

Growth-drivers

Effective ecosystems for ambitious entrepreneurs

Advisory report 85

March 2014

Summary

Background

The innovation and entrepreneurship policy in the Netherlands specifically emphasizes SMEs, in the expectation that this will serve to bolster the Dutch knowledge economy. Taking into consideration the economic crisis and increasingly limited public resources available to support SMEs, it is wise to give thought to how the Dutch SME sector can be made more innovative and stronger, and what the government can do to help in this regard. The Minister of Economic Affairs and the State Secretary of Education, Culture and Science have approached the Advisory Council for Science, Technology and Innovation with the following question: *How can the innovation and growth potential of the SME sector be enhanced, and what role can the government play in this regard?*

Growth-drivers ensure economic growth

There is no such thing as a typical SME. This large economic sector consists of companies with 1-249 employees. These companies are all very different with regard to innovation, growth, internationalization and productivity. Research shows that innovation, growth and internationalization serve to reinforce each other. A typical company that makes a relatively high contribution to economic growth in the Netherlands can be described as follows: an innovative company that is growing. Companies like these ensure economic growth both directly and indirectly: they serve as role models for other entrepreneurs, they create dynamics in existing business environments and they enhance the Netherlands' image in the international context. In this report, the Council focuses on companies with the ambition and potential to become such innovative growing companies: *growth-drivers*. The challenge for the Netherlands is to pave the way for more growth-drivers to flourish.

Growth-drivers cannot be defined as a group based on size, age or sector. This group is far too diverse for that; for example, not all of them are young, high-tech and dependent on venture capital to get off the ground. Growth-drivers can still be identified via other channels, such as innovation and growth awards or the investment portfolios of venture capitalists. It is estimated that this group consists of several thousand companies at most.

Effective ecosystems are vital for growth-drivers

The innovation and growth potential of enterprises is determined by many internal and external factors, such as a good strategy, access to new knowledge, an effective organizational structure, access to finance and access to international markets. Growth-drivers will encounter difficulties in many of these areas, and they will have to devise solutions for themselves. In solving these problems, growth-drivers will benefit tremendously from a well-functioning ecosystem in which they can quickly find the right partners: partners who can help them acquire knowledge, obtain financing, find the right people, gather information on market opportunities, access international networks, etc. In its recommendation, the Council therefore focuses on strengthening the ecosystem as a major policy goal. The Dutch ecosystem can be strengthened by encouraging innovative cooperation between growth-drivers and their (international) clients, 'complementors' and competitors. The universities, Top Consortia for Knowledge and Innovation, institutes of applied research and universities of applied sciences have an important role to play in this process.

The government's role and current policy

In addition to ensuring the proper conditions for innovation and growth-oriented entrepreneurship, the government, both at the national and regional level, also has a role to play when it comes to strengthening the ecosystem that will help growth-drivers to flourish. Ecosystems can be seen as a kind of infrastructure. Many policies are currently in place that influence the functioning and effectiveness of ecosystems. These policies are set at the regional, national and European level, and are not ideally coordinated. Also, a variety of organizations and agencies are responsible for implementing the various policies. Growth-drivers must thus deal with a range of programmes, schemes and implementation agencies. The policy tools available are not always arranged in accordance with the wishes and needs of growth-drivers, which benefit most from fast, flexible and efficient arrangements.

Recommendations

The Council feels that much can still be gained by strengthening the ecosystem for growth-drivers. To this end, the Council's report contains the following five recommendations:

1: Showcase growth-drivers

This will benefit the growth-drivers themselves, but even more importantly it will result in the creation of role models that will provide inspiration to other SMEs and spark their ambition. This may also help to attract foreign growth-drivers to the Dutch market.

2: Foster successful growth-drivers even after their initial success

One of the most valuable aspects of a successful ecosystem is the presence of successful entrepreneurs who have real experience. Develop policy that maximizes their contribution to the ecosystem.

3: Acknowledge the importance of growth-drivers

Ensure that growth-drivers are always on the policy agenda, and make sure their importance is reflected in the policy goals for government at the national and regional level.

4: Strengthen the ecosystem for growth-drivers

Encourage cooperation between growth-drivers and their (international) clients, complementors and competitors. Ensure that the tools available are arranged in accordance with the growth-drivers' wishes and needs: speed, flexibility and efficiency. The Council specifically recommends flexible arrangements such as open-innovation environments and regional growth accelerator programmes.

5: Improve implementation – proactively and 'no wrong door'

Ensure that growth-drivers are identified and that a relationship is built up with them. Proactively refer them to the relevant support structures and opportunities as they present themselves. This could involve drawing their attention to interesting meetings and conferences, relevant calls in Horizon 2020 or among the top sectors, relevant open-innovation environments, regional growth accelerator programmes and foreign trade missions. The Council recommends coordinating these efforts in close and equitable consultation between the various regional and national implementation agencies who will work behind the scenes on behalf of the growth-drivers under the motto of 'no wrong door'.