in the "National Reform Programme" includes actions to simplify administrative formalities. Measures are also envisaged in Belgium, Denmark, the Netherlands, New Zealand, Switzerland, Turkey and Romania.

Many of these measures are aimed at facilitating the establishment of a company. For example, in addition to the reduction of regulatory and administrative burdens, Greece reduced the time and cost required for business start-ups through, for example, the operation of One-Stop-Shops. The Netherlands planned to simplify start-up procedures, notably by abolishing minimum capital requirements so that a company can be established within one week. Hiring the first employee now only requires contacting the tax authorities, and the Electronic Business Counter is being expanded to give entrepreneurs access to government information and services on a 24/7 basis. Turkey has also substantially reduced company establishment procedures from 19 to 3 steps, and now allows the establishment of a company within one day. The OECD Indicators of Product Market Regulation confirm that between 1998 and 2008 the administrative burdens on start-ups have been reduced by virtually all members with few exceptions (Figure 3.1).

Additional points of convergence in the policy approach to entrepreneurship and SMEs across countries are:

- the strong emphasis on entrepreneurship education from primary to higher education by encouraging schools to incorporate entrepreneurship in the curriculum and create a culture of enterprise in the school;
- the promotion of internationalisation of new and small firms, through the support of diversification of products and markets for export, commercial missions and networks of export centres;
- the promotion of all types of innovations, including non-technological innovation.

Figure 3.1. Administrative burdens on start-ups



Box 3.1. OECD Product Market Regulation (PMR) indicators

The PMR indicators measure the economy-wide regulatory environment in OECD countries. Qualitative information on country laws and regulations, collected through a questionnaire in 1998, 2003 and 2008, has been turned into quantitative indicators. The PMR database comprises three broad sets of indicators on: state control, barriers to entrepreneurship, and barriers to trade and investment. The indicator “Barriers to entrepreneurship” measures different regulations in the domain of entrepreneurship and is composed of three sub-indicators: “Administrative burdens to the creation of new firms” (low-level indicators are: administrative burdens for corporations, administrative burdens for sole proprietor firms, sector-specific administrative burdens); “Regulatory and administrative opacity” (low-level indicators are: licenses and permits system, communication and simplification of rules and procedures); and “Barriers to competition” (low-level indicators are: legal barriers, antitrust exemptions, barriers in network sectors and barriers in services). More information about the OECD PMR Indicators is available at: www.oecd.org/document/1/0,3343,en_2649_34323_2367297_1_1_1_1,00.html.

Overview of the programmes reported

The distribution by policy area of the 346 programmes collected through the survey is shown in Table 3.2 (totals) and Figures 3.2 and 3.3 (shares). Since many countries classified several of their programmes into more than one policy area, the sum of the totals by area exceeds the total number of programmes.

Three policy areas, namely “Improve access to financing for HGSMEs and/or innovative enterprises”, “Stimulate enterprise innovation” and “Foster the growth or high-growth of SMEs” are those where the number of programmes reported is higher. This suggests that support for access to financing and promotion of innovation are considered to have high priority, and a substantial number of initiatives are already in place. Fostering the growth and high growth of SMEs is also viewed as necessary, and several programmes have in fact been introduced specifically targeted at this. The area with the lower number of programmes reported is intellectual asset and IPR management.

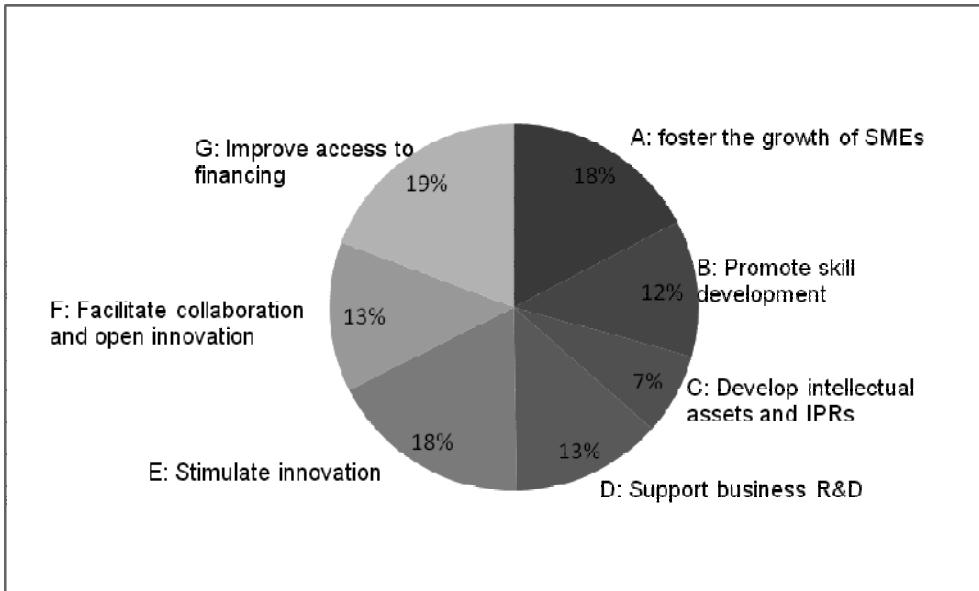
Table 3.2. Reported programmes by policy area

Programmes aimed to		Target		Total
		All firms	SMEs	
A	Foster the growth or high growth of SMEs	36	36	72
B	Promote skill development in enterprises	17	34	51
C	Develop IAs and IPR management capabilities	10	20	30
D	Support business R&D in enterprises	38	17	55
E	Stimulate enterprise innovation	47	27	74
F	Facilitate enterprise collaboration and open innovation	39	16	55
G	Improve access to financing	24	56	80
	By debt finance	8	32	40
	By equity finance	18	29	47

Note: A same programme will be counted more than once if it is classified in multiple categories; for instance, a programme aimed at promoting the financing of R&D and innovation activities can be classified in policy areas G –Improve access to financing, D –Support business R&D in enterprises, and E –Stimulate enterprise innovation.

Figure 3.2. Total reported programmes by policy area

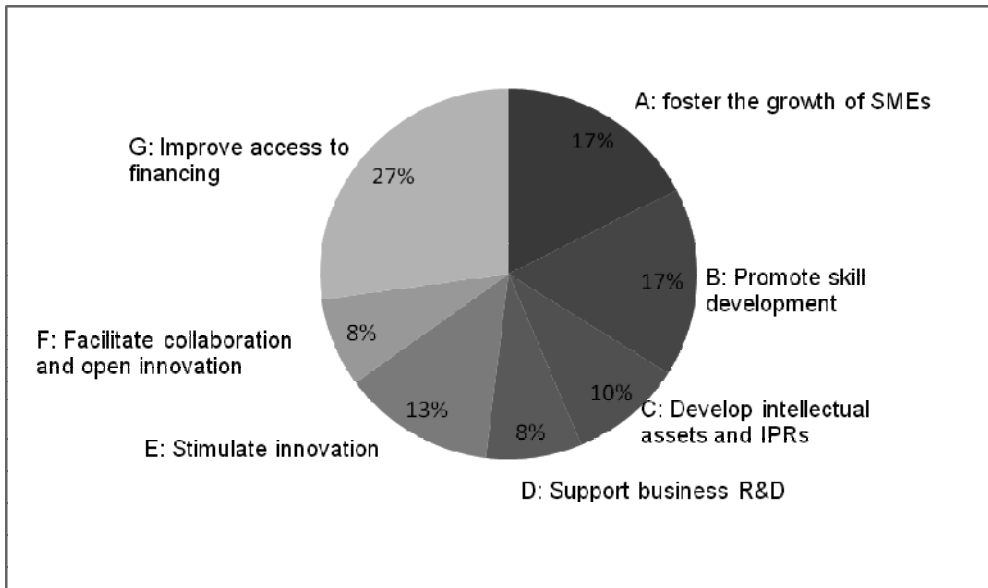
N=416



Source: OECD WPSMEE Policy Survey on Programmes to Foster Enterprise Growth, 2008.

Figure 3.3. SME-specific programmes reported by policy area

N=206



Source: OECD WPSMEE Policy Survey on Programmes to Foster Enterprise Growth, 2008.

The priorities of the 175 SME-specific initiatives appear to differ from those of the more broadly targeted programmes. In particular, “Improve Access to Financing” is by far the policy area most frequently targeted at SMEs (56 programmes). The concentration of programmes in this area reflects the widespread concern that inability to adequately access financial markets is more acute for SMEs than for larger firms. More detailed

analysis of the responses shows that 32 out of 40 programmes facilitating debt finance are targeted at SMEs. This suggests that countries consider that there is considerable room for improvement before the supply of debt finance for SMEs becomes comparable to that for larger enterprises.

Other areas in which programmes tend to be SME-specific are the development of intellectual asset management capabilities and the promotion of skill development, in response to the difficulties SMEs confront in acquiring the necessary skills and expertise to successfully run their business due to the limited financial and human resources. SMEs are also less prepared than larger businesses to afford the costs of expensive training.

On the contrary, policy initiatives promoting R&D and innovation are more often addressed to all enterprises and not specifically to SMEs. A detailed analysis of the questionnaire responses highlights that programmes also address some SME-specific issues, in particular the fact that SMEs encounter more difficulties in attracting qualified research staff and acquiring specialised equipment. Programmes encourage therefore SMEs to collaborate with potential partners, including those in academia. For example, an R&D support programme in Korea fosters partnership between manufacturing SMEs and universities and research institutes aimed at technology development. Japan focuses on upstream SMEs that possess basic technology and promotes R&D projects carried out by the SMEs in collaboration with downstream companies and research institutes close to the market.

Finally, while the survey and analysis examined innovation and technology policies in the context of policies to foster enterprise growth, innovation and technology policies themselves take into account many different factors. One of the most important is the role of foreign direct investment. As a result, policy programmes related to innovation and R&D also reflect the different approaches toward foreign direct investment. For example, as some countries rely more on foreign capital for technology upgrading, they would be more likely than the rest to cover all firms by their policy programmes in order to attract inward direct investment.

Foster growth or high growth of SMEs

Seventy-two programmes from 20 countries were reported for this policy area. Most were relatively new, eight having been introduced in 2007 or scheduled for 2008, and most others are only a few years old. Experience with these programmes is thus limited.

The two central issues in this area are how to design the programmes to be effective and how to identify eligible beneficiaries. Regarding *effectiveness*, a variety of approaches are employed. In some cases better coordination of enterprise policy among ministries is required. In others, emphasis is placed on administrative simplification to speed up the process of starting a new business. These could involve:

- Giving SMEs, especially start-ups and micro firms, favourable tax treatment.
- Promoting investment activities to improve competitiveness.
- Offering grants for consultancy services, investment projects and commercialisation of innovative technologies as well as seminars and intensive hands-on support services.

- Providing professional advisory assistance and mentoring, which are general and not narrowly targeted at specific factors thought to contribute to enterprises' growth.
- Facilitating access to international markets, especially large markets. Indeed, for enterprises in smaller countries, to realise high growth can be closely linked to the success in the international market.

Programmes are intended to enable recipient enterprises achieve high growth which would not occur without the programmes' assistance. The choice of beneficiaries presents challenges, because it relies on the assessment of the firms' growth potential. Some examples of programmes and the criteria used to select beneficiaries are provided in Table 3.3.

The eligibility criteria described in the table can be categorised into four different types. One is to focus on young and/or small (but not too small) SMEs. The size of the enterprise is usually measured by revenue/turnover or employees. A second criterion considers a firm's orientation toward the internationalisation of the business activities. The third type of criteria is to check ambitions, management leadership and organisational readiness to grow fast. This criterion reflects the importance of SME culture and management orientations to realise high growth. The last criterion is to look at the enterprise's competitiveness in terms of technology (for instance, R&D expenses), product design, branding, business model and business plan.

Some programmes have set mechanisms to deal with the risk of subjective assessment of a firm's potential. In this context, it is worth mentioning the Danish programme "Regional Centres of Growth". The screening process of this programme is decentralised to five local centres and handled by the consultants in the centres. The programme has a yearly incentive mechanism for centres based on the performances realised by the supported firms.

Table 3.3. High Growth Potential SME Support Criteria

Country / Programme / Support measures	Age	Revenue/ Turnover	Employees	Other criteria (e.g. R&D investment)
AUSTRALIA "Commercialising Emerging Technologies (COMET)" (1) Grants (Tier 1 up to AUD 64 000 (exclusive of GST) available at 80% of eligible costs and Tier 2 up to an additional AUD 56 000 available at 50%. For individuals, management skill development assistance up to AUD 5 000) and (2) advice up to 2 years	Less than 5 years old or trading for less than 5 years	The total turnover over the previous 2 years must be less than AUD 8 million (about EUR 4.8 million), with not more than AUD 5 million (about EUR 3.0 million) in either year		- Early-stage companies – companies in the early stages of commercialising innovation - spin-off companies – companies formed by individuals from either public or private research institutions - individuals – persons acting on their own behalf, according to common understanding

Country / Programme / Support measures	Age	Revenue/ Turnover	Employees	Other criteria (e.g. R&D investment)
<p>DENMARK</p> <p>“GazelleGrowth”</p> <p>(1) Extensive and individualised market research to understand the opportunities and competitive landscape in the selected U.S. target market, (2) Face time with real U.S. customers, partners and influences at the decision-making level and (3) Hands-on coaching by leading international experts from the firm’s industry</p>		<p>More than DKK 2 million (about EUR 0.27 million) in turnover in the last two years (revenue potential of DKK 100 million (about EUR 13.3 million); please see other criteria.)</p>	<p>5-100 employees</p>	<p>- Fully developed product or service with a clear competitive edge through differentiation in business model or product design. - Scalable business model allowing fast ramp-up in volume with the revenue potential of DKK 100 million (about EUR 13.3) - U.S. market readiness, organisational readiness and product readiness</p>
<p>DENMARK</p> <p>“Regional Centres of Growth (Regionale vækstuse)”</p> <p>Impartial and free problem clarification and reference to relevant private counsellors and public initiatives</p>	<p>No limit (Both start-ups and established firms can be supported)</p>		<p>No limit</p>	<p>- The screening process is decentralised and handled by the consultants in the centres. The guidelines are that the firms should have potential and ambitions for export or substantial growth in turn-over or number of employees. - The Regional Centres are supervised by DECA based on yearly contracts. The 2008 contracts set out 11 targets including the growth in the counselled firms. In order to measure this, DECA has established a CRM system and the registered firms are followed and their own growth is measured. The Centres are awarded a bonus if they fulfil the 11 targets in the contract. This creates an incentive for the centres to counsel the correct customers.</p>
<p>MEXICO</p> <p>“Programa Nacional de Empresas Gacela”</p> <p>Support strategic management for growth through: i) support to the commercialisation of products and services; ii) training and specialised consultancy; iii) facilitate access to financing and to innovation and technology</p>	<p>Older than 3 years</p>	<p>Sales growth of 15% per annum for 3 consecutive years</p>	<p>More than 50 employees</p>	<p>A company also can be a “gacela”, if it considers that obtaining financing or consultancy, can reach the growth level of gacelas.</p>

Country / Programme / Support measures	Age	Revenue/ Turnover	Employees	Other criteria (e.g. R&D investment)
<p>NEW ZEALAND</p> <p>“Growth Services Range”</p> <p>(1) Client Manager Assignment for the needs assessment (identifying business growth opportunities, firms strength and weaknesses and determining an exit strategy to graduate from the scheme), (2) Grants for (i) feasibility studies, (ii) preparation of documentation to obtain finance for business development, (iii) development of prototype design and testing, (iv) international business exchanges, (v) development of business, strategic, or marketing plans, (vi) advice and assistance for human resources development, (vii) development of intellectual property protection and commercialisation, etc. and (3) Market Development Services such as specialist information, advice and facilitation.</p>		The potential to generate either average 20% per annum revenue growth sustainable over 5 years, or revenue growth of NZD 5 million within 5 years ³		<ul style="list-style-type: none"> - A differentiated, internationally compelling value position - innovative technology - technology transfer - national branding potential - strong international aspirations - exemplar or leadership role - strategic fit with NZTE(New Zealand Trade and Enterprises) <p>[Decision is based on the subjective assessment and judgement of Sector Managers and the Growth Service Fund Assessment Panel⁴]</p>
<p>SPAIN</p> <p><i>“Support Programme for Young Innovative Firms”</i></p> <p>Grants on R&D expenditure (staff, intellectual property rights, facilities, etc.)</p>	Not older than 8 years		Smaller than 50 employees	<ul style="list-style-type: none"> - At least 35% of staff in R&D activities and - a minimum of 15% global expenditure engaged in R&D
<p>TURKEY</p> <p>“KOSGEB”</p> <p>KOSGEB support system</p>				<ul style="list-style-type: none"> - Enterprises receive support in line with their competitive power and capabilities to reach the strategic targets they had set. - Enterprises are asked to prepare a Strategic Road Map which explains their strategic target and how they will reach it. The Strategic Road Map enables enterprises to set their ambitions about growth and development into strategic targets. - Special commissions consisting of KOSGEB professionals evaluate and approved support applications.
<p>UNITED KINGDOM (EAST MIDLAND)</p> <p>“High Growth Support Programme”</p> <p>High-level support addressing the challenges associated with the transition from small to medium size enterprise</p>				<ul style="list-style-type: none"> - Potential growth firms: (1) Post start-up, early stage ventures, (2) Growth trajectory existing ventures, and (3) Companies with rejuvenation potential that are in a ‘steady state’ - Actual growth firms: (1) high growth small size firms, (2) High growth medium size firms, (3) Business units and subsidiaries of large firms

Concluding remarks and policy recommendations

The findings of the literature review (presented in Chapter 1) and the results of the empirical work (summarised in Chapter 2) suggest that governments who aim at developing or realising the growth potential of enterprises should consider a policy approach that encompasses the following elements:

- Focus on improving the business environment, in particular by removing obstacles to growth and addressing disincentives to growth present in the regulation (for instance, administrative obligations related to entering a larger class size of the firm).
- Encourage entrepreneurial attitude in order to stimulate more growth ambitions in new and existing businesses.
- Support the provision of training in young and small enterprises, especially to facilitate the development of the management skills necessary to cope with the pressures on human, technical and financial resources created by the growth of the firm; and to acquire a culture of change that appears as a key element in the management of a growth process in a business of any age and size.
- Improve, when necessary, access to debt and equity finance for new and small firms in particular to fund investment in research and development and the acquisition of non-tangible assets. In the same way, the valuation of intellectual property and intangibles and their use as collateral for loans should be promoted.
- Promote innovation and internationalisation activities of new and small firms for their potential role as factors of enterprise growth, particularly when combined with other factors such as ambition to growth.

When these elements are confronted with the actual policies implemented across OECD member countries, a difference in focus emerges. Whilst the improvement of the business environment is a relevant aspect in the policy toward growth of many countries, most of the initiatives used to promote the growth and high-growth of firms rely on the facilitation of access to finance and the support to R&D and innovation. As argued, policy initiatives in these areas, though critical, need to be matched with support to training and skill upgrading in new and small firms, and with the encouragement of growth ambitions.

A few programmes exist in member countries that specifically target firms with growth potential, with a view to making them larger and more successful. Most of these programmes are recent and an in-depth evaluation of their impact and effectiveness has yet to be done. Provided that they are not the only policy tool designed in a country for the promotion of high-growth firms, these initiatives can be important parts of the broader policy approach to firm growth. The following box, which summarises academic work analysing policies for high-growth firms, presents the key challenges inherent to the choice of designing policy initiatives targeting firms with potential to growth.

Box 3.2. Is high-growth entrepreneurship policy a distinct policy?

Autio, Kronlund and Kovalainen (2007) examined policy measures designed specifically for high-growth SMEs in nine countries. The countries included in the study were Australia, Brazil, Finland, Hong Kong, Hungary, Italy, Netherlands, Spain and the UK. This study identifies policy and support initiatives aimed at high-growth SMEs and develops a framework for classifying growth-orientated policy measures that allows to pinpoint gaps in existing service provision as well as to generate good practice advice.

Autio *et al.*'s review concludes that although the importance of high-growth entrepreneurs has been widely acknowledged, government policies still tend to focus on entrepreneurship in general. From the 47 policy initiatives reviewed, initiatives with an explicit focus on high-growth remained rare. The following three cases were reported; Finland's Growth Firm Service, the UK's High-Growth Start-up and the Mastering Growth Program operating in the Netherlands. Most of the reviewed initiatives were undertaken by a single policy department, suggesting insufficient cross-departmental collaboration. Another characteristic identified was the over-emphasis on the technology sector not acknowledging that the greatest opportunities for rapid entrepreneurial growth can be found in business services. Furthermore Autio *et al.* found that the policy initiatives were public sector driven with a very low participation of the private sector.

Based on the policy initiatives reviewed, Autio *et al.* thematically categorised high-growth entrepreneurship support measures with the aim to map the various policy initiatives that can be undertaken. They are categorised alongside the three perspectives innovation, business and finance - with each of them incorporating an internationalisation aspect - and two timeframes: pre start-up and post start-up. This results in five broad thematic categories:

- Seed, start-up and growth financing
- Business creation
- Business development
- Research
- Technological development

The authors argue that high-growth entrepreneurship policy in order to be successful has to "cross the traditional boundaries of policy silos": high-growth entrepreneurship policy combines SME policies, innovation policies, internationalisation policies and sometimes even labour market policies. They consider this is a challenging task given that the focus of those policies might diverge. In particular, high-growth entrepreneurial activity can be radically different from general entrepreneurial activity. While SME policy goals are generally concerned with quantity and stability focusing on increasing the number of people who start new firms as well as providing a stable environment for small firms, high-growth entrepreneurship policy emphasizes quality and dynamism.

The choice between quantity and quality in entrepreneurship activity can lead to important trade-offs and conflicts not only regarding policy goals, but as well regarding resource provision and regulatory emphasis.

The most important conflict identified by Autio *et al.* is associated with resource provision. For high-growth entrepreneurship policy resource focus is more important than resource spread that may bring a conflict with traditional SME policies, since investing in more support on fewer firms implies obvious trade-offs for resource allocation.

Box 3.2 Is high-growth entrepreneurship policy a distinct policy? (continued)

One of the main issues for policy is the question of whom to target. Although existing evidence (as discussed in Chapters 1 and 2 of this report) shows that high-growth firms can be found among SMEs of every size, Autio *et al.* suggest that policy measures should be selectively targeted at firms with an explicit orientation towards growth. Particularly when addressing later stages of the venture, selectiveness should be a key criterion. Therefore, policy moves in the area of tension between being selective but not “picking winners” and still being proactive in inviting potential growth firms.

Source: Autio, Kronlund and Kovalainen (2007), High-Growth SME Support Initiatives in Nine Countries: Analysis, Categorization, and Recommendations. Ministry of Trade and Industry, Publications 1/2007. Helsinki, Finland.

Notes

1. The questionnaire contained a third sub-category, *i.e.* “for niche groups”. However, there were few responses for this sub-category and these have been allocated to the other two sub-categories, as appropriate.
2. A database of SME and entrepreneurship policies related to globalisation and innovation is being developed based on the information gathered through the questionnaire.
3. An evaluation of the GSR in 2005 pointed out that an estimated 46 628 (10% of all New Zealand firms or 43% of those firms who, over five years, sustained any growth at all) generated 20% per annum revenue growth sustained over five years and, in comparison, that an estimated 1 448 firms achieved revenue growth of NZD 5 million within five years. Therefore, it considered that the definition of high growth is too low and the definition of high growth potential firms should be reviewed.
4. The Panel consists of an independent external advisor, the general Manager Business Programmes and the Programme Manager Growth Service Fund.

Annex 3.A1. Policy survey questionnaire

Questionnaire on programmes to foster enterprise growth

Country:

Contact Person

Name:

Position:

Institution / Organisation:

Contact Telephone No:

Email:

SECTION ONE: Economy Context

Governments' broad policy objectives and orientations differ by country/economy and in time, impacting on, as well as depending on, the *wider political, economic, regulatory, socio-cultural and environmental context* in which policymakers design and implement their policies and programmes, including enterprise-related and SME programmes.

Q1. Please provide a brief description of this wider context in which your country/economy's programmes aimed at fostering growth and innovation in enterprises, **in particular SMEs**, are positioned.

SECTION TWO: Programme Information
Survey Roadmap

Q2. Please fill in the following table in order to proceed to Policy areas A to G.

Are there programmes aimed to:	NO	NO, but had in the recent past* (less than 10 years)	NO, but under consideration	YES*	If YES*, are these programmes targeted at:		When applicable (*), please proceed to Policy area:
					All firms, including SMEs	SMEs in particular	
Foster the growth or high-growth of SMEs							A
Promote skill development in enterprises							B
Develop intellectual assets (IAs) management capabilities in enterprises, including IPRs							C
Support business R&D in enterprises							D
Stimulate enterprise innovation							E
Facilitate enterprise collaboration with other partners and open innovation							F
Improve access to financing for HGSMES and/or innovative enterprises:							G
- by debt finance							
- by equity finance							
- for niche groups (for instance, creative industries)							

Programme Information Template to be completed for Policy areas A to G

1. Title:	
2. Date of introduction: (Please specify if programme is ongoing)	
3. Objectives:	
4. Target group:	
i) All firms, including SMEs	
ii) SMEs in particular (please indicate if a specific category of SME is targeted)	
5. Territorial coverage (national, regional, local, urban, rural, disadvantaged areas):	
6. Programme funding (when possible, please specify the form of financing – <i>e.g.</i> grant, loan, loan guarantees, fiscal incentive, etc. – as well as eligible activities/costs):	
7. Programme partners (please specify the name and type – <i>e.g.</i> public/private, business, academic, NGOs, etc.):	
8. Type of barriers/market failure addressed: (what are the specific problems facing firms that the programme assists in overcoming?)	
9. Has the programme been formally evaluated (or at least subject to a review)?	
i) If yes, what are the findings?	
ii) If the programme was successful, how has it accomplished its objectives?	

POLICY AREA A. Programmes aimed to foster the growth or high-growth of SMEs

Q3. Please complete the programme information template for each relevant programme. Descriptions should include current central/federal government-funded programmes, as well as regional, state or local programmes.

POLICY AREA B. Programmes aimed to promote skill development in enterprises

Q4. Please complete the programme information template for each relevant programme. Descriptions should include current central/federal government-funded programmes, as well as regional, state or local programmes.

POLICY AREA C. Programmes aimed to develop intellectual assets (IAs) management capabilities in enterprises, including IPRs

Q5. Please complete the programme information template for each relevant programme. Descriptions should include current central/federal government-funded programmes, as well as regional, state or local programmes.

POLICY AREA D. Programmes aimed to support R&D in enterprises

Q6. Please complete the programme information template for each relevant programme. Descriptions should include current central/federal government-funded programmes, as well as regional, state or local programmes.

POLICY AREA E. Programmes aimed to stimulate enterprise innovation

Q7. Please complete the programme information template for each relevant programme. Descriptions should include current central/federal government-funded programmes, as well as regional, state or local programmes.

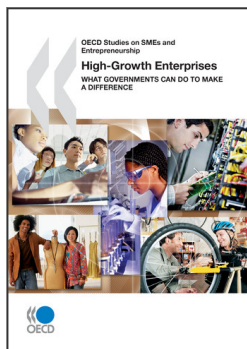
POLICY AREA F. Programmes aimed to facilitate enterprise collaboration with other partners and open innovation

Q8. Please complete the programme information template for each relevant programme. Descriptions should include current central/federal government-funded programmes, as well as regional, state or local programmes.

POLICY AREA G. Programmes aimed to improve access to financing for HGSMEs and/or innovative enterprises:

- by debt finance
- by equity finance
- for niche groups (*e.g.* creative industries)

Q9. Please complete the programme information template for each relevant programme. Descriptions should include current central/federal government-funded programmes, as well as regional, state or local programmes.



From:
High-Growth Enterprises
What Governments Can Do to Make a Difference

Access the complete publication at:
<https://doi.org/10.1787/9789264048782-en>

Please cite this chapter as:

OECD (2010), "Government policies to support high-growth enterprises", in *High-Growth Enterprises: What Governments Can Do to Make a Difference*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264048782-5-en>

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