AN INTERNATIONAL BENCHMARKING ANALYSIS OF PUBLIC PROGRAMMES FOR HIGH-GROWTH FIRMS

March 2013

Prepared by the OECD Local Economic and Employment Development Programme in collaboration with the Danish Business Authority

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FINAL REPORT

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CHAPTER 6. SCOTLAND'S COMPANIES OF SCALE PROGRAMME

Introduction

Scotland's business base, like those of many other European countries, is dominated by micro businesses. Only a small proportion of Scotland's businesses employ more than ten employees[44] and there are few indigenously-owned, larger-scale companies. Indeed, Scotland, in common with the rest of the UK economy, has struggled to grow small businesses into larger businesses of "scale" that can be major contributors to economic growth through their role as large scale employers, large scale exporters, generators of supply chains for other local companies and incubators for new spin-offs (CBI, 2011).

Where previously inward investment had been the main focus of public policy, a recognition of the importance of having a significant presence of large, domestic owned firms emerged as a strong theme within Scottish economic policy during the early 2000s (Brown and Mason, 2012). At this time an influential report was published which found that Scotland had only 12 firms with a turnover between GBP 250 million and GBP 1billion, 5 per cent of the total number in the UK (Royal Bank of Scotland, 2004). This research also found that the less than 50% of the top 100 firms in Scotland were Scottish-owned, and these were mainly concentrated in four sectors: banking, oil and gas, electricity and transport. The study concluded that a strong medium-sized corporate base provides important links within an economy "as a supplier to larger firms and a customer for smaller firms" (Royal Bank of Scotland, 2004, p.6).

As a consequence of this study, there were renewed efforts to increase the number of larger businesses in Scotland. To address the perceived lack of larger scale businesses in Scotland, in 2004 a team from Scottish Enterprise (SE), the main economic development agency for Scotland[45], established the pilot "Companies of Scale" (CofS) programme. The pilot began in 2005 with seven companies and has since grown and achieved considerable success, delivering significant economic impact and recognition as an innovative business support programme. Today, the CofS programme is designed to support high growth businesses in their ambitions to grow to become larger, internationalised businesses.

The programme provides bespoke, specialist support, targeted at companies whose current turnover exceeds GBP 10 million and who have ambitions to become GBP 100 million plus businesses. To be eligible for participation, companies must demonstrate considerable growth ambition. The main focus of the programme is to provide an intensive form of "account management"[46] support, which provides a strategic challenge to the firm's top management team to help the business upscale and achieve further rapid growth.

44 There are approximately 20 000 businesses in Scotland employing more than ten employees, out of a wider business base of 300 000.

45 Excluding the Highlands and Islands, which are covered by Highlands and Islands Enterprise

46 Scottish Enterprise operates an "account management" programme, where 2,000 high performing Scottish firms have a dedicated "account manager". The Companies of Scale programme operates a similar system of intensive account management.

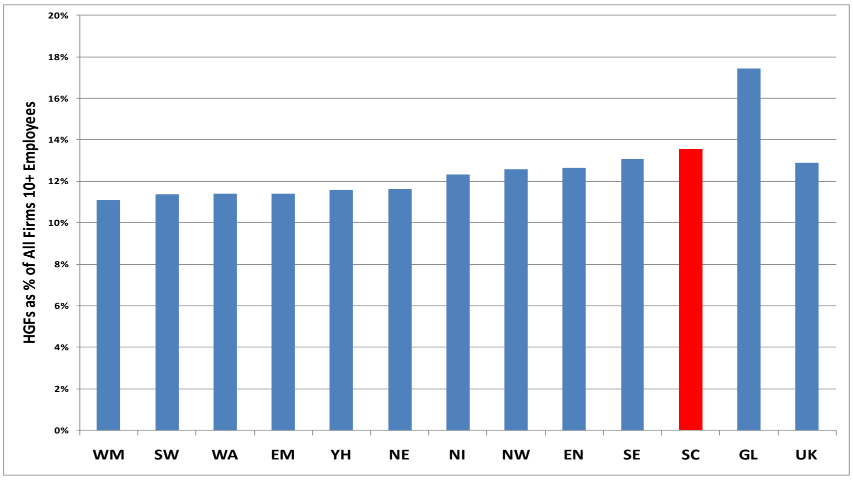
Rationale

SMEs dominate the Scottish economy. At present there are 339 105 SMEs (0 – 249 employees) in Scotland which represent 99.3%of all enterprises and account for 54.5% of all employment (Scottish Government, 2012). While SMEs are numerically dominant, larger firms account for the majority of turnover and employment in Scotland. As of March 2012, there were only 2 250 large businesses employing more than 250 employees. Large businesses account for 45% of employment and 62.3 per cent of turnover in Scotland (Scottish Government, 2012). In other words, less than one percent of Scottish businesses employ more than 250 employees.

Despite being few in number, larger scale businesses are clearly very important for the economy. Indeed, recent research by the Confederation of British Industry highlights that mid-sized businesses (defined as those with GBP 10 million to GDP 100 million) are typically more important in terms of aggregate employment in more peripheral parts of the UK economy than they are in southern regions. In Scotland, for example, mid-sized businesses account for 18.6% of all employment but only 14.3% in the East of England.

Recent analysis reveals that Scotland presently performs quite well in terms of the number of its businesses which meet the OECD high growth threshold (Mason and Brown, 2012) (see Figure 1). A HGFs is defined by the OECD as “an enterprise with average annualised growth (in number of employees or turnover) greater than 20% per annum, over a three year period, with a minimum of 10 employees at the beginning of the growth period” (OECD, 2008, p. 61). Scotland’s high growth firms (henceforth HGFs) should therefore provide a strong conduit for generating larger scale businesses. However, many of these rapidly growing SMEs have yet to make the transition into larger scale businesses. The precise reasons for a lack of companies of scale in Scotland remains unclear, but it could partly owe to a lack of management ambition to become globalised businesses coupled with the tendency for some high growth companies to become acquired before they make the transition to a larger scale internationalised company (Mason and Brown, 2011).

Figure 1. High growth firms (by turnover growth) in the UK Regions 2007 - 2010 (as a proportion of all firms with 10+ Employees)



WM - West Midlands
SW - South West
WA - Wales
EM - East Midlands
YH - Yorkshire & Humber
NE - North East
NI - Northern Ireland
NW - North West
EN - Eastern
SE - South East
SC - Scotland
GL - Greater London
UK - United Kingdom

Source: ONS Business Structure Database

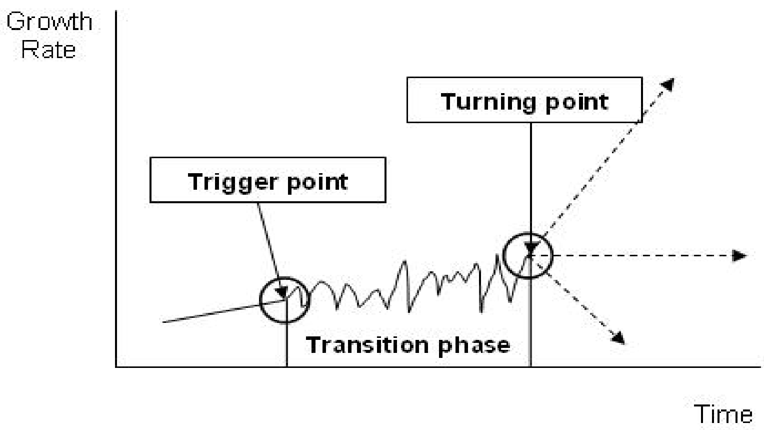
This lack of businesses of scale has a direct impact on the Scottish economy, for example; preventing important local supply chain development, This also deprives other growing businesses of role models to encourage scaled growth. With these issues in mind, the primary rationale for the CofS programme providing wider positive externalities for the Scottish economy.

Objectives

The primary objective of the CofS programme is to support high growth Scottish firms to become large companies of scale and to remain firmly embedded in Scotland, At present, Scottish Enterprise operates a process of 'account management' through which around 2000 Scottish firms are appointed a dedicated account manager to support their growth plans through a range of support services. This enables SE to understand each company's growth opportunities and challenges and to support them to implement and accelerate these growth opportunities. Examples include support for strategy and leadership development and financial support for capital expansion, innovation and training.

The CofS programme was specifically designed to provide bespoke forms of account management support for firms who have already grown rapidly. Therefore, the programme is designed to work with a small number of successful businesses to help accelerate their existing growth performance through transitional growth "triggers" (see Figure 2). These growth triggers could include ownership changes (e.g. management buy outs), new product development or the entry into a new market. A specific aim of the CofS programme is to help grow these businesses into larger companies of scale to a turnover of GBP 100 million plus. As such, a common feature of CofS's support is to help grow these businesses internationally.

Figure 2. The growth "trigger point" process



The objectives of the CofS programme have evolved over time. When it was first established in 2005, it was a pilot programme and seven companies were recruited to test this new approach. The review confirmed that significant economic impact had been achieved and CofS was expanded and additional companies were recruited.

In terms of the nature of the programme's key objectives, it is important to emphasise that the main principle underlying the programme is to provide a deeper relational form of support to participating companies rather than to provide transactional forms of assistance common in support programmes delivered by economic development agencies (e.g. grants or loans). Moreover, the programme is specifically designed to target support around three key themes: *Leadership, Strategy and Structure*.

A key feature of the programme is its strong focus on providing a strategic challenge to the *leadership* of the participating firms. Indeed, a considerable part of the initial contact with the firm centres on assessing the leadership capabilities of the top management team. Plus, a core component of the CofS support tools focuses on leadership development and executive education. In tandem with this the CofS approach provides a critique of a firm's *strategic* direction. Here the main objective is to ensure that the strategic direction is sufficiently well developed and robust in order to meet their growth objectives. In line with this is the related objective of assessing the *structure* of the business. This involves assessing whether the firm has an operational configuration which is capable of accommodating growth. A key aspect of this is assessing the nature of organisational development needs required by the company, specifically whether functions in the organisational can be scaled.

Geographical scope

The CofS programme is a Scottish Enterprise programme, providing support to firms with a significant Scottish presence and footprint. It is only eligible for companies operating within the area covered by Scottish Enterprise which represents approximately 90% of the Scottish population. It excludes companies located in the Highlands and Islands who are serviced by Highlands and Islands Enterprise (HIE). Companies operating in Scotland are eligible, provided that they meet the selection criteria detailed in the next section. No preference (or spatial targeting) is given to firms from any particular sub-national spatial location in Scotland.

Beneficiary firms

Illustrating the focused nature of the programme, there are only 16 companies on the CofS programme at present. They represent a mixture of industries and sectors, highlighting the inclusive nature of the programme. Whilst the programme is open to all businesses, local and foreign-owned, the majority of participating firms are indigenous businesses.

Target firms

The CofS programme is targeted at firms with a significant Scottish presence and footprint. In order to participate on the CofS programme, potential participants must fulfil a set of eligibility criteria regarding their current size and future growth ambitions. In terms of the former, only firms whose current turnover exceeds GBP 10 million and who have ambitions to become GBP 100 million plus businesses are eligible. Regarding the latter, eligibility is also restricted to firms that are currently experiencing high levels of growth. Firms must expect to be growing at around 50% over the next three years: ambitions are just as important, if not more so, than a track record of growth. Owing to the fact that projected growth is a pre-requisite under this selection procedure, targeting and selection obviously involves an element of subjective assessment on behalf of the programme's management. Indeed, a key aspect of identifying suitable firms for participation is to undertake a rigorous (and mostly qualitative) process of identifying the kind of "growth-oriented" companies who can most benefit from the programme.

In terms of the nature of the beneficiary firms, there are no specific industrial or sectoral criteria for determining potential inclusion on the CofS programme. To date, participating firms have come from a variety of industry sectors. During the pilot phase of the programme, the average turnover of the participating companies was GBP 77 million (Alan Brazewell Economics, 2007). At present, the majority of the participants are technology-based businesses, particularly software companies. There are also a large number of energy-related firms on the programme, reflecting Scotland's growing Oil & Gas sector.

Highlighting dither diverse nature of CofS, examples of supported firms include traditional companies such as Grahams Family Dairy who provide milk and dairy-based products to UK supermarket outlets; Black Circles, who are a web-based tyre replacement businesses; and niche-based organisations such as Vets Now, the UK's innovative leading provider of "out of hours" veterinary care (see Figure 3). The programme also has a number of more conventional technology-related participants, for example, the Amor Group, a technology solutions provider to businesses in the energy, transport and public service sectors.

Figure 3. Companies of Scale: Example Company "Vets Now"

"Vets Now" was founded seven years ago to address a gap in the market for providing an alternative to the 'on call' service which vets are required to provide. Vets Now was built on the model that it would take away the 'Out of Hours' work that vets undertook by putting teams of dedicated Emergency and Critical Care professionals to provide the equivalent of an A&E service for pets.

In the space of seven years, Vets Now has opened 34 emergency clinics across the UK, with over 400 Member Practices subscribing to the service. Treating over 65 000 small animal emergencies every year, Vets Now has not only changed the work structure of the veterinary profession, becoming the first national company to employ Veterinary Surgeons and Veterinary Nurses who work purely in 'Out of Hours' emergency practice, it has also created a specialist sector of the profession, raising the standard of pet and client care and creating loyalty from both pet owners and the veterinary profession. Through acquisition, Vets Now is currently the UK's only multi-site animal-care operator and is expanding revenue streams by offering other B2B services, in addition to targeting the pet owners within their B2C strategy.

Firm selection

As noted above, there are a number of eligibility criteria that firms must meet for inclusion on the programme. Measures against which prospective firms are evaluated include:

- A demonstrated commitment to retain a significant presence in Scotland;
- Current turnover in excess of GBP 10 million;
- A demonstrated ambition to grow rapidly;
- The capability to achieve turnover growth of at least 50% within the three years[47];
- Evidence that the company will shortly navigate key growth "triggers" or transformational points and will therefore have specific challenges requiring assistance;
- Articulated vision to grow turnover to GBP 100 million plus; and
- Demonstrated willingness from senior management to fully engage with the programme.

The combination of past performance and future growth ambitions are key criteria used by Scottish Enterprise for assessing the suitability of companies to take part in the programme. There are obviously potential limitations in using historical performance as guide to future growth potential, and a large part of the CofS selection process involves a qualitative and subjective assessment by CofS staff (based on their

[47] This is marginally below the high growth definition used by the OECD (at least 20% growth p.a. for three consecutive years) but is still nevertheless an extremely high growth target. The OECD definition was used during the CofS pilot phase, but has since been revised given the current economic climate.

own extensive business experience) of the likelihood that the firm will be able to achieve their growth targets. Another subjective assessment is that firms are chosen on the basis of their willingness to engage in the programme and to closely interact with other companies on the programme.

Range of services

The CofS programme is unlike normal business development programmes as it is not a “fixed” offering which has a universal package of support tools for all of the programme’s participants. A rather unique element of the programme is that the participating firms work intensively with Scottish Enterprise to help identify the specific and bespoke types of support which are needed to achieve growth. Therefore the CofS offering is highly flexible and adaptive to the needs of participating companies.

The core elements of the programme are outlined below.

Business diagnosis

Before embarking on the CofS programme, each participating firm is required to undergo a comprehensive strategic review conducted by CofS staff. This review covers all aspects of the firm and its performance, with a focus on company leadership, firm strategy and organisational structure. This is a central element of the programme as it allows the firm to identify their growth constraints and what is required to overcome these constraints. Helping firms to recognise the nature of these capacity or resources constraints is a fundamental part of the CofS process..

Building on insights gleaned during this review, the contents of the programme are then specifically designed for the individual company. Recent research has highlighted the critical role of catalysts or “trigger points” for instigating a period of rapid firm growth (Brown and Mawson, forthcoming), so the special attention is paid to any current or future triggers that could affect the company’s growth and development. These triggers can be endogenous to the firm, exogenous or “co-determined” - examples of these are outlined below in Table 1. This list is by no means exhaustive, but rather indicative of the breadth and variety of different types of growth trigger points.

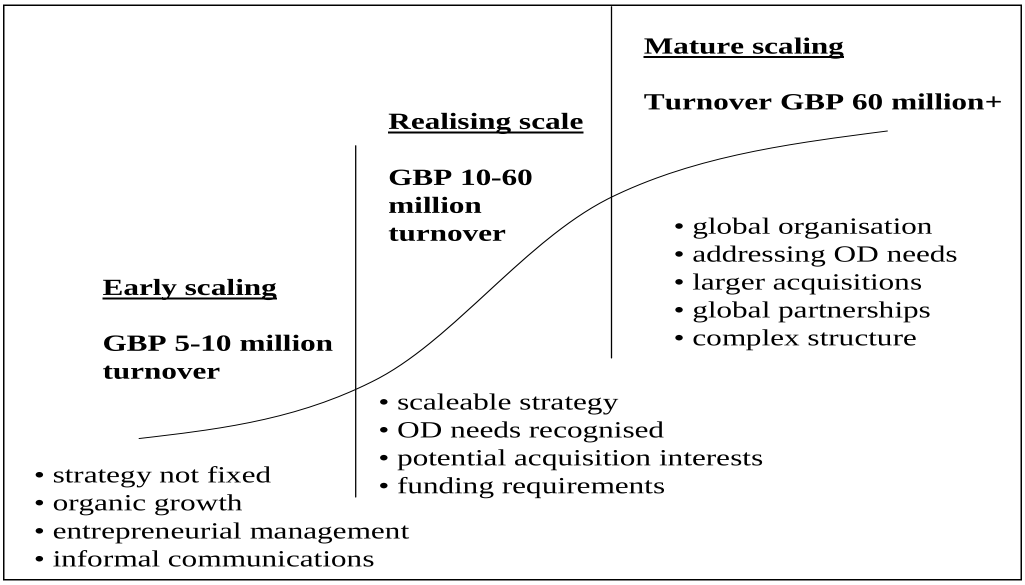
Table 1. Classification of growth trigger points

Endogenous	Exogenous	Co-Determined
New product/service offering	Technological development	Entry into a joint venture
Change in company ownership (e.g. MBO, MBI, employee-share ownership etc.)	Government regulatory issues	Acquisition by another firm
Acquisition of another firm	Macroeconomic changes	Major new capital investment
Change in management or Board personnel	Changes to public policy	Adoption (or adaptation) of new business models
Development of a new production process	Access to public sector assistance (e.g. R&D or capital expenditure grants)	Injection of risk capital or new bank funding
Implementation of new management systems	Product failure in the marketplace	Receipt of a major contract or obtaining a new customer

Source: Brown and Mawson (forthcoming)

CofS support is sensitive to the unique capabilities and needs of firms as they move through the scaling process. As firms get increasingly larger, their capabilities and needs change (e.g. moving from securing funding as a main concern to prioritising and requiring structural realignment), requiring programme inputs to be flexible and sensitive to any such changes. Ultimately, as a result of assistance through the CofS programme, participating companies should become mature scaled organisations.

Figure 4. Stages of company scaling



Whilst the stages of company scaling model depicted looks quite straightforward, often there are a number of issues which cut across the three scaling stages. For example, often the challenges of becoming a global organisation and sometimes non-organic growth arise earlier than the model suggests. Indeed, recent research suggests that in order to sustain a period of rapid growth, many HGFs become “buy globals” early in the life-span. This seems especially the case for technology-based firms in Scotland (Mason and Brown, 2012).

Support services

The CofS programme’s strength lies in its flexibility and capability to provide highly bespoke assistance designed specifically for each of the individual participants in the programme. Previous research conducted on high growth firms in Scotland has helped shape some of the support within the programme (Mason and Brown, 2010), including a decreased emphasis on R&D and innovation support and more support for holistic business development and growth. This business support falls into three main areas: leadership, strategy and structure.

Business Leadership

CofS specialists work with companies to determine the capabilities of their leadership teams, for example by identifying and developing future leaders through succession planning, and providing bespoke interventions to facilitate leadership development, including targeted continued professional development and executive coaching. This support is particularly important for companies in the early growth stages as they move from relatively entrepreneurial management teams towards a more formalised management and leadership structure. Examples of bespoke support include:

- Executive coaching delivery to CEOs;
- Developing the capabilities of the broader leadership team, through access to world leading learning opportunities, networking and company visits;
- Contributing to Advisory Panels and observing at Board Meetings;
- Working with HR departments on succession planning to identify and develop emerging leaders;
- Highly customised and targeted Executive Education focusing on Resonant Leadership/360 degree assessments/Emotional Intelligence;
- Business Parallel benchmarking to harness a leadership vision on the stages required to seize a global market position and for rapid transfer of bespoke learning from experienced business leaders in other sectors; and
- Strengthening Boards to drive growth e.g. introduction of potential new non executive members.

Business Strategy

Strategy development is an important focus of the CofS programme. The CofS team first gain a deep understanding of a company's business model and then try to determine whether the company's vision and values are aligned with step-change growth potential and ambitions. From here, the programme can provide companies with specialist assistance, drawing on a network of skilled and experienced staff within SE. Some examples of the specialist support include courses on Accelerating Sales, Customer Service Excellence, Appreciative Enquiry, Strategy, Innovation by Design or Structuring for Growth.

Assistance covers a wide range of support, including change management, strategic advice, product development and innovation, sales management and marketing support, business internationalisation and merger/acquisition guidance. Examples of bespoke support include:

- Developing and accelerating growth strategies, supported by internationally recognised business schools (e.g. supported by faculty from IMD, Case Western Reserve University);
- Strategic sales development supported by world-class universities (e.g. supported by faculty from Harvard Business School);
- Forming collaborations between companies of scale to secure new business opportunities;
- Informal group sessions focused on customer centricity, public sector procurement and collaboration in delivering software solutions; and
- Supporting and facilitating the creation and implementation of complex multi-geography international growth strategies.

Business Structure

The CofS programme also works with businesses to develop a strong and scaleable structure. After reviewing a company's functional strategies and structural change needs, the CofS team helps the firm to recognise the importance of economies of scale and to build scalable structures for transformational growth. This can involve support to improve efficiencies, improve and manage quality and delivery, streamline procurement and sourcing, as well as development of supply chains. Examples of bespoke support include:

- Supporting strategic graduate development via the Saltire Foundation[48];
- Supporting tailored in-company specialist Academies to grow key commercial and technical skills (e.g. leadership or project management);
- Driving HR strategic reviews or using specialist non-executive advisers to re-work organisation structures which will enable growth; and
- Developing expert solutions to overcome scaling challenges such as faster new product development, logistics challenges and relationship management strategies.

Whilst direct support services fall into the three thematic areas discussed above (leadership, strategy and structure), a significant part of the CofS programme remit is to facilitate relationship building between successful companies operating in Scotland. Evidence demonstrates that entrepreneurs in high growth firms benefit hugely from the advice they receive from other successful entrepreneurs and this is something policy makers can facilitate, relatively inexpensively, through activities such as peer-based networking initiatives (Fischer and Rueber, 2003). The CofS programme therefore actively facilitates peer-to-peer networking between CofS companies and other high growth businesses in Scotland, through events (e.g. "CEO Forums" and the "CofS Conference"), personal contacts and participation in the GlobalScot[49] programme. Illustrating the value that companies obtain from these activities, this kind of peer-based networking continues even once a firm leaves the CofS programme (without any participation from policy makers such as Scottish Enterprise).

Figure 5. Companies of Scale: Example Company "Hydrasun"

Founded in 1976 by two entrepreneurs, Hydrasun is an Aberdeen-based supplier of fluid transfer, power and subsea control systems to the energy industry. In 2002 the original entrepreneurs were bought out via a management buy-in, which was to prove to be an important growth trigger for Hydrasun. Following a period of rapid growth, in 2008 Hydrasun entered the Companies of Scale programme with a focus on restructuring the organisation (and its business model) for growth, particularly to exploit higher-value opportunities in the sub-sea oil and gas industry.

Hydrasun adopted an export-led model, looking to overseas markets (e.g. Azerbaijan, Kazakhstan and Brazil) for growth, following their customers (many of which are large multi-national corporations) into new growth markets. From its beginning as a traditional supplier of valves to the oil and gas industry, Hydrasun has moved up the value chain and now provides customers around the world with bespoke sub-sea systems, including umbilical assemblies. This new emphasis has been a major source of growth for the company and has allowed turnover to increase by 250% over the last seven years.

Delivery arrangements

The CofS programme is wholly operated and managed by Scottish Enterprise. At present there is a small team of three people in Scottish Enterprise who work on the CofS programme. However, the

[48] The Saltire Foundation supports the development of Scotland's next generation of business leaders, offering scholarships and fellowships for people to experience working in Scotland's high performing businesses.

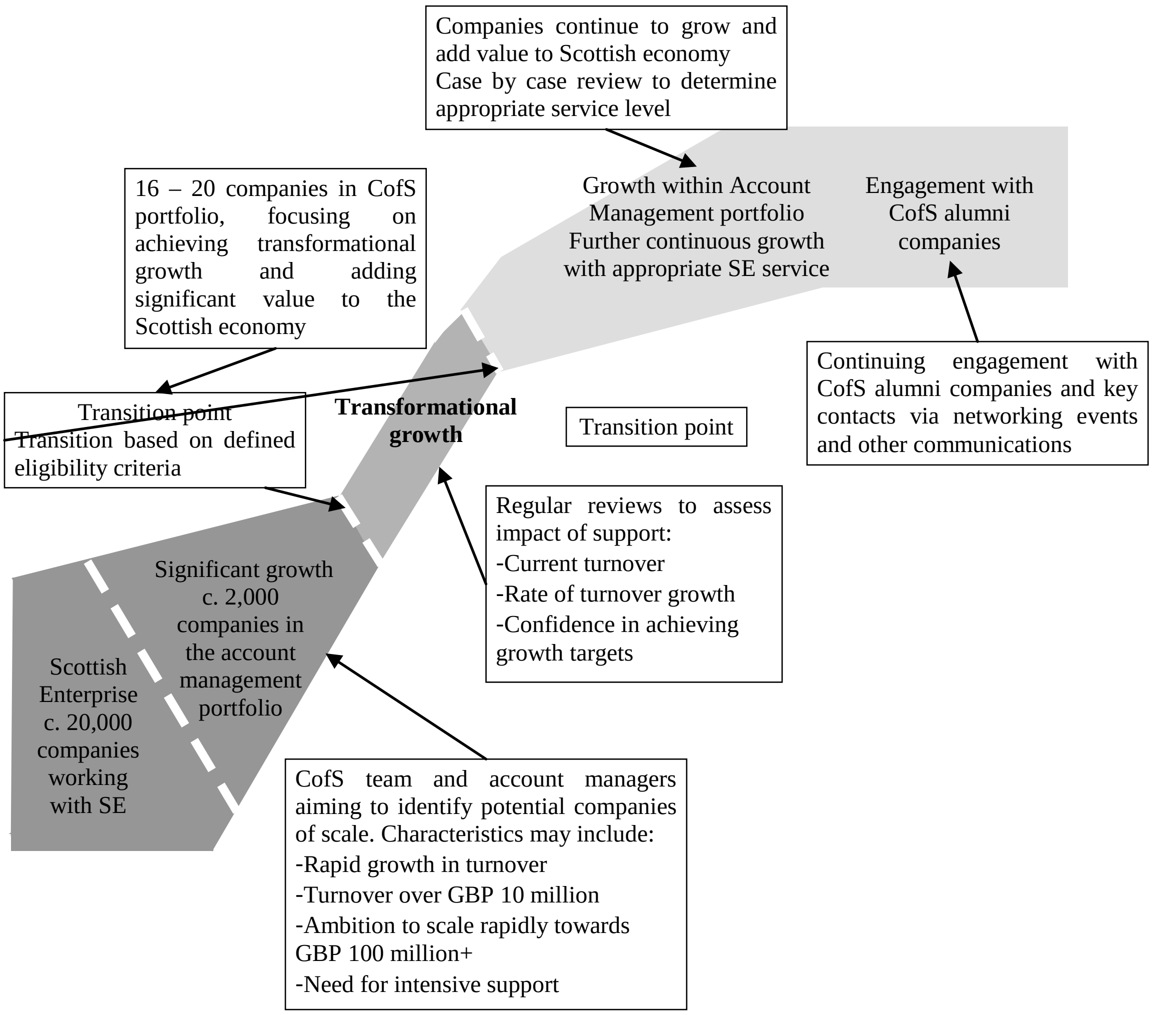
[49] The GlobalScot programme seeks to develop and expand Scotland's standing in the global business community by utilising the talents of leading Scots, and of people with an affinity for Scotland, to establish a worldwide network of individuals who are outstanding in their field. Scottish companies can freely draw on this network for advice, contacts, assistance and support.

programme draws on the wide range of resources within Scottish Enterprise for support across a broad range of thematic areas such as support for innovation, internationalisation and organisational development. The programme's core staff all have strong and extensive business experience and work very closely with participating companies, often attending company board meetings and other meetings of a strategic nature. Whilst most support is designed and delivered "in house", some of the services delivered to companies are undertaken by external providers, procured by the companies and supported financially by CofS. This delivery set up allows for timely and cost effective use of existing SE resources and capabilities, whilst ensuring that companies can access specialist support that SE does not have in-house. Often these external services are provided to a group of companies participating on the programme.

The programme operates in conjunction with Scottish Enterprise's Account Management programme, a programme of indepth support to around 2000 companies in Scotland that have significant growth potential[50], whereby CofS companies are selected for specialist support from the account management portfolio (see Figure 6). It should be noted that while the programme draws a number of the participants from this source this does not preclude non-account managed businesses from taking part in the programme. Most companies then transition through the CofS programme, ultimately returning back into the account management portfolio (after approximately 18-36 months on the CofS programme) or remaining CofS alumnae. Therefore, the programme operates as part of a wider business support eco-system.

[50] http://www.scottish-enterprise.com/start-your-business/high-growth-start-up/account-managed-companies.aspx

Figure 6. Companies of Scale pipeline



Strengths

There are a number of strengths that can be identified:

Relational and Flexible Nature

First, a very important aspect of the CofS programme is the relational and flexible nature of the programme. As mentioned previously, the programme is not a "fixed" offering. On the contrary, the essence of the programme is predicated on the in-depth relationship which forms between the participating firms and their CofS account manager. The real strength of the CofS programme lies in the wide range of products and services it is capable of delivering and the fact that these are specifically customised towards the needs of the participating companies. It is also worth noting that this customisation process occurs at two different levels: 1) the level of the firm and 2) at the level of the group (e.g. learning, interaction and alumni). Often the growth bottlenecks and organisational issues affecting rapidly growing companies are very specific to the particular firm. Therefore, participants on the programme are able to help shape the nature of their support in an interactive and experiential way. This degree of flexibility is unlike traditional forms of business development and the CofS participants very much appreciate the ability to "tailor" their support under the programme. Very high quality management development programmes operated by Harvard and other leading business schools are specifically customised for the participating companies. This ensures that no areas of support are excluded under the programme. For example, many HGFs often wish to grow through acquisition (Acs *et al*., 2008). Clearly, this kind of approach to growth requires a different type of support than firms who grow organically and a number of companies on the programme have received assistance in relation to identification of potential acquisition targets.

Time Sensitive

Second, another of the key attributes of the programme is the temporal nature of the assistance. As we discussed earlier, the programme tends to focus on companies that are undergoing key growth triggers. These triggers are often related to a change of ownership, the introduction of a new product or service, entry into a new market or new governmental legislation. During these turbulent periods firms are often very vulnerable to the problems of leadership overload and "organisational overstretch" (Brown and Mawson, forthcoming). The CofS programme aims to work companies to help them ease these growth bottlenecks. The time sensitive "rapid-response" nature of this support is therefore a key ingredient underpinning the programme's success. Once firms successfully navigate these destabilising growth period(s) they are often able to resume growing the business without the close level of support offered under the programme.

Peer-based

Third, as others have noted, a key feature of the type of business support which is deemed most desirable for HGFs is a high degree of interaction with other entrepreneurial "peers" (Fischer and Rueber, 2003). Highly ambitious entrepreneurial companies often benefit greatly from advice from other like-minded entrepreneurs. In some respects this is a central facet of the CofS programme which sets it apart from other business support programmes in Scotland. The nature of peer-based interaction has two elements. First, the programme aims to bring participants together to share experiences and learn from one another (e.g. "CEO Forums"). This sometimes involves participating on management development programmes and executive education courses with other CofS companies and can also include social events such as an annual dinner featuring speakers from some of Scotland's most successful companies. Secondly, as well as structured opportunities for "peer-based" learning, the programme also encourages contact between the participating companies in a more *ad hoc* fashion. Sometimes this involves connecting CofS companies with HGFs and entrepreneurs outside of the programme.

Holistic

Finally, it is worth highlighting that one of the most important elements of the programme is the holistic nature of the support. Rather than focusing on one particular thematic aspect of the business (which most business support programmes do), the programme undoubtedly benefits from taking a very wide ranging approach which encompasses a "big picture" mentality towards business growth. Most of the participating companies need soft forms of strategic assistance not grant monies. The ability to offer holistic support which encompasses lots of time but few hard resources is undoubtedly one of the programme's main strengths.

Linked to the holistic nature of the support is that being on the CofS programme enables participants to access other services offered by Scottish Enterprise. One of the key aspects of the programme is how it links in with other forms of assistance which is provided by Scottish Enterprise. The ability to move firms from the system of account management towards more intensive forms of support in the CofS scheme is critically important. This 'escalator approach' towards business development assistance is one of the main benefits of having a structured and segmented approach towards supporting companies with different growth requirements

Weaknesses

Very few public policy interventions are without limitations. Whilst the CofS programme has been viewed very favourably by participating companies, there are certain aspects of the programme which potentially reduce its overall effectiveness. These limitations have a number of different dimensions and relate to three key areas: programme size and progression.

Programme Size

It must be acknowledged that CofS constitutes a very small element of the business support framework within Scotland. Indeed, the programme has a FTE staff of 3 people (plus part-time administrative support) and at any given time there are only around 15-20 companies involved on the programme. Although having a small number of companies on the programme enables a high level of customisation for participants, it does mean that only a very small stock of companies receive support under the programme. The small scale of the programme clearly means that, whilst very beneficial for the firms involved, the overall impact of the programme on the Scottish economy is limited (although the impacts to the individual companies can be substantial). It should be noted, however, that the potential number of Scottish companies with the level of growth ambition necessary for involvement in the programme would restrict any significant expansion.

Identifying Suitable Companies

At present, the bulk of the participating companies are identified and referred through the Scottish Enterprise system of account management, as mentioned previously. Because the CofS programme draws on this pool of companies, it may overlook very good growth-oriented companies based in Scotland that would benefit from CofS support. It is therefore important that all potential high growth companies are identified for entry into this kind of sophisticated form of business support.

Monitoring & Evaluation system and proven impact

Since the CofS programme's inception in 2005, twenty three companies have been supported. This has resulted in an increase in total sales from GBP 907 million to GBP 1,444 million and increasing the number of Companies of Scale (companies with annual sales of more than GBP 100 million) by four, with currently two further companies approaching this threshold (circa GBP 90 million). The CofS programme places great emphasis on continuous improvement and thus has a monitoring and evaluation framework in place. This framework includes a number of key metrics to determine the success of the programme (and of CofS companies) including (i) company rate of turnover growth (average of 26%), (ii) confidence of management team and SE support in achieving growth ambition, (iii) total number of Companies of Scale in Scotland and (iv) and gross value added (GVA) (approx. GBP 132 million)[51].

The pilot phase of the programme was evaluated in 2007 which provided some very tentative aggregate performance information (Alan Brazewell Economics, 2007). This initial evaluation concluded that benefits from the programme were varied but too early to be definitive. At the time of the evaluation there were only 9 companies on the programme, however the evaluation concluded that the initial results were promising. The work discovered that that overall project spend was approximately GBP 38 000 per company and found that the companies involved had benefitted to the value of GBP 59 000 per company.

51 GVA is used by SE as a measure to assess the impact of SE intervention on the Scottish economy.

Overall, the pilot therefore can be "judged to be a success, as far as the evidence so far indicates" (Alan Brazewell Economics 2007, p.23).

Measuring benefits of support

At present many of the types of support companies receive through the programme involve management and strategy development. Whilst this can reap significant benefits for the companies, it can be difficult to directly measure the impacts of this type of support on the business, not least because impacts arising may only manifest over the long term. Plus, if companies cannot see tangible benefits from the intervention in the short term, they may not commit sufficient internal resources in order to maximise a sufficient return from their investment of management time. Therefore, it is important that the monitoring and evaluation system utilised under the programme is sufficiently nuanced to capture the longer-term benefits from the programme.

To date there has not yet been an economic impact evaluation of the programme, however a formative learning review has just been completed on the programme in 2011. Some of the findings from the most recent review are highlighted below and have already been used to modify the nature of the programme.

Participant's Impression of Programme

Overall, the vast majority of the feedback from the participating companies was very positive about the CofS programme. All the firms that took part in this review exercise were very positive about the nature of the programme and the support they had received. Many of the companies mentioned that participation on the programme requires a high level of commitment on the company's behalf, although this commitment is worth it for the perceived value the firms obtain from the programme. During the interviews with the participating companies a number of common issues were raised.

Reasons for Involvement

The majority of the CofS firms were existing account managed firms. Many were made aware about the programme by their account manager, who referred them to the CofS team for potential inclusion in the programme. Only a minority of firms actively sought entry into the programme. While some companies openly admit that they joined with a view to attracting grant monies, the vast majority viewed the programme as a strategic way of challenging their current business models and strategies. Quite a number of the firms were keen that programme entry criteria remain high, so that only dynamic, growth-oriented firms are admitted. The quality of other firms on the programme is a key incentive for participation on the programme.

Importance of strategic challenge

Involvement in of the CofS programme was thought to help inform the strategic thinking within the organisations involved. In fact one of the most important aspects of the programme which was highlighted by the companies involved was the fact that it brings a strategic challenge. This kind of strategic challenge or "trusted advisor" role seems an essential component and one which offers very valuable learning for participating companies. To get to a position to act as a critical friend a very close and trust-based relationship must be established.

Importance of the CofS Account Manager

Linked to the issue above was the instrumental role played by the CofS account managers in the programme. Nearly every firm interviewed mentioned the importance of the account manager relationship as one of the primary benefits of the programme with the strategic input that the CofS account manager provides. Quite often businesses welcomed the ability of someone external to the business to assess the firm's strategy with a "fresh pair of eyes". Owing to the close relationships developed between the account manager and the participating firms, the businesses felt like they could really develop a strong trusting relationship. This is particularly important given the importance of disclosure of important strategic decisions and also admitting to weaknesses within existing organisational structures. Many companies mentioned they would like to get their respective account managers even more deeply integrated within their businesses. One suggested the idea of the account manager being seconded to the firm for the duration of a project and another wanted their account manager to visit their overseas operations to get a better insight into how that operates.

Importance of Leadership Development

One of the key elements of the CofS programme is assistance with leadership and organisational development. Firms have received a variety of different types of support such as involvement in learning journeys, attendance at leadership training courses and individual 360 degree leadership reviews. The majority of companies interviewed were very positive about this type of assistance. Many found the work on emotional intelligence to be very important and the individual learning journeys that had been undertaken were also very well received. The only criticism was that some of the training by university personnel was too "academic" and not sufficiently grounded in practice: a number of businesses mentioned that it was difficult getting members of their staff to "buy-in" to these types of initiatives.

Bespoke Nature of the Service

A number of the companies appreciated the bespoke nature of the CofS programme and many felt that the types of assistance they require is not available through conventional sources of grant funding. Although involvement in the programme sometimes leads to access to other support packages from Scottish Enterprise, the companies appreciate that the dedicated types of support are the most effective for obtaining "buy-in" from senior staff within their organisations. Plus, some companies like more intensive interaction with SE than others, therefore a bespoke approach allows the individual companies to have a service tailored to their own requirements. They also feel that the bespoke and targeted nature of the programme enables them to interact with other "like-minded" growth companies.

Recommendations

Following our review process, there are a number of areas of the CofS programme which merit discussion.

First, given the small scale of the programme, there may be an argument for expansion beyond its current size. In order to upscale, more resources would have to be made available. While this is unlikely given the fiscal constraints facing public organisations such as Scottish Enterprise, the tangible benefits of the programme make this a worthwhile long-term objective. In tandem with this, there may also be an argument for increasing the portfolio of companies on the programme, but offering more intensive interactions with a fewer number of participants experiencing key growth triggers. Under this arrangement, the programme would keep a close "watching brief" on some companies while interacting intensively with a similar total to the current population of 17 participants. Another option to increase the size of the programme would be to widen the eligibility criteria so that smaller companies who aspire to grow to at least £50m turnover within three years could be included. Some estimate that this could enable the programme to be expanded to double the current numbers of participants (Alan Brazewell Economics, 2007).

Second, at present most companies spend between 18 months to 36 months on the programme. There may be a case for increasing the levels of churn for those participating on the programme. Potentially, if the time period for involvement on the programme is reduced, more companies could receive assistance. While difficult to implement, increasing the levels of churn on the programme would have to be done in close conjunction with the traditional forms of account management offered by Scottish Enterprise, so that the transition process is managed effectively.

Third, another aspect of the programme which could potentially be modified concerns the peer-based nature of the programme. At present, the programme provides a number of planned and ad hoc peer-based interactions. An example of this was one firm receiving guidance on their projected entry into the Chinese market for medical devices. However, there may be opportunities for the programme to bring experienced entrepreneurs (not involved in the programme but who have grown a sizeable business) to provide strategic critique or challenge of a company's current growth plans. Whilst difficult to organise, this could potentially strongly augment the intensive forms of assistance received from the CofS programme. Similarly, there may be scope to provide more internal "case reviews", whereby a working-group of staff within Scottish Enterprise periodically assess the effectiveness and integration of the assistance a firm receives.

Fourth, the small scale of the programme means that novel forms of evaluation can be implemented to assess the performance of companies on the programme. One such novel technique would be to contrast the growth performance of the participating companies with a "control group" of similar non-assisted firms. Whilst determining the specific attribution of the programme will always be difficult to do, this method would at least allow the growth performance of the companies to be benchmarked against non-assisted companies.

Conclusions

This paper has provided an in-depth overview and assessment of the Companies of Scale programme in Scotland. Since the programme's inception in the mid-2000s, it has grown considerably and has evolved substantively. From a small scale pilot programme in 2005 involving five companies, the programme is now a permanent feature within the business support infrastructure offered by Scottish Enterprise. In total, it has assisted 23 companies. The programme has a number of unique elements which differentiates it from many other public policies designed to support HGFs, which typically focus on thematic areas such as support for innovation and access to finance (see OECD, 2010). Some observers have been critical of these thematic types of support policies and have called for more bespoke solutions, such as those offered by the CofS programme (Mason and Brown, 2011).

The novelty of the CofS programme hinges on five main areas:

- First, the programme is specifically targeted at highly "growth-oriented" companies who have already achieved significant levels of growth and who aim to upscale into larger scale corporate entities. The testing eligibility criteria (e.g. past and projected growth levels) means that the programme is not appropriate for most Scottish firms.
- Second, the main focus of the programme revolves around the development of a strategic relationship between participating firms and the CofS team. In other words, the main thrust of the programme is relational rather than transactional. Within this context, firms receive time-intensive support of a strategic nature, rather than support of a more conventional nature such as grants, loans etc.

- Third, a key element of this approach is the desire to develop highly customised support to each of the participating companies. There is no one single “offering” within the programme and firms help shape the nature of the support they receive.
- Fourth, the key thematic nature of the support firms receive takes the form of leadership development and management development. Working with executives to fulfil their own potential as leaders helps firms become better equipped to deal with the onerous and multiple challenges of growing an international business.
- Finally, a key benefit for the participating companies is the ability to participate in peer-based activities with similarly ambitious Scottish companies. This is one of the most important aspects of the programme.

Having examined the programme closely, it appears that it has a number of key strengths. Without wishing to repeat these in depth, our analysis suggests that the main strengths of the programme revolve around its inherent flexibility. Not all growing companies are the same; therefore no single fixed programme can offer them the kind of support they require. The ability to customise support for each of the companies involved is undoubtedly the programme’s key strength. However, this aspect of the CofS programme is also a potential area of weakness. Due to its highly customised nature, only a relatively small number of companies can be supported under this kind of approach. Owing to this, the programme’s overall economic impact will always be limited by the small number of companies that can participate. It is also worth pointing out that in an economy with a weak overall entrepreneurial climate such as Scotland, the size of such a programme will also always be heavily circumscribed by the lack of suitable “growth ambitious” companies.

Annex: Transferability

The following assessment of the CofS programme in Scotland enables us to draw some potential lessons in terms of its transferability. To date, we are unaware of any direct attempts to transfer the programme to another geographical or institutional context. This probably owes to the fact that the programme is closely integrated into the wider operational context of Scottish Enterprise. In particular, the CofS programme is deeply embedded into the wider system of account management operated by Scottish Enterprise. Additionally, one of the programme's key strengths is the ability to connect CofS participants to other parts of Scottish Enterprise for more specialist forms of support around innovation, internationalisation (export and in-country support) and capital expansion projects. Owing to these problematic issues, wholesale transferability of the programme probably is neither feasible nor desirable (see Figure 5 below).

Bearing this in mind, we do believe that there are certain core elements of the programme which could be adopted or customised to other contexts. For instance, we see no reason why certain core elements of the programme (such as targeting a small number of high growth businesses for intensive support to help them grow globally) cannot be replicated. Indeed, we believe that there are certain core components of the programme which could be transferred elsewhere (see Table 2 below). The elements which seem best equipped for policy transfer relate to the customised nature of the programme, which offers a close strategic relationship with a small number of beneficiaries. Whilst the in-depth requirements for assistance will vary from organisation to organisation, assistance with leadership and organisational development (often on a peer-based basis) are universal requirements which most high growth firms desire. Therefore, certain elements of the programme could be customised elsewhere.

Table 2. Elements of the CofS programme and degree of transferability

Elements of the Programme	Transferable	Non-Transferable
Flexible structure	Yes.	
Small number of growth-oriented participants	Yes.	
Focus on strategic relationship building	Yes.	
Account management support		No. In order to identify relevant companies for the CofS programme, Scottish Enterprise draw on connections with a large pool of 2000 account managed businesses. Establishing such a programme from "scratch" would be potentially very time consuming and costly.
Time sensitive nature of support		No. Unless an organisation has good connections with a wide pool of businesses, identifying suitable firms who are undergoing significant growth triggers may prove difficult. Establishing and

		maintaining such connections requires considerable time and resource.
Thematic focus on leadership, organisational development and strategic challenge	Yes.	
Peer-based elements of programme	Yes. However, the appetite for peer-based learning may well be context specific. Companies in particular countries may not wish to divulge aspects of their businesses to other (potential) competitors.	
Links to other products and services offered by Scottish Enterprise		No. This will depend on whether the programme is operated by a discrete body, or by a wider regional development agency with a comprehensive set of functional responsibilities.

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No. 90161 2013