

Taftie Insights report  
Meeting 4 (3 October 2023)

## Startups and scaleups

### Executive summary

The October 2023 Insight Session of the Taftie network focused on the way in which innovation agencies across the network are supporting startups, as well as companies that are scaling and growing. Here we were interested in how innovation agencies define these entities, and the range of programmes and services they are currently offering to them, as well as those they are planning to develop in the future.

Before the meeting, a survey was conducted amongst the innovation agencies to map the nature of their support for startups and scaleups, and to ask about the challenges facing these entities in their ecosystems. Insights from the survey included:

- Grants and advisory services (such as coaching or mentoring) are the most common types of support currently provided by Taftie agencies to both startups and scaling companies.
- Lack of access to talent and financial resources were cited as the top challenges facing both startups and scaleups. Some of the ways in which agencies are trying to address these challenges include talent funding for company personnel, support for startup or other types of visas, and internationalisation or growth support.
- Almost all agencies support startups and scaling companies to access resources and funding from other sources, such as venture capital (VC) or angel investors. Some agencies operate their own VC funds, or collaborate with other investors to run them.

The meeting on 3 October provided an opportunity to dive deeper into some of these questions, supported by interventions from innovation agencies and other expert speakers representing the perspectives of startups and successful scaleups, as well as investors and analysts. Insights from the discussion included:

- There is a need to more effectively tailor support to the stage the business is at (scaling companies require something quite different than startups).

- Focusing on people - founders, core teams etc. - is where the most impact can be had. Talented, well-supported people can develop lots of ideas for different innovations, so it is more effective to invest in developing their potential than to only focus on the ideas themselves.
- Innovation agencies can and should be using AI and data to build more complete and up to date pictures of the emerging technology landscape, and to inform strategic decision making around where support, investment and collaboration should be targeted.
- Innovation agencies should focus on building supportive innovation ecosystems that bring together the different resources that startups and scaling companies require, and brokering key partnerships, such as with investors. In recognition of the fact that relatively few startups will break through and succeed or scale, a portfolio approach and the flexibility to adapt along the way is crucial.

## Part 1: Insights from survey data

Prior to the October 2023 meeting, a survey was distributed to all 35 member agencies. The aim was to gain insights into how agencies support scaleups and startups, and the impact of these activities. This survey was primarily completed by representatives from each agency who had a comprehensive knowledge of their institution's support for startups and scaleups. A total of 28 agencies responded, detailing the specific programmes they were engaged in and shedding light on the potential hurdles they faced. This represents a response rate of 80%, which gives a good picture of trends and practices across the whole network.

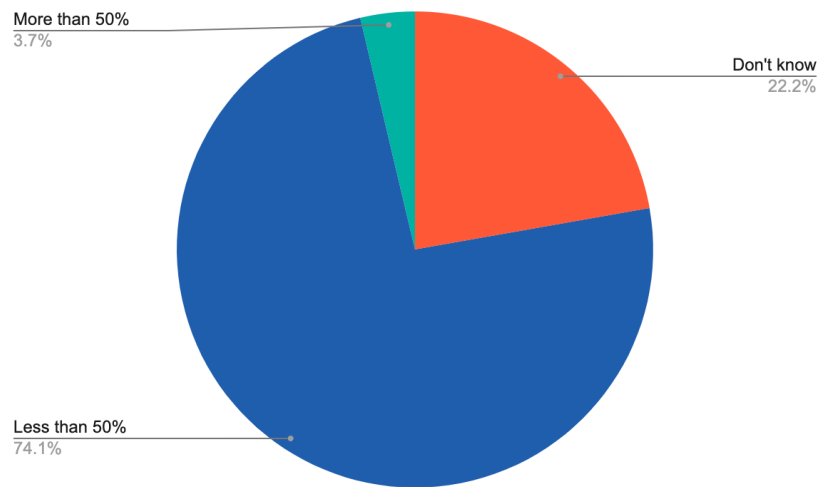
### 1.1 Support for startups

There is no single definition of a startup, but a number of common threads emerged from answers that Taftie agencies gave to the question of how they characterised them, legally or otherwise. Five themes dominated:

- **Age, size and scale:** Typically, startups are described as newly established or young companies, often with a specific time frame (e.g., less than 5 or 10 years old). Several definitions mention the size of startups, often categorising them as small or micro-enterprises.
- **Innovation:** Startups are associated with innovation, either in terms of products, services, or business models. They are often expected to bring something new to the market.
- **High growth potential:** Many definitions highlight the potential for rapid and substantial growth. This growth is often described as scalable and with global ambitions.
- **Business model:** The importance of a scalable and innovative business model is frequently mentioned. Startups are expected to have a business model that can sustain growth.
- **Technology or tech-based:** Some definitions emphasised that startups often operate in the tech sector or leverage technology for their products or services.

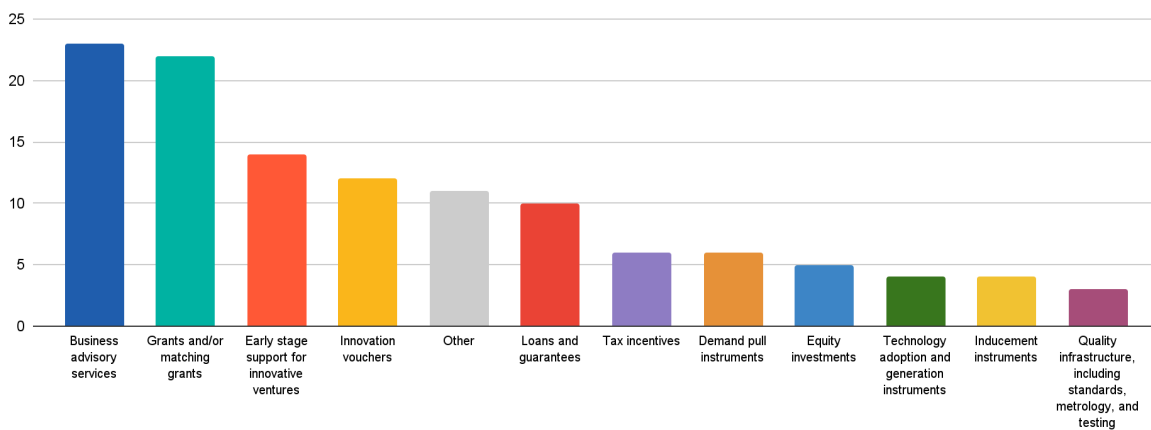
All Taftie agencies that responded to the survey support startups, using a variety of different instruments. The majority spend less than 50% of their total organisational budget on supporting startups - only one agency (Innovation Fund Serbia) spends more than this.

**Figure 1:** Proportion of agency budget committed to supporting startups



Looking in more detail into the specific services that agencies provide, there are a few forms of support that are offered by almost all respondent agencies, and a range of others that are only offered by a few agencies.

**Figure 2:** Types of support offered to startups



The most common forms of support provided to startups are business advisory services (such as coaching or mentoring) and grants. Between a third and a half of respondent agencies also offer loans, innovation vouchers and/or support for early stage ventures (such as incubation or acceleration support).

Other types of support mentioned include internationalisation or global growth programmes or start up missions (Innovate UK, Innovation Agency Lithuania, RVO Netherlands and the Slovak Innovation and Energy Agency) as well as some more specific tailored activities such as tender consultancy (NRDIO Hungary), and business development activities for market access (TTGV Türkiye).

A key issue for many startups and scaling companies is attracting and holding on to skilled individuals. From the survey, we found that around a quarter of respondent agencies provide support to startups **to try and attract and retain talent**. Specific tools and activities mentioned include talent funding for company personnel (Business Finland), outbound talent acquisition activities (Enterprise Estonia), employee stock ownership programmes (CDTI Spain) and salary payment support (Wallonie Entreprendre).

Around a third of respondent agencies also provide support to startups **to stay and grow in the country**, rather than primarily seeking growth opportunities internationally. For example, a number of countries operate specific startup visas or schemes (mentioned by Business Finland, Enterprise Estonia, FFG Austria, Innovation Agency Lithuania, Investment and Development Agency of Latvia, and RVO Netherlands).

Almost all respondent agencies provide support to startups **to attract funding from other sources** beyond the agency itself. Specific tools and activities mentioned include co-investment (bpiFrance), investor partnerships (Innovate UK, Innovation Fund Serbia), participation in 'funds of funds' (CDTI Spain, NCBR Poland) and support for accessing European funding (many agencies).

Almost all respondent agencies **measure or evaluate their programmes to support startups** in some way. Agencies described a range of activities in this area, including regular impact evaluations, annual surveys, and qualitative feedback. More than two thirds of respondent agencies follow up with startups after they have been supported, either on a formal or informal basis e.g. through surveys, an 'account manager' that stays in touch, alumni programmes etc.

We asked agencies whether they collaborated with other actors in the startup support ecosystem, with a particular focus on investors. Around a third of respondent agencies either **directly operate or collaborate in running an investment fund to support startups**. A number of others work closely with VC funds and business angel networks within the ecosystem, and/or support startups directly to engage with these actors.

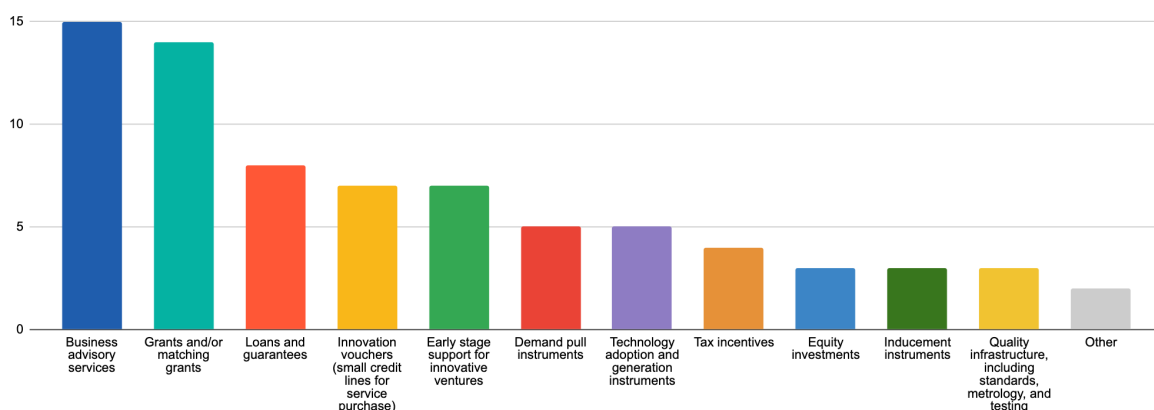
## 1.2 Support for scaleups

As with startups, there is no single definition of a scaleup - this is very much shaped by the agency perspective. Definitions are much more informal than for startups, but some of the ideas shared in response to this question related to:

- **Growth and expansion:** Almost all definitions emphasise the idea that a scaleup is a company experiencing significant growth, often expressed as a percentage increase in turnover or employment over a certain period. International growth and expansion into global markets are mentioned in a few definitions.
- **Maturity and time in operation:** Many definitions describe scaleups as mature start-ups that have progressed beyond the initial stages of development
- **Business model:** Several definitions mention the importance of having a well-established and scalable business model.
- **Product-market fit:** Achieving product-market fit is a common milestone for scaleups.
- **Size and scale:** Scaleups are often associated with generating substantial revenues, and some definitions considered the size of the team or number of employees in identifying a scaling business.

Just over half of Taftie agencies that responded to the survey support scaleups, using a variety of different instruments. The majority spend less than 50% of their total organisational budget on supporting scaleups - only one agency (Innovation Norway) spends more than this.

**Figure 3:** Types of support offered to scaleups



As with startups, the most common forms of support provided to scaleups are business advisory services (such as coaching and mentoring) and grants. Small numbers of agencies provide other types of service, including loans, innovation vouchers or early stage support. Other types of support mentioned include support for cluster programmes and exports (Innovation Norway)

A number of agencies have defined processes for identifying companies with scaleup potential, including company assessments, analysis of startup databases, reviews of applications for scaleup funding, segmentation based on company turnover, and research at the regional level.

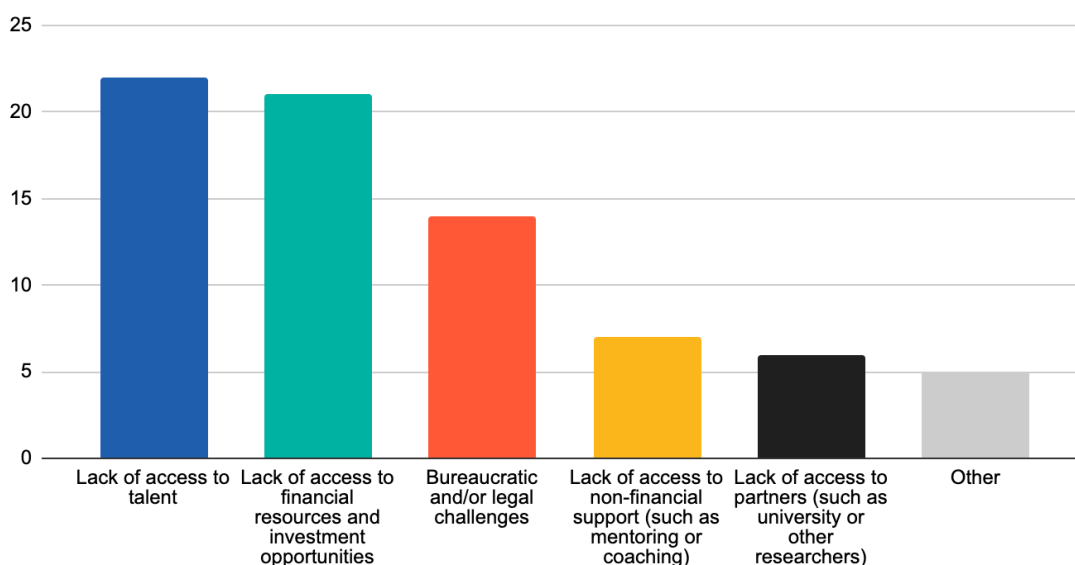
Similar measures regarding support for startups are employed by agencies who support scaleups in terms of trying to **attract and retain talent and funding, and helping scaleups to grow in country** in addition to (or instead of) expanding and growing in other regions e.g. targeted visas, advisory services, co-investment with VC and other funders etc. Some agencies are developing pilots in this area to develop their scaleup offer, while others support them on a relatively informal basis.

Around two thirds of the agencies that support scaleups evaluate the impact of this support. Similar measures are employed as in the evaluation of startup programmes, including impact evaluations during and after programmes (bpiFrance), surveys (Innosuisse, SPIRIT Slovenia), and external evaluations (Innovate UK, Innovation Norway) etc.

### 1.3 Key challenges faced by startups and scaleups

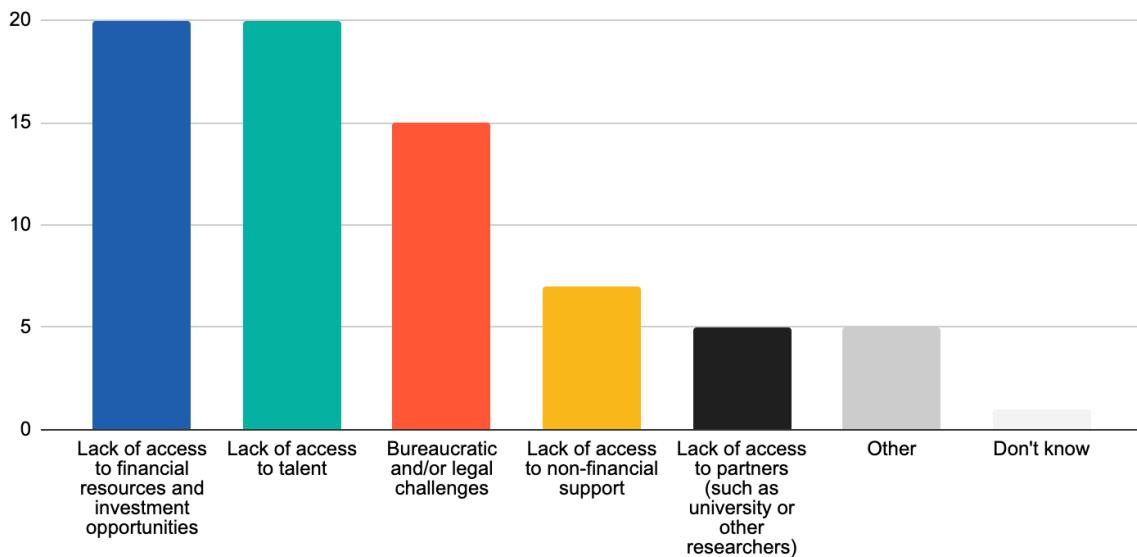
Lack of access to talented people and financial resources were cited as **the main challenges facing startups** by many agencies across the Taftie network. Nearly half of agencies also considered bureaucratic issues to be a significant challenge. Other types of resources - including the availability of non-financial support and access to partners - do not seem to be significant barriers for many agencies. Additional challenges mentioned included the lack of a developed investment ecosystem, and a lack of access to markets

**Figure 4:** Main challenges facing startups



Very similar findings were observed in relation to the challenges facing scaling businesses, with other challenges mentioned including the lack of access to domestic and international markets, few role models for ‘unicorns’, and limited investment for e.g. deeptech companies.

**Figure 5:** Main challenges facing scaleups



## 1.4 Future plans

Agencies were asked whether they were planning to introduce new services or offers for startups and scaleups and if so, what the priorities were. Just over half of Taftie agencies that responded to the survey are planning to introduce new services for startups in the future with specific mention of initiatives relating to support for deep tech startups, and support for internationalisation activities.

Just under half of Taftie agencies that responded to the survey are planning to introduce new services for scaleups in the future. Some of the themes of these initiatives relate to pitch training, new grant and innovation voucher schemes, giving access to non-executive directors, scaling programmes for breakthrough innovations, and creating task forces similar to the EIC approach.



## Part 2: Conclusions and recommendations from insight session discussions

The Insight Session featured keynote presentations from a number of expert speakers and a panel discussion, which included representatives of innovation agencies, VC, researchers and companies:

- Infobip (Croatia)
- Investment and Development Agency of Latvia (LIAA)
- Vinnova (Sweden)
- Feelsgood Capital Partners
- L'Atelier BNP Paribas
- Invitalia (Italy)
- Ani Biome
- Robotiq

A number of key themes were raised across the presentations and the discussion<sup>1</sup>, with implications for innovation agencies summarised below:

- **Support needs to be carefully tailored to specific growth stages:** Although 'scaleups' are routinely discussed as if they are a distinctive type of entity, in reality they are companies at a particular stage of development. However, they do require different and tailored forms of support for their growth than companies that are starting out. Both startups and scaling companies are prone to changing rapidly, and so the kind of support they are given also needs to be flexible and able to adapt along the way.
- **Focus on people more than ideas:** It is people that generate ideas, and that spark collaborations across an ecosystem. Presentations and discussions emphasised the importance of investing in the development of innovative people (founders, leadership teams), rather than prioritising the development of specific ideas. It was observed that individual companies can have a multiplier effect across a whole ecosystem if they are very successful, with key individuals spreading out and establishing more high-potential startups.
- **Use data and evidence to support strategic decision making:** AI and other data tools are making it possible for innovation agencies to develop more complete and current pictures of promising technologies and innovations. These should be deployed more widely to improve the targeting of support, investment and collaboration activities.
- **Support the development of strong and agile innovation ecosystems:** A number of ideas were put forward for how agencies could help to build more supportive

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<sup>1</sup> See slides for further detail of specific presentations

environments for startups to emerge and promising companies to scale, such as: focusing on developing conducive regulations, business development activities, funding 'keystone' intermediaries such as incubators and accelerators to act as ecosystem drivers, incentivising business angels to invest in startups, or funding key sectors to procure innovative solutions from startups or scaling businesses. The key theme underlying all of these ideas was connected to agencies having a clear understanding of their own system and working in an agile way to identify strengths and competitive advantages, coordinate actions at a national level, and develop new infrastructure and functionalities where needed.