Executive summary

Scalers are firms that undergo a period of high growth in employment or turnover by transforming the way they operate. OECD countries routinely collect and disseminate information on high-growth firms but little is known about the factors that support high growth, the transformations that accompany high growth, and the ability of firms to sustain their new scale. One key challenge is that aggregate data, even when broken down by sector and size, struggles to capture the full diversity of scalers and in particular the factors driving or acting as barriers to their transformation and success. This report shows how to achieve substantial progress in filling knowledge gaps by leveraging on confidential firm-level microdata that combines firms' balance sheets with information on imports and exports and detailed information on workers. By using microdata, it is possible to respond to a range of questions that cannot be answered by aggregate data currently disseminated by national statistical offices.

Scalers make an important contribution to job creation and economic growth. In the 5 pilot countries, Finland, Italy, Portugal, the Slovak Republic and Spain, 13%-15% of SMEs with 10 to 249 employees (non-micro SMEs) scale up (measured on an employment basis, i.e. growing at an annual average rate of 10% or more over 3 years). Between 2015 and 2017, these scalers accounted for 47% to 69% of all jobs added by non-micro SMEs. The fastest growing scalers with annual average employment growth of 20% over 3 years make a particularly important contribution. They account for about one-third of all scalers but over half of the jobs created by scalers. In Portugal, for example, over the 2015-17 period around 2 000 of these high-growth scalers created 78 000 jobs.

Firms from all types of places can scale up. Across large (TL2) regions, the share of scalers in employment in all non-micro SMEs ranges from 10% to 17% in Italy; 8% to 13% in Spain, 8% to 14% in Portugal, and 14% to 17% in the Slovak Republic. Importantly, scalers are not limited to the most economically developed parts of a country. Regions such as Andalucia and Murcia in Spain or Apulia and Campania in Italy, with per capita gross domestic product (GDP) below the national average, are also among the regions with the highest shares of scalers.

Young and knowledge-intensive SMEs are more likely to scale up, but the typical scaler is a mature SME in less-knowledge-intensive or low-tech sectors. Young firms, less than 6 years old, are about 2-3 times more likely to scale up than older firms. Firms in knowledge-intensive sectors are 70% more likely to scale up in employment and 20% more likely to scale up in turnover than firms in the low- and medium-low tech manufacturing sector, the sector with the lowest share of scalers. However, only one-fifth of non-micro SMEs is young, and only around 15% of non-micro SMEs operate in knowledge-intensive services.

About 60% of employment scalers continue to grow or maintain their new scale in the 3 years following their initial scaling up. Whilst there is some variability across sectors, even in construction, with the lowest shares, around 50% of scalers continue to operate at their new scale or grow further. Some employment scalers in the 5 pilot countries even enter a second high-growth phase – varying from 11% (Spain) to 29% (Portugal) for young firms and from 11% (Spain) to 23% (Portugal) in older firms. Whilst other firms will shrink or exit the market, related job losses are more than compensated by those that continue to grow, i.e. support provided to scalers continues to "pay off" even after the scale-up phase.

Scaling up in employment often anticipates scaling up in turnover. Between 14% (Spain) and 33% (Portugal) of employment scalers become turnover scalers in the following 3-year period. The opposite dynamics – from scalers in turnover to scalers in employment – is however less frequent. Even when firms do not enter a second high-growth period, there are other changes that transform the way the firm operates that accompany scaling up. Some of these changes relate to investments in innovation, physical or human capital undertaken in anticipation of scaling up, others to transformations that continue after the high-growth period.

Scaling up appears to be a strategic choice, as scalers' transformation begins before their high-growth phase materialises. The transformation is not confined to the years in which scaling up takes place. For many dynamic factors, such as labour productivity, integration in foreign markets or access to credit, scalers differ from their non-scaling peers in the 2 years that precede their high-growth phase. For instance, employment scalers in Finland, Italy, Portugal and Spain are 5-15% more productive than their peers before scaling up. Scalers also appear to prepare their expansion through different investments, e.g. by increasing the share of their workforce dedicated to research and development (R&D) by 15% to 40% compared to their peers. The investment focus is also evident on the financial side as scalers have higher ratios of debt than their peers. Overall, the evidence points to scaling up being predominantly driven by a firm's strategic investment in disruptive innovations in the way the firm operates or in the products and services that it sells.