Policies in support of high-growth innovative enterprises

http://www.hgie-policies.eu
info@hgie-policies.eu

Expert workshop

Brussels, Belgium, 20 September 2013

Summary

Background

This workshop was meant to validate findings from research in a study about policies in support of high-growth innovative enterprises (HGIEs). In particular, the study comprised a survey of 580 HGIEs in the eight countries of Germany, France, the United Kingdom, Poland, Switzerland, the United States, South Korea and Japan as well as interviews with experts from these countries.

Attendants

The workshop convened 21 stakeholders active in researching about or promoting HGIEs, in particular from universities, policy and business. Attendance was by invitation only. See a list of attendees in the Annex.

Presentations

This summary includes the main points of the discussion and goes beyond what is included in the presentation files. The presentation files can be viewed and downloaded at http://hgie-policies.eu/workshop/.

Main results

Policy makers seeking to foster HGIEs can be recommended to (1) consider HGIE characteristics such as older age and specific national conditions, (2) target barriers for growth such as regulations for starting a company and a lack of skilled employees, (3) improve framework conditions, in particular company taxation and labour law. They should also foster key growth factors such as the ability and readiness to target growth and internationalisation. Policy evaluation should also be enhanced because there is little scientific evidence about effectiveness and efficiency of specific HGIE support measures.

Two examples of promoting HGIEs were presented: **Accelerace**, a Danish public-private partnership founded in 2008, is based on four elements: training, financing, community building, and a laboratory for learning. The basic idea of Accelerace is to increase the number of people with serial entrepreneurship skills. Accelerace pays back to its investors. **CTI Startup** is an initiative of the Swiss governmental agency CTI. It does not directly invest into start-ups but spots and trains the talent, like Accelerace. A study found that CTI-labelled firms are capable of acquiring more capital, exhibit higher survival rates over the first five years, and create more jobs. The study also found that the coaching process and labelling are important for these outcomes.

A panel discussion highlighted different aspects of HGIE promotion such as a critical lack of venture capital in Europe and the need to target potential winners, not actual winners. The three panellists agreed that there should be **no sector focus** in promoting HGIEs.

European Commission
RESEARCH & INNOVATION

About the HGIE Study

The study about "policies in support of high-growth innovative enterprises" is based on a specific contract between the European Commission, Research and Innovation Directorate General, and empirica Gesellschaft für Kommunikations- und Technologieforschung mbH (Bonn, Germany), Dialogic (Utrecht, Netherlands), and the School of Business of the University of Applied Sciences North-Western Switzerland (Olten, Switzerland).

1 Welcome and introduction

Pierre Vigier, European Commission, DG Research and Innovation: the European Commission's objectives about HGIEs

In his welcome address, Pierre Vigier stressed the importance of new insights about HGIEs in order to create jobs and sustainable growth in Europe. Europe needs more innovative enterprises in order to adapt to world-wide economic change and to increase its competitiveness. He said he was not so surprised to see that most HGIEs are older than ten years because this is in line with his experiences from work with industry. However, he was struck by the importance of skills for HGIEs and surprised by the high percentage of HGIEs asking for improved policies in the field of joint R&D with universities and other public research organisations.

2 Findings from a survey of 580 HGIEs in eight countries

Presentation Stefan Lilischkis, empirica GmbH (Germany)

While there is evidence that HGIEs contribute decisively to job creation, there is a lack of knowledge about HGIE characteristics and appropriate policies. The main method applied in this study was a computer-assisted telephone interview **(CATI) Survey** in 36 innovative industries in eight countries: Germany, France, the United Kingdom, Poland, Switzerland, the United States, Korea and Japan. The sample includes 580 HGIEs. "High growth" was defined as growth in the number of employees by at least one third over three years in the past five years (Poland: 22% in two years). Only internal growth was considered, no mergers and acquisitions. The size threshold was ten employees at beginning. The data base for sampling included 4% HGIEs. Further methods included interviews with experts and literature research.

As regards **size** the survey found that the majority of HGIEs is small (10-49 employees). A considerable share was found to be medium-sized and below 10% was large. The share of medium-sized HGIEs is larger than share of all medium-sized enterprises; for small enterprises it is the other way round. Thus, for many enterprises medium size may be required to take off for high growth due to economies of scale and scope.

As regards **age**, the majority of HGIEs in the sample was older than 10 years. This applies to all countries and sectors. Thus, high growth may not predominantly be a start-up phenomenon but it takes place after an initial struggle of establishing the firm in the market.

In the vast majority of HGIEs, high growth started in the past ten years. A small share of HGIEs (10%) performs continuous high growth, for more than ten years. The largest share of them is medium-sized, and their share was found to be considerably larger in services (12%) than in manufacturing (5%).

13% of HGIEs in the sample were **spin-offs**, of these most (68%) from other companies, 24% from universities, and 18% from other public research organisations. 25% have **private equity** investments, 12% venture capital, which is more than in other companies. The HGIEs' main customer group is other companies. Only a minority (25%) said their main market is international, so that there appears to be potential to grow internationally.

Across the sampled countries, there was hardly any particularly high share of HGIEs per industry, and the characteristics of the overall sample generally apply to all countries.

There are some differences in the countries' shares of HGIEs from certain industries, reflecting national specificities.

In the data universe, the shares of HGIEs per industry do not differ much, i.e. they were not larger than 7%. Growth in manufacturing and services industries is apparently partly driven by different factors: highly skilled employees were found to be more important in services, and entering new international markets was found to be more important for manufacturers. Beside "directors targeting growth" and "skilled employees", each industry apparently has its own profile of growth factors.

In **conclusion**, policy makers can be recommended the following. First, they should consider HGIE characteristics such as older age, spin-off origin, national and sectoral specificities. Second, policy makers should target key barriers for growth, especially regulations for starting and growing a company, access to finance, and a lack of skilled employees. Third, policy makers should improve framework conditions, in particular company taxation and labour law. They should also foster key growth factors such as the ability and readiness to target growth and internationalisation. Policy makers are also suggested to enhance policy evaluation because there is little scientific evidence about effectiveness and efficiency of specific HGIE support measures.

A discussant's view: Albert Bravo-Biosca, NESTA (United Kingdom)

Albert Bravo-Biosca found that the study produced interesting and useful findings, consistent with what we know from country-level studies. It would be useful to consider how HGIEs differ from non-HGIE. NESTA found that barriers to growth are different in HGIEs and non-HGIEs: skills (both managerial and staff) as well as recruitment are more important for HGIEs. However, he is not convinced that old age is such a good thing. For example, a majority of UK HGEs was found to be older than five years, not ten, and young firms are more likely to be HGEs than old firms. It is important to consider shares ("majority") versus likelihood ("rate") versus impact ("importance"), for example for micro firms versus large firms. Targeting becomes more challenging the lower the rate of HGEs in a certain population of firms. Ambition and skills are the key. NESTA research shows that HGEs have a more skilled workforce and invest more in training prior and during their growth – since they experience more skills gaps as well (see NESTA working paper 12/12).

As regards business growth distribution in **Europe and the US**, Europe has a much larger share of "static" firms, while the US has more fast growing and fast shrinking firms. Growth and contraction are correlated, and there is a faster reallocation of resources in the US. Furthermore, he found that a 5% increase in the share of static firms is associated with 1% lower annual total factor productivity (TFP) growth. This effect is stronger when a country is coming closer to the technology frontier.

Other minor comments were related to the **sample**. As regards sample size, with a sample of 580 firms in 36 industries and eight countries, the data cannot be sliced down too much without losing validity. The focus of the analysis is more on the "survey questionnaire" information rather than on mapping age-size-sector issues. This could be done in a more representative way with administrative data. As regards sample selection, it is a survey of "successful" companies, using different criteria than the standard OECD-Eurostat definition. While "innovative sectors" were targeted, it needs to be stressed that innovation can happen in all sectors. It should also be noted that growth in employment is only one measure for high growth; others are growth in sales and in value added. There are also some pros and cons of excluding growth based on mergers and acquisitions.

As regards **productivity**, there are large differences in productivity within the HGE category. It may be worth while looking at how it relates to other survey responses, i.e. it would be interesting to see is how some of the survey measures are linked to the productivity performance of the firm, which could be estimated with D&B data. It would

be interesting to learn what the typical characteristics of the high productivity HGIEs are, rather than low productivity HGIEs.

As regards **country results**, there are quite systematic reviews of policies but some gaps, particularly on evidence. For example, there is a large body of work on UK HGFs, including how this is linked to innovation.

Albert Bravo-Biosca's final comments were that, firstly, **recommendations** should be focused on framework conditions and "system-level" barriers to growth. Second, active support schemes that target HGIE can be a helpful complement, even if targeting is challenging, but there is a strong need for experimentation and rigorous evaluation.

General discussion

In the discussion, Pierre Vigier confirmed that funding initiatives by the French government may have had huge impact on the number of **HGIEs in France**. Eurostat figures confirm this finding, said Dialogic researcher Leonique Korlaar. However, apparently many of the French HGIEs stop growing before reaching considerable size so that they do not reap much benefit for the French economy and society.

Some discussion evolved around the issue of selling to **international markets**. Being part of an international enterprise group might reduce the level of sales to international markets but a subsidiary will not necessarily focus national markets. Subsidiaries may focus on specific product market segments, also selling internationally, rather than geographical market segments. One also needs to consider that the survey asked for the "main market", which may be national while the enterprise actually does also sell to international markets.

As regards enterprise **finance**, even if many HGIEs said it does not apply that "our company has had easy access to external financing", this does not necessarily mean that access to finance was a barrier for them. It may be that finance was not important. Albert Bravo-Biosca added that in his experience it is difficult to receive clear pictures about finance issues from enterprise surveys. Responses about finance issues are particularly depending on the formulations of the questions, and looking at average results can be misleading. Brian Dormand confirmed the latter issue; in their studies they cut off extremes or use medians instead of averages.

As regards **policy implications**, the wording for presenting more intense **policy evaluation** as a suggested HGIE policy measure needs to be clear. On the one hand, there is sufficient evidence for suggesting certain directions of HGIE policies in the study's policy briefs. On the other hand, there is still a lack of evaluation of specific policy measures for HGIEs, implying that one should be careful in formulating policy implications. Moreover, beyond what is already highlighted in the policy briefs, two further issues should be stressed: In-house R&D and intellectual property protection. For both issues, the HGIE survey may suggest a specific need for public policies.

3 Case studies

3.1 Accelerace – fostering HGIEs since 2008

Presentation Peter Torstensen, Accelerace

Peter Torstensen finds that sports are a good analogy for promoting HGIEs – both are about selecting talents. Why do some countries perform better than others – despite the fact that they spend fewer resources, have fewer athletes, and do not seem to have better conditions? The issue may be to pursue the right strategy: The ways for spotting

talent, developing and train talent, building new knowledge on what creates stars, spreading that knowledge, making financial support available, and prioritising effort.

In his experience, most start-ups will never ever grow. 10-15% have the potential to grow, 2-4% actually do grow. What is the difference between those that have growth potential and those that actually perform high growth? This leads to the question what entrepreneurship is. There are four key issues: **talent, experience, learning as well as opportunity and innovation**. "Talent" means that there are people with a special gift, a certain DNA so to say. "Experience" means that the more you do it – the more firms you start and grow –, the better you get. "Learning" means that entrepreneurship is at least partly about something one actually can learn. Finally, the success of an enterprise is based on the quality of its technology and innovation.

Peter Torstensen made the following experiences when considering these four issues separately. When someone "only" has talent, the likelihood of the firms' success remains the same when starting firms repeatedly. When someone steadily increases his or her experience on starting one firm after another, the likelihood of the firm's success increases. Similarly, learning will help increase the likelihood of firms' success, while this likelihood may even decrease with the second and third start-up created and then increase when starting four or more firms. As regards opportunity, it is very hard to predict whether a firm will be successful even in serial entrepreneurship. So the lesson learned is: If an entrepreneur starts a company for five to six times, he or she becomes more successful than others. Then it may be good to "fail fast and furious".

If **experience is the key issue**, the next question is what kind of experience is required. Peter Torstensen found that entrepreneurship is very much about the right way to act – acting in a process of finding a scalable business model. Successful entrepreneurs constantly guess about their markets, and they test them, looking for patterns and for proof. It may take 7-10 iterations and a period of 3-5 years, in some industries even longer, for finding a sustainable business model.

Peter Torstensen believes that we do not lack people who would like to do it, good ideas and inventions, capital or good conditions. We lack people with the right skills to initiate and organise the process of searching for viable business models. There is no need for millions of serial entrepreneurs – 500 of them in Silicon Valley are involved in 80% of all successful start-ups. Furthermore, such eco-systems are specialised and regional, and they can be developed or leveraged.

Accelerace is based on four elements: **training, financing** (300,000 – 500,000 euros for entrepreneurs who went through the training), **community** (a network of Accelerace founders and big corporations) and a **laboratory for learning** (real life, real time studies and data collection on success and failure).

Hence, the basic idea of Accelerace is to increase the number of people with serial entrepreneurship skills. Once you have established a certain number of them you do not need governments supporting entrepreneurship any more. Taking this approach Accelerace is successful – it **paid back to its investors**. Accelerace's results: 200 companies created, 60% raised capital, 78 million euros of capital raised, 95% survival rate, more than 600 new jobs, 30% growth companies, 35 investments, return on investment 5%.

Discussion

In the discussion it was asked whether the Accelerace approach could be recommended to other regions. Peter Torstensen replied that he does not know whether their methodology is necessarily right. There is a lack of good public policies to train serial entrepreneurs. How do we arrange the steps of progression they need to climb the ladder?

3.2 CTI Startup – success factors of growth coaching

Presentation Pascal Gantenbein, University of Basel

In Switzerland there are two particularly notable start-up database projects. The **Swiss Venture Capital Database** is based on a survey of Swiss start-ups from 1999 to 2009, updated yearly since then. Currently there are more than 1,000 Swiss start-up companies in innovative sectors included. Over 1,500 financing transactions of these firms with an aggregate volume of 7 billion Swiss Francs have been recorded. The database covers different stages in the life cycle, however with a focus on early stage firms. It includes soft factors such as the entrepreneurs' assessment of success factors. Second, the **Swiss Start-up Monitor** (SSM, startupmonitor.ch) is a public start-up directory. Member firms report their financing transactions, employment history, and financial data. In turn the firms receive certain services: a liquidity tool, activity feed (i.e., permanent news about the venture capital and start-up scene in Switzerland), job market support, and investor matching. The Swiss Start-up Monitor is supported by CTI and private organisations.

In 2012, **CTI** had a lean organisation with 65 employees. Its budget was 154 million Swiss Francs (CHF), thereof 146 million for promotion of technology and innovation. Third party contributions comprised of 139 million Swiss Francs, invested into R&D project promotion, knowledge and technology transfer as well as entrepreneurship training through external partners. As regards coaching, there are three lead and head coaches and 59 other coaches. Many of them are serial entrepreneurs providing their knowledge and network. CTI does not directly invest into start-ups. It pursues the principles of subsidiarity and of matching funding.

In 2011, the University of Basel conducted a **study comparing CTI-labelled versus non-labelled start-ups**. The study included a total of 1,012 start-up companies in innovative sectors. Of these, 886 firms are relevant for this study; 126 service firms excluded. 243 firms were CTI-labelled, 643 firms non-labelled. A total of 1,277 financing transactions were considered, out of which 1,071 transactions are relevant for the study. Thereof, 380 were CTI-labelled and 691 non-labelled transactions. The total transaction volume was 6.1 billion CHF, the volume relevant here 5.4 bn CHF, of which 1.2 bn CHF were for labelled and 4.2 bn CHF for non-labelled firms. Four criteria were used in the analysis: (1) financing, (2) success factors, (3) survival rates, (4) employment.

The study found that **CTI-labelled firms are capable of acquiring more capital, exhibit higher survival rates over the first five years, and create more jobs**. The study found that the coaching process and labelling are important for these outcomes. Apparently there is causality in both directions: coaching and labelling increases success; and successful firms are selected for coaching and labelling. It was also found important that venture capital does not only provide capital but also know-how.

In conclusion, the Swiss Venture Capital Market shows a high degree of cyclicality of investments, in particular in early stage, regional clusters with individual sector profiles, and a general trend to Life Sciences (today over 70% of financing volume), which however is slightly shifting back towards IT since then.. Success factors for start-ups include the firms' resources (marketable product or technology, internal and external financing), the institutional environment (demand / customers, economy, public support, business parks) as well as strategic and organisational fit. There is high employment growth (FTE) in VC financed firms, in particular in Life Sciences, but there is also dispersion within industries and high default rates.

Discussion

CTI Startup's labelling process was further discussed. CTI focuses on job creation. It spots and trains the talent, as Accelerace does. It was also stated that it is good when young entrepreneurs compete and that they are not "flooded with money".

4 Findings about HGIE policies in the US, the UK and France

Presentation Leonique Korlaar, Dialogic

United Kingdom

UK enterprise policy measures are only to a little extent targeted at HGIEs. An exception is the "Growth Accelerator Programme". As regards **framework conditions**, the environment for doing business in the UK tends to rank high in international comparison. The main challenge is to improve the regulatory environment. As regards **demand side policy measures**, the value of public procurement in the UK is relatively high (6.5% of GDP). There are three initiatives targeting innovative procurement: The Small Business Research Initiative (SBRI) launched three years ago, the "Public-Private Procurement Compacts", and "CompeteFor" in the context of the London 2012 programme.

Improving **access to finance** is considered as a major challenge in the UK, especially for companies growing from one to five employees. Several initiatives tackle this issue: R&D tax credit for SMEs, Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCTs), Business Angel Co-Investment Fund, grants for R&D and innovative activities (vouchers), and the Business Growth Fund (private).

There are also several initiatives in the field of fostering **ecosystems** and business support services. One is the "Innovation and Research Strategy for Growth: Technology and Knowledge Centres" ("Catapults"), another one is the programme "**Growth Accelerator**" for new and established SMEs, seeking to involve 10,000 businesses per year.

France

There are various types of policy support for enterprise establishment. According to a recent study by the European Union the share of high-growth enterprises is high (8%). The HGIE study found it to be even higher. However, further growth of these enterprises seems problematic, and they tend to not internationalise their business.

As regards **framework conditions**, the administrative burden and labour market regulation are major challenges for enterprises in France to grow. On the other hand, there are many initiatives seeking to facilitate **access to finance**, venture capital in particular, and also fiscal incentives. Major programmes include Young Innovative Companies (JEI), Tax Credit for Research (CIR), and BPIfrance. The number and scope of these programmes may have contributed to the relatively large share of HGIEs in France.

As regards fostering **ecosystems** in France, the focus is on cluster development, seeking to increase innovation and attract businesses to France. There are many general support measures for business services, many offered by chambers of commerce and incubators. In particular, there is support by the OSEO organisation by means of innovation vouchers.

US

At the federal level there is not much innovation-focused policy; the US innovation system is rather decentralised. However, there is a new nation-wide initiative for growth-oriented new enterprises called "Start up America". In the US, entrepreneurship is strongly supported by the **regulatory framework**. Barriers for starting (and running) a business are modest. Specific support to innovative enterprises is for example offered by R&D centres, the Federal Laboratory Consortium, the Council on Competitiveness, and State Science & Technology Institute.

On the demand side there is a focus on **public procurement** and protection of intellectual property. A quite well-known programme is the Small Business Innovation Research program (SBIR). The more recent "America Invents Act" also supports innovative procurement. As regards **access to finance**, there are no substantial funding schemes for HGIEs at the federal level. On the fiscal side there is an R&E tax credit. Direct funding and loans are provided through the Small Business Investment Company Programme. As regards **ecosystems**, the Economic Development Administration (EDA) aims to improve the competitiveness of regions by promoting cluster development. Also relevant are programmes for Small Business Technology Transfer (R&D partnerships), and Start up America Partnerships, and Small Business Development Centres.

Conclusions

There is no "one size fits all" approach for HGIEs, country specific factors should be taken into account, and smart specialisation (region specific innovation strategy) appears to be valuable. Facilitating entrepreneurship through business support services seems to be important, particularly coaching of HGIEs with regard to preferred strategies, leadership development, human resources issues, raising finance and the like. Policy measures need to be aligned and clear, and policy makers should explore the potential of randomized-control trials to assess impact of specific policy measures.

A discussant's view: Reinhilde Veugelers, Bruegel / University of Leuven

In her discussion of the presentation, Reinhilde Veugelers first asked a number of questions: When one size does not fit all, what are the characteristics policy makers need to focus on? Which country characteristics are decisive? Do we need sector-specific policies? For which types of HGIEs do policies work, for which types do they not work? Many issues appear to be the same across countries, like skills and finance. For her the most important policy recommendation is to develop sound policy evaluation methodologies. From this we could learn whether there are country-specific features, how to mix policy measures best, and what policy level should be addressed. However, one should not wait until all evaluation is done.

General discussion

In the discussion it was asked whether the study team found particularly valuable policies for fostering HGIEs. Matthijs Janssen replied that it is difficult to give clear answers to this question. For some measures like tax breaks there is 20 years of experience but still no clear answer. It was also noted that randomised studies do not teach us why something works and why not. There is also a need for case studies.

The HGIE survey found that in the UK **skills** are even more important than in other countries. This led to the question what specific skills are needed. Brian Dormand suggested that sales skills are very important and rare. While one could question that enhancing such skills would be a field for government intervention (Reinhilde Veugelers), many employers criticise that money for education is going to wrong places. Suzanne Mawson confirmed this, pointing to a brain drain away from Northern Scotland. Policy could help making such regions more attractive in order to keep talented people there.

5 Panel discussion: HGIE policies in Europe – the way forward

Participants:

- A public policy view: Pedro de Sampaio Nunes, Director, Eureka / Eurostars
- A business view: Brian Dormand, Managing Director, Winning Pitch
- A finance view: James Burnham, External Affairs Director, European Venture Capital and Private Equity Association
- Moderation: Peter O'Donnell, Associate Editor, European Voice

Introductory statements: Most important insights about HGIEs

Pedro Sampaio Nunes explained the Eurostars approach of selecting enterprises for promotion. Eurostars only supports companies with a solid business plan. The programme seeks to make time from application to contract very short so that they do not lose time to market. Eurostars is dedicated to R&D performing SMEs, stimulating these SMEs to lead international collaborative research and innovation projects. Eurostars is mainly an internationalisation platform; funding comes from Member States.

Brian Dormand explained that Winning Pitch, a specialist provider of high growth coaching services, was founded in 2006 and delivered a number of high-growth programmes since then. The British government designed its GrowthAccelerator Programme with its help. According to the Winning Pitch approach, coaches need to empathise with the entrepreneurs, not only sympathise. Some of the coaches are employed at Winning Pitch, others are freelancers.

James Burnham said it is important to differentiate between traditional venture capital and private equity for buy-outs. This should also be stressed in the study's reports. Supplying money to VC funds is really challenging currently. In Europe it is very difficult to continue a flow of capital to build up companies in the second and third round of VC funding, in the US there is plenty such follow-on capital. While one may hear some venture capitalists say that there would be sufficient money but they do not find good enterprises to invest in, the statistical evidence does not bear out such statements.

Key messages to policy makers

Pedro Sampaio Nunes pointed to the finding of the HGIE study that bureaucracy and regulation are important barriers. He found this is really the case. Regulations need to be designed from the viewpoint of the entrepreneurs and be user-friendly, not from the viewpoint of civil servants. In programmes supporting HGIEs, decisions about selecting firms should not be made by civil servants. Furthermore, standardisation is a big issue for European enterprises to compete and succeed.

A workshop participant stated that success stories like Apple and Tesla would not be possible: Apple switched from a software company to a telephone company when introducing the smartphone; Tesla is a completely new company that grows quickly. In Europe, big companies would often block new companies or buy them.

Brian Dormand did not agree; he said that US companies would do the same. The difference between the US and Europe is more cultural. Entrepreneurship is more "in the blood of the people" in the US, and in the US you can fail and stand up again, which is not the case in Europe. Furthermore, focus is most important: If public money is put into potential HGIEs, it should not pick winners but discriminate, only helping those that actually need help. "Potential" is the keyword. With regard to political rationales, from an economic point of view it is better to focus scarce public money on those firms with potential, while it may bring more votes to give money to all. However, it is "no perfect science" to identify those firms with potential. We need to see three things: (1) Tangible

evidence of ambitions, (2) something that is different and compelling in the eyes of the customer, (3) a convincing management team, not only an apt individual.

James Burnham pointed to the fact that the US VC industry is larger, longer established and thus more experience than in the US. European investors do not have a track record of success like US investors have. It often happens that promising enterprises are first backed by European VC but then sold to US VC. He saw a need for bringing pension funds into the public market – which is currently not a stated objective of the European Commission – in order to create a self-sustained VC market in Europe. However, currently 40% of European VC comes from public sources. In the long run this is not sustainable. A self sustaining VC industry, i.e. one not reliant on the public sector, should be a political goal and policy measures should be adapted to make this so. If policy success is only measured in terms of jobs created and companies started and not performance of the VC funds, the cycle will perpetuate. Making VC a policy goal in itself will ultimately create the thriving industry needed to sustain investment into SMEs. The successor programme to the current equity programme of the European Commission should have a catalytic effect. Private equity funds of funds, of which there are currently many, could be used to this end.

The three panellists agreed that **there should be no sector focus in promoting HGIEs**. Pedro Sampaio Nunes said we should abandon the idea to choose particular sectors for promotion. Programmes promoting HGIEs should be open to all industries and focus on the quality of the entrepreneurs. Brian Dormand added that it would be very dangerous to pick sectors, also because entrepreneurs can be innovative in very low-tech sectors. James Burnham said that policy makers should select types of businesses defined by broad common characteristics in regards to the potential for growth and innovation that are not sector or size dependent. The European Commission would currently repeat the mistake of selecting sectors in Horizon 2020 where 30% of the budget is going to clean technology.

Annex

Annex 1: List of participants

No.	Title	Name	Organisation	Position
1	Prof.	Barjak, Franz	University of Applied Sciences and Arts North-Western Switzerland	
2		Bravo-Biosca, Albert	NESTA	Senior Economist
3		Brussa, Anna	Polish Agency for Enterprise Development	Deputy Director
4		Burnham, James	European Venture Capital and Private Equity Association	External Affairs Director
5		de Sampaio Nunes, Pedro	Eureka	Director
6		Deiss, Richard	European Commission, DG Research and Innovation	Policy Officer
7		Dormand, Brian	Winning Pitch	Managing Director
8		Galveias, Luis	European Business Angels Network	Director of Secretariat
9	Prof.	Gantenbein, Pascal	University of Basel	
10		Garces Tolon, Eliana	European Commission, DG Enterprise and Industrie	Policy Officer
11		Janssen, Matthijs	Dialogic	Researcher/Consultant
12		Korlaar, Leonique	Dialogic	Researcher/Consultant
13	Dr.	Lilischkis, Stefan	empirica	Senior Consultant
14		Masson, Antoine	European Commission, DG Research and Innovation	Policy Officer
15		Mawson, Suzanne	University of Stirling	Research Fellow
16		O'Donnell, Peter	European Voice	Associate Editor
17	Dr.	Raes, Stephan	Permanent Representation of the Netherlands to the EU	Head of the Economic Affairs Department
18		Torstensen, Peter	Accelerace	CEO
19		Dichter, Giordano	European Business & Innovation Centre Network	
20	Prof.	Veugelers, Reinhilde	Bruegel / University of Leuven	Senior Research Fellow
21		Vigier, Pierre	European Commission, DG Research and Innovation	

Annex 2: Programme

Time	Sessions
09.30 – 10.00	Tour de table **Welcome and introduction** • Pierre Vigier, European Commission, DG Research and Innovation: The European Commission's policy objectives about HGIEs Brief questions and answers
10.00 – 11.15	**HGIE characteristics and policies** ***Findings from a survey of 580 HGIEs in eight countries*** • Dr. Stefan Lilischkis, Senior Consultant, empirica GmbH (Germany) ***A discussant's view*** • Albert Bravo-Biosca, PhD, Senior Economist, NESTA (United Kingdom) Discussion
11.15 – 11.30	*Coffee and tea break*
11.30 – 12.45	**Case studies** ***Accelerace – fostering HGIEs since 2008*** • Peter Torstensen, CEO, Accelerace (Denmark) Discussion ***CTI Startup – success factors of growth coaching*** • Prof. Dr. Pascal Gantenbein, Department of Financial Management, University of Basel (Switzerland) Discussion
12.45 – 13.45	*Lunch break*
13.45 – 15.00	**Policy examples** ***Findings about HGIE policies in the US, the UK and France*** • Leonique Korlaar, Dialogic Innovatie & Interactie (Netherlands) ***A discussant's view*** • Prof. Reinhilde Veugelers, Senior Research Fellow, Bruegel / University of Leuven (Belgium) General discussion
15.00 – 15.15	*Coffee and tea break*
15.15 – 16.25	**Panel discussion** ***HGIE policies in Europe – the way forward*** • *A public policy view*: Pedro de Sampaio Nunes, Director, Eureka / Eurostars • *A business view*: Brian Dormand, Managing Director, Winning Pitch (United Kingdom) • *A finance view*: James Burnham, External Affairs Director, European Venture Capital and Private Equity Association (Belgium) Moderation: Peter O'Donnell, Associate Editor, European Voice (Belgium)
16.25 – 16.30	**Conclusions** • Richard Deiss, European Commission, DG Research and Innovation
Moderation: Stefan Lilischkis, empirica, Bonn	