

# Executive Summary

**Firms that scale up have long raised policy attention for their strong potential in terms of job creation, innovation, competitiveness, and economic performance.** However, and despite an abundant academic literature, the conditions of SME growth or scale up remain overall poorly understood.

**The potential of improved scale up policies is significant.** For instance, while scalers represent only 13-15% of SMEs in Finland, Italy, Portugal, the Slovak Republic and Spain, they contributed 47% to 69% of all new jobs generated by non-micro SMEs between 2015 and 2017. In addition, most scalers maintain their new scale over time, and many succeed to grow again shortly after.

**Scalers are also much more diverse than commonly thought.** The typical scaler is neither a knowledge-intensive nor a high-tech firm, nor a start-up. In fact, most of them are mature firms operating in low-tech sectors. In addition, they adopt a variety of trajectories in transition to, during and after, scaling up.

**This diversity in scale up profiles and trajectories demands a rethinking of scale up policies.** Although the evidence is mixed, a (too) narrow focus on specific sectors, such as knowledge-intensive firms or start-ups, is likely to be suboptimal.

**Effective policy design requires a better understanding of scalers' transformation process and related scale up drivers.** The identification of potential scalers and their subsequent transformation process (including the probability of sustaining new scale) is difficult to anticipate, as it reflects a number of factors, including not just broader economic framework conditions, quality of entrepreneurial ecosystems and the health of the economy, but also specific innovation, investment, and network expansion strategies of the firm. These drivers are mobilised in different ways and at different times by scalers, making it difficult to pick winners, thus reinforcing the importance of transversality and coherence in policy design.

**The present work aims to understand how OECD countries can better support SME scale up.** It highlights a large diversity in the mix of policy objectives, instruments, and governance arrangements across countries, with a view to informing the design of multidimensional scale up policies. In addition, the report takes a deep-dive into two specific dimensions identified as relevant for scalers' transformation process: strengthening SME access to scale up finance and improving SME data governance.

**Scale up finance policies are defined here as public interventions to unleash finance for SME growth-related activities,** i.e. those related to innovation, investment, or network expansion. Microdata analysis has revealed that scalers increase financial buffers before scaling up. In a context, where SME difficulties in accessing finance represent a well-documented barrier to their development, diversifying sources is likely to be key, as scalers' financing needs vary depending on their profile and trajectory.

**Policies in support of SME data governance are defined here as public interventions that can help SMEs turn data into value and grow.** Microdata analysis has revealed that scalers are more digitalised, hence more data-driven or likely to use data to scale up their business. In a context, where intangible assets and data have come to make up a significant part of a firm's value, improved data governance is emerging as a strategic issue for an increasing number of SMEs.

**Based on an international mapping of 419 institutions across the OECD, the analysis shows that SME and entrepreneurship policy is not among the core mandates of many implementing institutions.** More specifically, the work identifies 210 government institutions involved in promoting growth finance for SMEs, and 209 institutions involved in improving SME data governance, of which only 50 are common to the two fields, and 54% and 26% of them respectively have SMEs in their core mandate. This calls for sound coordination across the board and for a further mainstreaming of SME growth considerations in both policy areas to better address the specific challenges faced by small firms.

**The policy mapping then identifies 709 policies for strengthening SME access to scale up finance, and 487 policies for improving SME data governance, which reveal a number of differences across the two areas.**

**In the policy mix for SME growth finance, generic measures are the exception: 72.6% of all measures (18.7 per country on average) across OECD countries are targeted,** in most cases at SMEs (38.6%), but also at certain sectors, technologies or places (15.2%). Efforts to target high-potential firms (“winners”), and frequently decentralised arrangements for implementation, result in a multiplication of public support schemes and eligibility criteria, where (potential) scalers may struggle in identifying the most appropriate solution for their needs. Complementary outreach efforts, e.g. through one-stop-shops, could help SMEs in particular, to navigate this potentially more fragmented policy space.

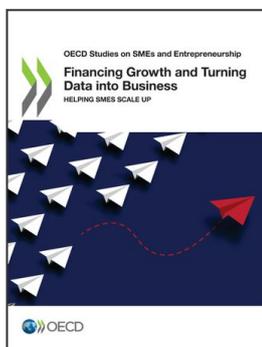
**By contrast, the SME data governance area (12.8 on average per country) is an emerging policy field,** where efforts tend to focus on shaping the data policy system, resulting in more high-level (and less numerous) measures, such as strategies and action plans. As a result, only 29% of data policy measures are SME-targeted, with some data elements often weaved into broader SME digitalisation initiatives.

**Scale up finance policy is more often oriented towards disruptive innovation and equity capital, with lesser emphasis on investment in skills or intangible assets.** In addition, the finance market plays a secondary role in national policy efforts, which rather remain focused on reducing the need and cost of external financing for SMEs through government support. **Likewise, 64% of data governance measures seek to create a data culture and build relevant skills within SMEs, with fewer initiatives for building an SME-friendly data infrastructure.** The current focus in both domains may therefore lead to blind spots in policy design, calling for better evidence to assess what works.

**More evidence is needed to fully assess and inform effective scale up policy design,** including on the efficiency of public intervention (e.g. through impact evaluation). Greater insights on actions taken by subnational governments could also provide an important complementary perspective, not least given their role in fostering local ecosystems.

**More evidence is also needed on other (firm-led) drivers of SME scale up.** Beyond financing and data governance aspects, further evidence is needed across a broader set of relevant policy domains, including e.g. SME network capacities (i.e. through supply chains, cooperation or digital platforms), especially in light of recent disruptions in international markets. Evidence on investments in skills is also needed, not least with respect to emerging challenges and opportunities around the twin transition.

**A rethinking of scale up policy will ultimately require broader measures and notions of scaling up, going beyond traditional economic performance indicators.** The current focus on firms that scale up through turnover or employment may not fully capture the social and/or environmental benefits generated by a larger set of firms. As governments prioritise sustainable growth, appropriate consideration needs to be given to the broader socio-economic gains that may be achieved if scale-ups can help tackle climate change and other societal challenges.



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