



**EUROPEAN STRUCTURAL FUNDS PROGRAMMES IN SCOTLAND PROJECT PROFILE**

<b>PROJECT NAME</b>	Growth & Innovation Drivers for Businesses
<b>PROJECT SPONSOR</b>	Scottish Enterprise (with Highlands & Islands Enterprise)

**PROJECT ORIGIN AND DEVELOPMENT**

Analysis of company baseline statistics has shown that, apart from a period immediately following inception, the bulk of companies within Scotland will not experience significant growth over their lifetime. Identifying those companies with the potential to innovate and hence grow, is therefore key in helping to grow the economy. In addition, identifying the barriers to growth may enable these issues to be addressed.

Where growth does occur, it is not a linear process but is characterised by distinct steps of marked growth, followed by periods of consolidation, or even decline. The timing and tailoring of the interventions that Scottish Enterprise (SE) can provide is critical to helping augment the rate and duration of the growth period. In many cases SE currently has very limited interaction before the initiation of a growth period and consequently is not able to optimise the impact on these growth companies of SE's interventions.

Having the capability to recognise that a company is on the cusp of a decision that could initiate a growth sequence would greatly assist Scottish Enterprise to optimise the timeliness of making an intervention. Understanding of the process could enable SE to accelerate the growth period, extend its duration or remove inhibitors that prevent certain companies from taking this step.

**PROJECT AIMS AND OBJECTIVES**

The objective of this pilot project is to develop a greater understanding of the triggers and the barriers that precede a growth cycle. In so doing, it is anticipated that new insights into the barriers and triggers for innovation may be found.

The project will seek to provide information and knowledge that will enable SE to assess whether:

- a company is reaching a point where an intervention may be welcomed;
- a company is reaching a point where an intervention may be effective;
- an intervention may be initiated to remove barriers preventing growth;
- the timing of the growth period can be accelerated;
- the duration of the growth period can be extended.

All of the above will lead to improved rates of growth within Scottish companies and more effective interaction between the company base and SE.

This may inform potential development of tools, indicators and processes and will inform future policy and programme decisions. It may also enable Scottish Enterprise in the future to target companies as they reach this critical stage and thereby optimise the timing and impact of any intervention.



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### PROJECT ACTIVITIES

The project will operate in two distinct phases.

**Phase 1 – Baseline Research** to identify knowledge in the area and to assess scope and limitation of current thinking.

Phase one will undertake a review of research that has been carried out within related areas to assess what has already been done in this context and thereby make a more reasoned assessment of the probability of success and to scope in more detail the follow on phase.

**Phase 2 – Retrospective Analysis** of companies which have demonstrated significant growth phases.

Phase two will involve a detailed retrospective analysis of a selection of companies who have experienced a growth cycle, augmented with discussions and workshop activities with other key organisations involved with growth companies (e.g. banks, the venture finance community and other stakeholders including internal SE teams such as the High Growth Team).

The main outputs from this activity will be a significantly improved understanding of the characteristics of the drivers for growth and the barriers that prevent some companies from taking that step. If appropriate, this could lead to future project proposals in areas such as:

- How some of the barriers to growth might be addressed
- Identifying the characteristics of growth companies at the critical pre-growth stage.

This will serve to remove some of the risk from a third phase of follow on activity which may involve piloting potential new interventions based upon the findings of this work..

### Phase 3 – New Interventions

Phase 3 will look at potential new interventions and the possible implementation of pilot studies to test the validity of the findings of this project (***N.B. Phase 3 is not envisaged to be covered by this application. Phases 1 and 2 proposed here will serve to de-risk this final stage which will be implemented following this investigation.***)



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**PROJECT STRUCTURE**

This project will require close project management to co-ordinate the different aspects, including the use of external expertise for specific knowledge inputs. It is intended that Scottish Enterprise will manage this co-ordination and be an active participant in the development of this work. It is therefore proposed that senior members of the Competitive Business and Clusters Teams will manage this project. These people will be supported by a Working Group involving other stakeholders.

Scottish Enterprise has in place European Funding Systems and Procedures which cover the preparation and submission of claims, record-keeping and monitoring, notification of significant changes, and compliance with conditions of grant, including publicity requirements. The Competitive Business team will be supported in the management of the EU funding aspects of the project by Scotland Europa. This will include a project start briefing meeting at which all the above aspects will be covered, and co-ordination of the claims process.

**PROJECT FINANCE**

Funding Partners	Scottish Enterprise Highlands & Islands Enterprise
Total Costs (£)	£70,000
Eligible Costs (£)	£70,000
ERDF/ESF Support (£)	£35,000
Action Line	1 – The Scottish Innovation System



**PROJECT PERFORMANCE**

Following on from and building on the findings of Phase 1, the second phase of the project will comprise a more detailed and targeted investigation of the events that have taken place within a selected number of companies who have undergone a significant growth sequence.

In order to bound the scope of this activity to some extent, the work will focus on what are recognised as being areas of significant growth potential – those of interest to the Intermediary Technology Institutes (Life Sciences, Energy and Communications and Digital Media (Techmedia)). This will also remove the potential barrier to growth of operating in a declining market. i.e. the project will be investigating companies working in a business environment where growth is a real possibility. Examining these three areas will provide data which can illuminate any sector specific issues.

In addition to working directly with companies, the project will engage a wider community of stakeholders involved in working with growth companies including the banking and venture capital community as well as those who support business innovation and development more generally.

Targeted questionnaires and workshop sessions will be used to gather information on growth drivers and inhibitors.



## PROJECT FUTURE

Given successful outcome to this pilot activity, it is anticipated that Phase 3 will look at potential new interventions and the possible implementation of pilot studies to test the validity of the findings of this project.

Phase 3 will be supported by Scottish Enterprise, potentially in collaboration with interested partners (such as Highlands & Islands Enterprise and the Scottish Executive).

## PROJECT CONTACT

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