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European
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Institute

Cracking the Growth Code:

Traits and Strategies of High-Growth Firms in Europe

European Scaleup Monitor 2023

Table of Contents

Preface p. 4-5

Navigating the path to high- and hypergrowth p. 6-7

High-Growth in Focus: age matters p. 8-9

The Alaiko Case: Building and Sustaining a Strong Corporate Culture in HGFs p. 10-11

"De Lift": Taking the elevator up by finding the right people p. 12-13

High-Growth in Focus: size matters p. 14-15

High-Growth Hotspots in Europe p. 16-17

Scaling up your talent: Implementing a "talent hotspot" p. 18-19

High-Growth in Focus: HGFs dominate service-based industries p. 20-21

Decoding Resilience in Scaleups: Insights and Lessons Learned from the nCore Case p. 22-23

Hypergrowth Investment Iinsights: Growth as a Catalyst for Funding p. 24-25

Glovo's Scaling Up Journey p. 26-27

Conclusion p. 28-29

Methodology & Contributors p. 30-31

About The European Scaleup Institute p. 32-33

Preface

Prof. dr. Veroniek Collewaert

Academic Director of the
European Scaleup Institute

One of our key ambitions in setting up the European Scaleup Institute is to build and share knowledge on scaleups across Europe. We are hence very proud to release the Institute's very first collaborative European Scaleup Monitor. In this report, we provide a first glimpse into the landscape of high-growth firms in Europe and show how much variation there is to be uncovered.

All too often, scaling, scaleups and high-growth firms (HGFs) tend to be equated with young, tech firms, who've all raised millions of Euros in venture capital (if you were to believe the press articles). Yet, our statistics show that these firms come in many more colours,shapes and sizes. For instance, average annual growth percentages range from 32% for Scalers (min. 10% average growth) to 120% for Hypergrowers (min. consistent 40% growth). Across these different growth groups, we see some similarities. For instance, the average age of a European HGF – regardless of the growth threshold used – is consistently above 10 years old, indicating a hefty presence of mature firms amongst highgrowers.

Yet, we also spot some differences. For instance, as the growth threshold goes up, proportionally more younger firms are represented in our sample of HGFs. While younger firms tend to have higher growth rates than more mature firms, we see the opposite for size: firms with more than 50 employees experience more than twice the growth rate of their smaller counterparts. Larger firms appear to be better positioned than smaller firms to sustain higher growth rates, contrary to what one would usually expect. While ICT remains the undisputed #1 industry in Europe (as the industry with the highest concentration of HGFs), all other HGFs are well spread across different industries. Finally, we see that only 10% of Hypergrowers are funded and tend to receive a surge of late-stage funding in the 3rd year of their hypergrowth phase .

It is absolutely key that we map and understand this diversity in HGFs as they may require substantially different strategies,processes and support to achieve their high growth. It is our ambition with the European Scaleup Institute to unravel some of these differences in our upcoming efforts to bridge the scaleup gap!

Enjoy the read and stay tuned for more via
www.scaleupinstitute.eu

Navigating the path to hypergrowth

Scaling as a multifaceted phenomenon

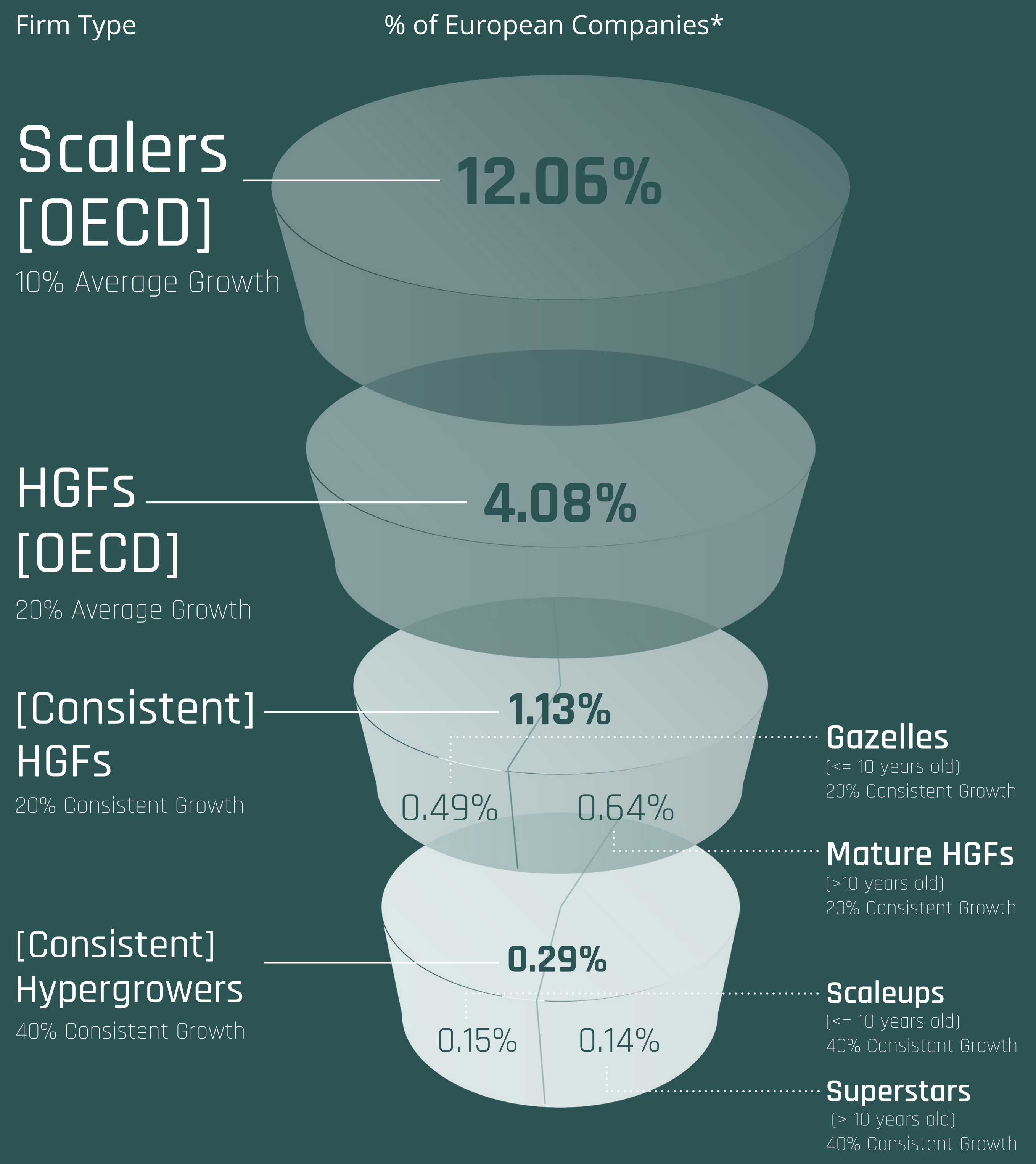
There is no single path to scale. The dynamic landscape for scaling and high-growth firms (HGFs) brings a picture of growth that captures fast-growing companies in multiple ways across Europe. Despite the proliferation of research in high-growth firms (HGFs), scholars have yet to fully recognise alternative types of HGFs. It was recently argued by Jansen et al. (2023) that we need to move away from comparing HGFs and non-HGFs, and instead, investigate high growth as a multifaceted phenomenon that may manifest in different ways among different types of HGFs. Inspired by the authors' typology, this report presents state-of-the-art insights into HGFs with a holistic approach that recognises scaling as a dynamic capability.

> **Scaling is the organizational and strategic routines by which firms grow exponentially through the expansion, replication, and synchronization of resources and practices over time.**
>
> (Jansen et al., 2023)

To understand the dynamics of scaling in the European context, Scalers from OECD's framework (2021) is used as a starting point, where firms have an average annualised growth greater than 10% per annum, over a three year period. Scalers make up around 12% of European companies. The group of growing firms in Europe narrows down to 4% when pushing the threshold up to 20% average annualised growth over a three year period – based on **OECD's** widely adopted definition of **HGFs**.

A dramatic shift occurs when the sample narrows down to companies that consistently grow 20% or more for at least two out of three years: **Consistent HGFs** only represent 1% of European companies. Within this group of HGFs, there are slightly more Mature HGFs (older than 10 years) than younger Gazelles. By narrowing down the group of growing companies even further, those that experience 40% growth or more for at least two out of three years **(Consistent Hypergrowers)** only captures 0.29% of companies in Europe. Scaleups (those younger than 10 years) and their older counterparts, Superstars, are almost evenly spread out in this final group of Hypergrowers.

The rest of the report focuses on the latter two groups of exceptional firms with persistent growth paths that are challenging for most companies in Europe to sustain over time.



**Data Source: Orbis.* Growth is measured by number of employees, where all companies have at least 10 employees in 2018. See Methodology for more information about the data sampling.

Hypergrowth in Focus:

Age matters

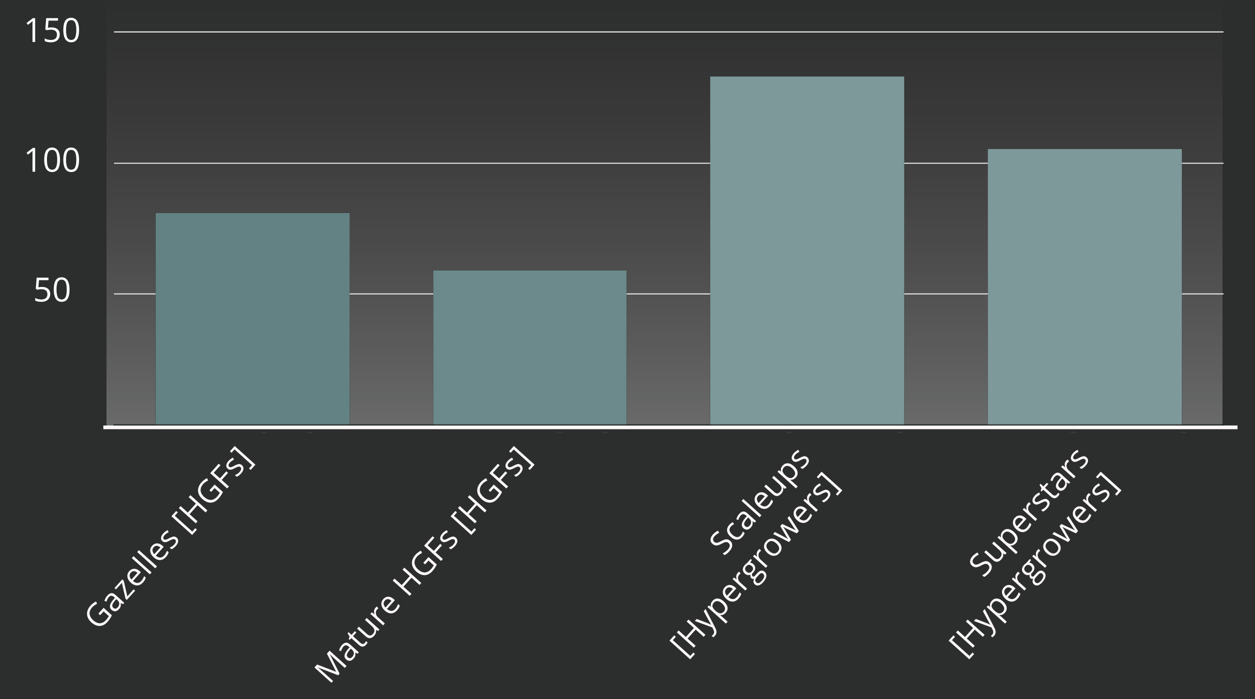
Age plays a role in the tempo of a firm's scaling journey, with younger HGFs scaling faster in Europe. Gazelles and Scaleups, for example, grow at a faster pace on average than Mature HGFs and Superstars – the firms that are 10 years or younger grow more than 20% faster per year on average than their older counterparts.

Although the landscape of HGFs is dominated by companies younger than 30 years old (representing 91% of HGFs), this diverse group of scaling companies also represent firms from the other side of the spectrum with almost 2% of HGFs being more than half a century old.

With a strong value proposition, team, and leadership, HGFs regardless of age can shape their own sustainable growth paths. Case studies from Alaiko, a young fast-growing firm founded in 2020, and De Lift, a Superstar founded in 2003, show scaling strategies from different geographies and perspectives that both rely on robust recruitment processes.

Age Distribution of HGFs

Average % Growth (per year)



The Alaiko Case:

Building and Sustaining a Strong Corporate Culture in HGFs

alaiko

As companies scale rapidly, maintaining a strong corporate culture becomes increasingly challenging. Alaiko, a fast-growing firm co-founded by WHU alumnus Moritz Weisbrodt, provides a valuable example of how to build and sustain a thriving culture in the face of rapid growth. In just two and a half years, Alaiko has become Europe's leading fulfillment-as-a-service platform that enables online shops to scale their operations without friction. Alaiko was founded in 2020 and now already employs 135 people. Weisbrodt shares valuable insights into how they have managed to uphold their corporate values during this time of exponential growth.

1. **Define your values before hiring:** Alaiko's co-founders established their core values before hiring their first employee. Their core value, heartiness, reflects their desire to create a sustainable company where employees are excited to work and feel connected to one another. The three additional values are ownership, win-win outcomes, and chasing progress. By defining these values early on, they laid the foundation for their corporate culture.

2. **Hire culture ambassadors:** It is crucial to recruit and develop the right people who can become culture ambassadors, upholding and promoting company values. Alaiko focuses on selecting candidates who can maintain a strong cultural fit and manage expectations. Founder interviews help to ensure that every new hire aligns with the company's values and vision.

3. **Onboard new hires effectively:** Intensive onboarding weeks at Alaiko's Munich headquarters, even for remote hires, ensure that new employees understand the company's culture and values. These onboarding sessions combine work-related training with cultural immersion, fostering a sense of belonging and unity among the team.

4. **Delegate and promote ownership:** As companies grow, it is essential to delegate tasks and responsibilities, allowing employees to take ownership of their work. This not only fosters a sense of responsibility, but also helps to attract and retain top talent.

5. **Foster win-win outcomes:** In a complex industry such as logistics, it is crucial to encourage employees to think beyond immediate stakeholders and create solutions that benefit all parties. This approach contributes to the sustainability and longevity of the company.

6. **Encourage progress and challenging the status quo:** Alaiko promotes a culture of constant improvement, with employees encouraged to seek better ways of doing things and question established norms. This mindset drives innovation and growth.

7. **Establish hiring committees and maintain founder involvement:** By putting the right people in charge of selecting candidates and maintaining founder interviews, Alaiko ensures that their cultural values are upheld throughout the recruitment process. This approach enables the company to maintain its strong culture even as it scales rapidly.

By implementing these strategies, Alaiko has managed to create a strong corporate culture that supports its rapid growth. With heartiness at its core, the company has fostered an environment where employees are motivated to stay, and meaningful connections are valued. By prioritising corporate values from the very beginning, Alaiko has laid the groundwork for a sustainable and successful company culture.

Do you want to know more about Alaiko and how it is managing growth, check out this episode of the WHU Most Awesome Founder Podcast. In this podcast, Gerrit McGowan and Dries Faems interview successful founders out of the ecosystem of the WHU Otto Beisheim School of Management. In addition, they regularly interview prominent management thinker in the domain of entrepreneurship and innovation such as Steve Blank, Alex Osterwalder and Ron Adner.

by Prof. dr. Dries Faems
Chair of Entrepreneurship, Innovation and Technological Transformation
I WHU – Otto Beisheim School of Management

“De Lift”:

Taking the elevator up by finding the right people

One of the Belgian ‘Superscalers’ that showed a consistent 40% growth in employees is ‘De Lift.’ The firm, founded in 2003, is active in a traditional non-tech industry. Their core business is the maintenance of elevators. They were able to persistently grow in employees to a headcount of 78 FTEs in 2021.

One of the key elements in our value proposition is that we can deliver maintenance for all elevator brands and types. This allows us to be a key and reliable partner for a client with elevators from different manufacturers in their real estate portfolio. They do not need to work with several companies any longer as we can offer 360-degree maintenance,

says Pieter Coenegrachts, CFO of De Lift.

The growth to a specific ‘minimum efficient size’ was a crucial step for the firm to provide regional coverage and support for its customers. Coenegrachts elaborates: “By reaching a certain threshold in terms of employees and opening up new hubs, we could sign bigger clients as many of them were active in the whole of Belgium. Our bigger size and local presence made it possible to serve those clients in the best possible way.” In service-oriented industries, firms often pursue growth until they have reached a size that allows them to cover the entire region where their client is operating.

High growth is, however, not only built on leveraging the firm’s strengths. It is also realised by overcoming particular challenges. A crucial challenge for De Lift was finding the people needed to support the growth in the number of clients. Coenegrachts states:

“With respect to employer branding, we always try to emphasise our strengths, such as the camaraderie amongst employees and the possibility of having additional training. Besides that, we aim to attract young people that just left school and train them ourselves. They do not necessarily have to know much about the industry at the moment of applying.”

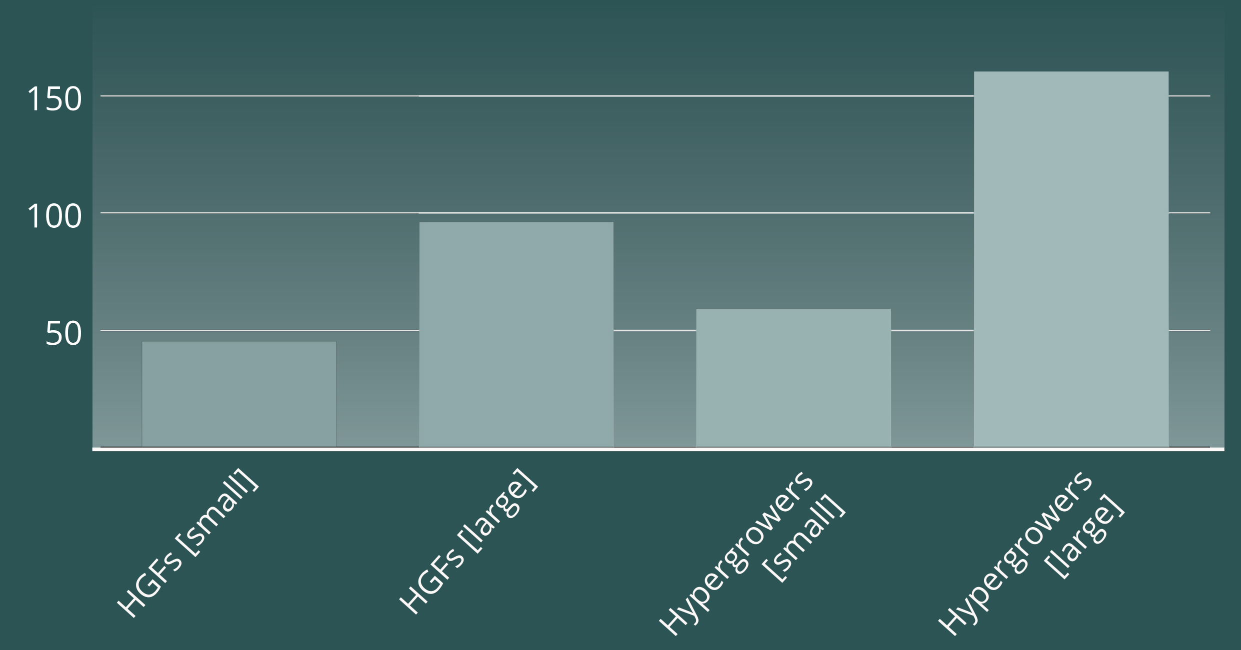
The most recent edition of the Rising Star Monitor of Vlerick Business School, in which a snapshot is given of the trends of high-potential ventures in Belgium, confirms that finding and retaining employees is considered the #1 challenge by high-potential ventures. More specifically, 56% of the ventures find recruiting more challenging than training and offering competitive compensation to employees. A similar observation was made in 2020 in our cross-European study were employees outranked funding and market access in terms of key challenges to growth for scaleups. De Lift is on the right track in that global research, including in scaleups. It also shows that employees interested in joining scaling organisations rank company culture as the number 1 attribute they are looking for, even before financial rewards, which comes in second place. As a venture looking to recruit, it is therefore worth investing in making company values explicit and investing in rituals, tools and procedures (not in the least on the HR side) that will help make these values spread and live throughout the organisation.

by Prof. dr. Yannick Dillen
Professor of Entrepreneurship
I Vlerick Business School

Hypergrowth in Focus:
Size matters

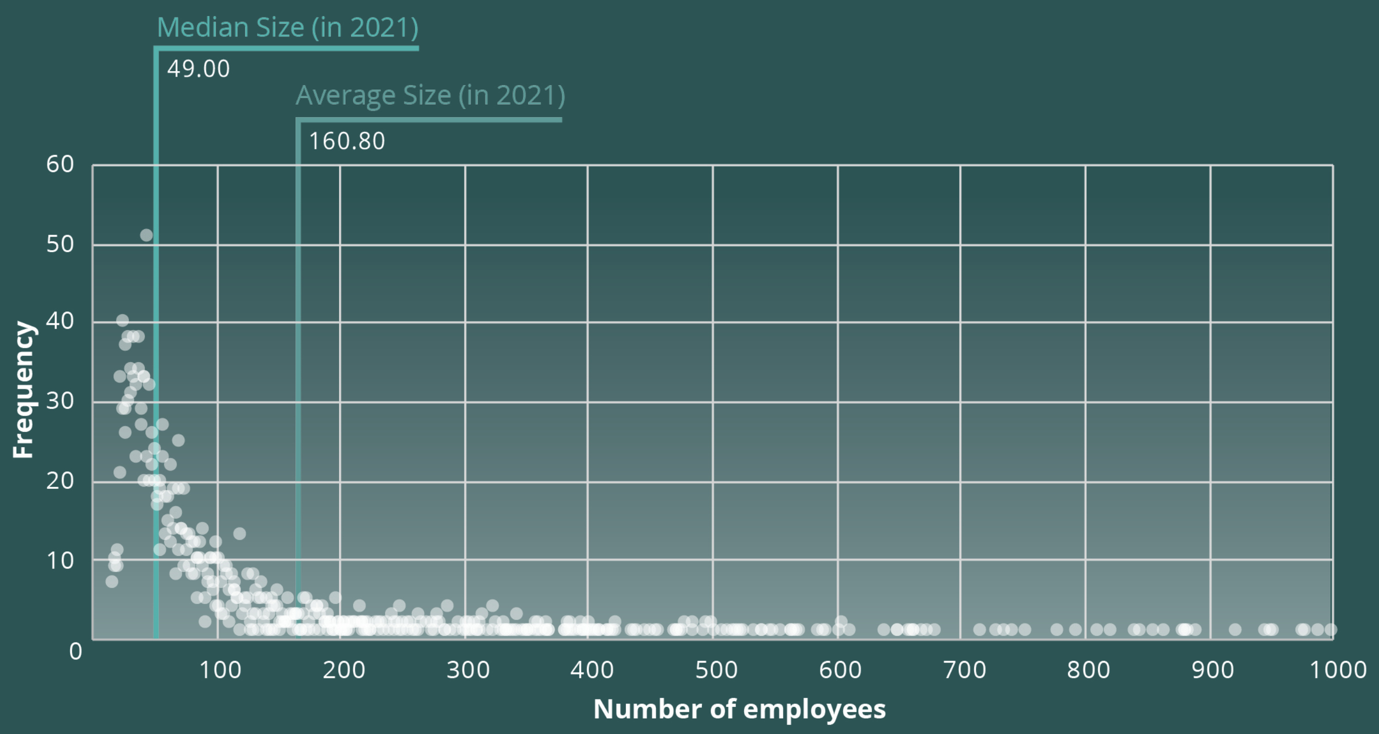
In Europe, 40% of HGFs are medium-sized and have 50-250 employees. It is not surprising that the landscape of HGFs is mostly comprised of firms with more than 50 employees since high growth is determined by growth in the number of employees in a firm. What is surprising is that larger HGFs scale considerably faster than their smaller counterparts (with at most 50 employees): HGFs with more than 50 employees experience more than twice the growth rate of smaller HGFs. The difference in pace is even more notable for Hypergrowers than HGFs, with larger Hypegrowers scaling almost three times faster than smaller Hypergrowers on average per year.

Average % Growth (per year)



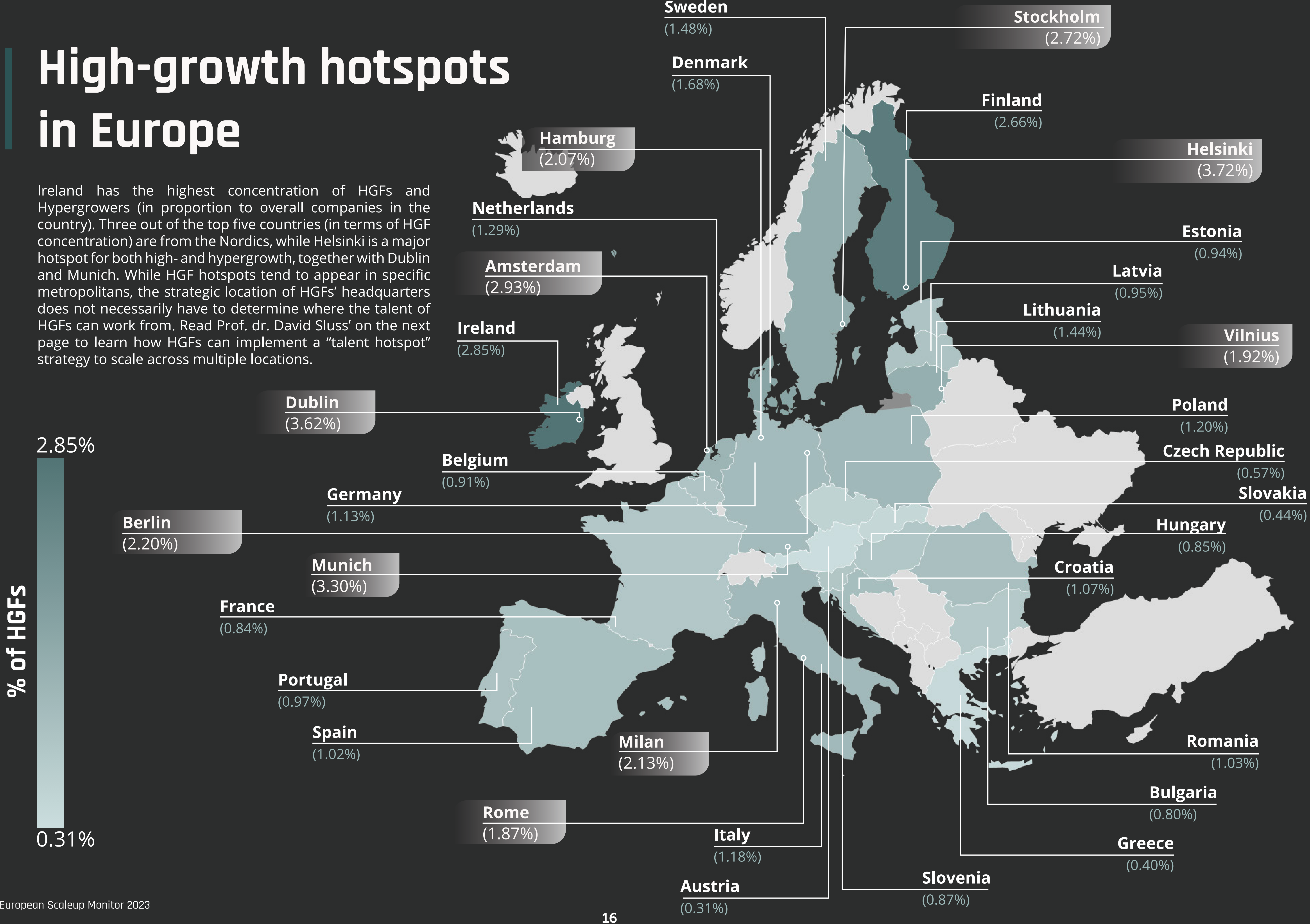
* small refers to companies with <= 50 employees
large refers to companies with > 50 employees

Size Distribution of HGFs



High-growth hotspots in Europe

Ireland has the highest concentration of HGFs and Hypergrowers (in proportion to overall companies in the country). Three out of the top five countries (in terms of HGF concentration) are from the Nordics, while Helsinki is a major hotspot for both high- and hypergrowth, together with Dublin and Munich. While HGF hotspots tend to appear in specific metropolitans, the strategic location of HGFs' headquarters does not necessarily have to determine where the talent of HGFs can work from. Read Prof. dr. David Sluss' on the next page to learn how HGFs can implement a "talent hotspot" strategy to scale across multiple locations.



Scaling up your talent:

Implementing a "talent hotspot" strategy

The European Scaleup Monitor 2023 highlights "hotspot" cities (and might we say, ecosystems) that are primed for both high- and hypergrowth firms. These data allow ecosystem stakeholders to compare, contrast, and improve their "particular offer." Yet, scaleup leaders and founder teams may also want to analyse these strategic locations for expanding and deciding on how they acquire and grow talent – creating a unique "working from anywhere" talent strategy.

The "working from anywhere" movement, as we know, isn't going away anytime soon – especially in knowledge-intensive industries given its' positive effects on talent acquisition and engagement. While it is more comfortable (from a managerial perspective) to relocate and integrate new talent into your central location, you could just as easily let these data inform a talent strategy in which you set up "talent hotspot" hubs in these ecosystems. Following a hub and spoke design, let's review two key questions and (potential) answers to work through a "talent hotspot" strategy.

Do you need a "physical space" for your new "talent hotspots"?

Well, yes and no. If your expansion is focused solely on talent acquisition, a physical space may not be all that necessary. Yet, I do think leaders should not overlook the importance of place in encouraging identifying with the firm's mission and purpose – even it is just a café where your talent team has an occasional social. So, it may be that you should encourage (via resourcing and coordinating) your talent to gather at times in temporary workspaces. If your expansion to the hotspot is geared towards talent acquisition and client on-boarding or interaction, then a physical space would be appropriate and be flexibly used for these "working from anywhere" talent. For example, Xebia (a Dutch-based and global IT consultancy) uses their client training facilities to also serve as "work hotels" for employees that live near (but work from home).

How do you integrate your new talent across multiple talent "hotspots"?

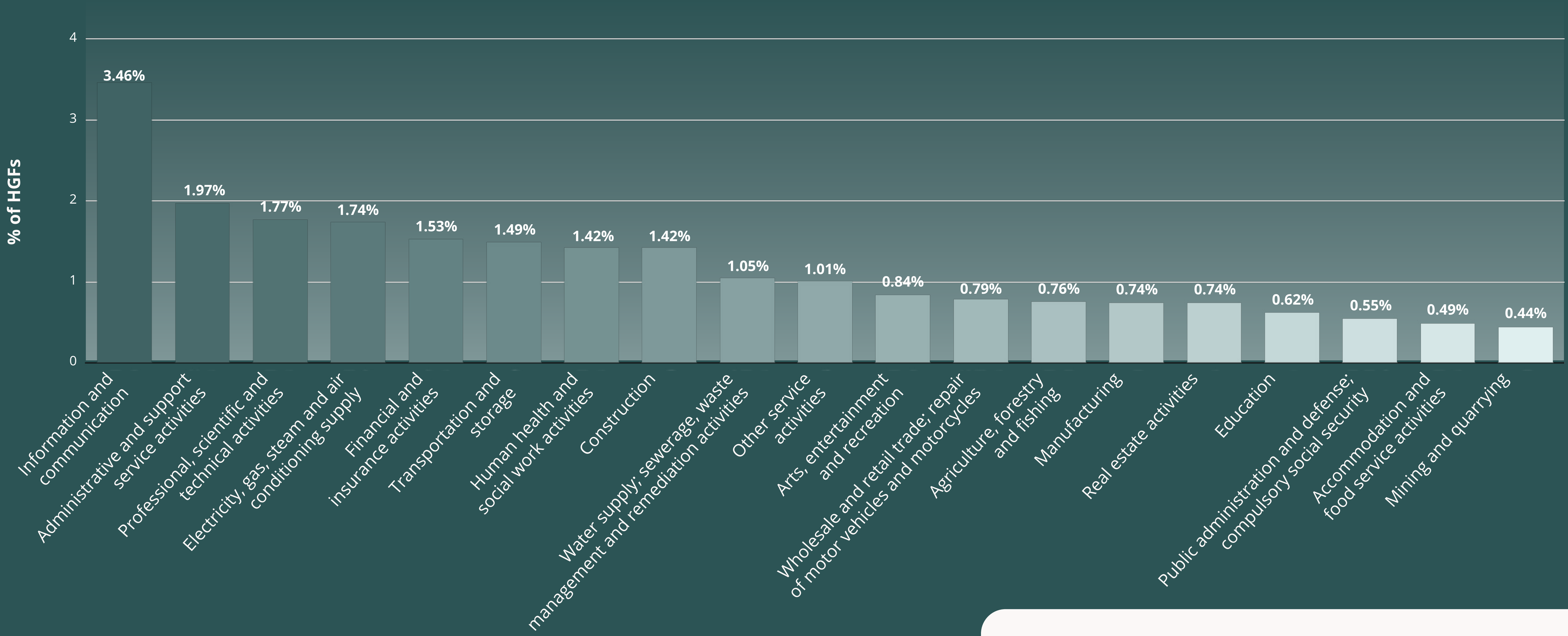
The answer here demonstrates the possible power in a hub and spoke design for "working from anywhere," you can either use your dedicated physical space (think of Xebia) or culturally iconic (albeit temporary) physical space (think of café or a WeWork spot) as places for bringing and anchoring your new employees together. That said, scaleups may not need to mimic large organisations by having intricate and detailed on-boarding programs. For example, Spencer Harrison and I found that new employees develop deep cultural acuity when they work on a project that attempts to bring one of their own new ideas into the organisation. Given scaleups traditionally on-board employees with the hopes of bringing in new ideas, there shouldn't be a lack of material for these "on-boarding" projects.

These are some ways in which scaleup leaders and founder teams can implement a "talent hotspot" strategy in growing ecosystems with blurred boundaries. Overall, it relies on an intricate balance between growing within a "hotspot" and engaging talent with a "work from anywhere" culture.

by Prof. dr. David M. Sluss
I "Leading a Scale-Up" Chaired Professor
I ESSEC Business School

High-Growth in Focus:

HGFs dominate service-based industries



Similarly to findings from OECD (2021) that Scalers represent a higher share of "low-tech" service sectors rather than technology-intensive manufacturing sectors, high- and hypergrowth are more common in knowledge-intensive services, such as information and communication and administrative and support service activities. Besides relatively more Scaleups interested in the energy sector (Electricity, gas, steam and air conditioning supply), there are no major differences between the industries in which Scaleups and Superstars operate in Europe.

Although service-based industries dominate the landscape when looking at the relative numbers of HGFs (as a share of overall firms per industry), Manufacturing, Wholesale and retail trade, and Constuction have more numbers of HGFs in absolute terms. Read nCore's case on the following page to find out how to stay resilient in a competitive industry (Information and communication) with relatively more HGFs than the rest.

Decoding Resilience in Scaleups:

Insights and Lessons Learned from the nCore - Case

The recently launched research project Startup & Scaleup Flight at Luiss Business School tries to understand what makes scaleups stay in Italy or make them leave the country in the scaling phase. While partially related to larger scale funding opportunities, other framework conditions are investigated in this project in order to derive strong policy implications. Here are some key takeaways from nCore Case:

1. nCore: the company

nCore HR is an Italian high-tech scaleup that runs nCore, an all-in-one international digital platform for recruiting. nCore was founded in 2017 by Enrico Ariotti and Aldo Toja, who have more than 20 years of experience in information technology and have previously launched other startup ventures leveraging digital technologies. The nCore software combines Artificial Intelligence (AI), Machine Learning and Data Intelligence to manage in one single system the entire selection process and experience for both recruiters and candidates.

The platform has already been adopted by more than 10,000 recruiters and as of 2019, it has analysed more than 15 million candidates, collected an average of 25,000 applications every day, and conducted 1 million interviews in 12 languages, facilitating the recruiting process through multi-posting, forms, questionnaires, pre-recorded video interviews, and live interviews.

2. Key scaleup ingredients and challenges:

The success of nCore revolves around 5 key relevant factors:

- **The Mindset:** The founders see themselves as "serial entrepreneurs". This means to create a series of valuable startups and leads to rapid development steps and high-growth ambitions. Moreover, learning-by-doing and learning from others is key for these founders.

- **The role of the Accelerator and Business Angels as "Ghost Founders":** Their role in nCore's growth process was to guide the upscaling process, transferring managerial know-how, mentoring in the go-to-market phase, opening up the network, and strengthening market trust by transferring its reputation and easing the scaling up process with acquisition of fresh capitals from investors and new customers, and intervening in setting the startup's market value. Growing talent: Working towards the continuous growth of people is seen by the founders as a complex issue because of the many activities to be managed in the upscaling process. Motivation requires setting up both training opportunities and backing them on a path of internal growth, so that they can become a "hard core of skills" within the company.

- **Growing talent:** Working towards the continuous growth of people is seen by the founders as a complex issue because of the many activities to be managed in the upscaling process. Motivation requires setting up both training opportunities and backing them on a path of internal growth, so that they can become a "hard core of skills" within the company.

- **"Obsession" with role structuring and process management:** This pertains to the shift from a management system revolving around the founder figure to the progressive delegation of functions. The organisational model must be designed to be scalable from the beginning, to be able to expand dynamically as the startup grows. One solution brought by nCore is the adaptation of processes to the main European standards, by obtaining the ISO certifications.

- **Internationalisation:** Opening up to foreign markets in order to grow further. With regards to internationalisation, according to the founders, the challenge lies in structuring organisational models that can support their operations in foreign markets by setting an appropriate strategy, by and planning resources and activities.

3. The advantages of scaling from the home country

For nCore, the main reasons for staying in the home country were:

- **The network.** Staying in Italy made it possible to establish a venture with the accelerator and to gain the trust of the business angels, thereby accessing a network that fuelled their growth.

- **The Skills.** The home country is a key skills node with all the resources and talents (in the technology field) needed to manage growth.

- **Market Complexity.** In this respect, Italy is seen as an optimal home base for expanding operations throughout Europe because it allowed the scaleup to be much more resilient to external forces, and thus be able to tackle international markets with greater strength. According to the founders: "if you make it in Italy, you make it anywhere."

4. The role of institutions

nCore teaches us that institutions can support the scaling process by:

- **Generating awareness about the entrepreneurial ecosystem in Italy,** and the social and economic impact startups and scaleups have.

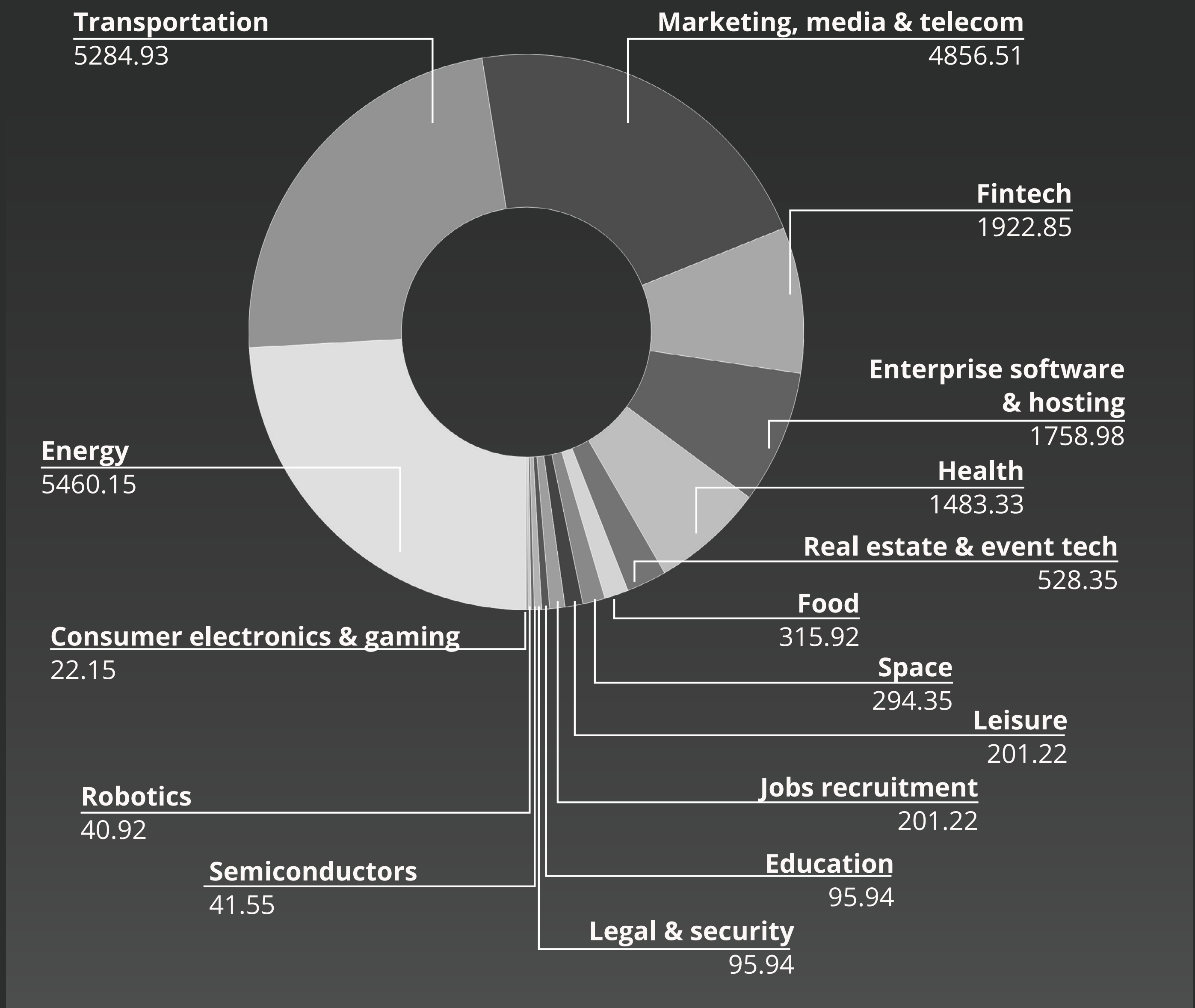
- **Incentivising and supporting the creation of startups and scaleups** by working on encouraging an entrepreneurial mindset, building training systems that work on entrepreneurship.

- **Supporting ideas, thus fostering the creation of professional support systems** for entrepreneurs at all growth stages, so that they are able to realise their full growth potential. Support measures that target soft skills, entrepreneurial know-how and network are key in this regard.

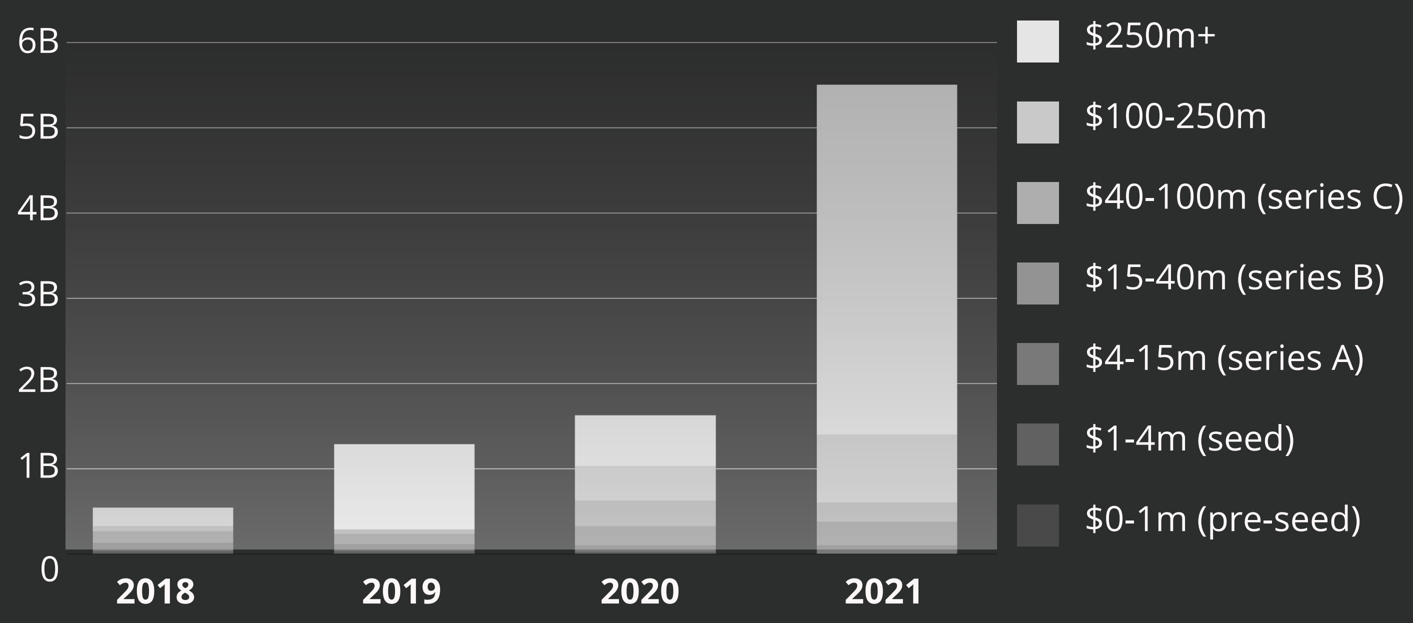
by Prof. dr. Christian Lechner
Professor of Entrepreneurship
I Luiss Business School

Hypergrowth Investment insights: Growth as a Catalyst for Funding

Verticals for Hypergrowth Funding
Total funding (EUR M)



Funding rounds in a hypergrowth period



Approximately 10.29% of hypergrowers are backed by external funding. In a period of hypergrowth (2018-2021), these companies who are funded seem to also experience a surge of funds in their 3rd year of hypergrowth with majority of funding representing late-stage investment rounds. Glovo's story on the next page serves as an example of how a relentless pursuit of hypergrowth can fuel the path towards late-stage funding rounds.

There is still room for improvement in the hypergrowth landscape, with:

- **1 out of 5 hypergrowth** funding rounds are for female-founded companies*
- **1 out of 4 hypergrowth** funding rounds are dedicated to tackling a Sustainability Development Goal (SDG)
- Investors seem to share the same interest as Scaleups in the energy sector. Based on insights from this sub-sample of funded hypergrowers, the energy sector is the most funded vertical, followed by transportation and marketing, media & telecom.

Top 5 SDGs tackled:

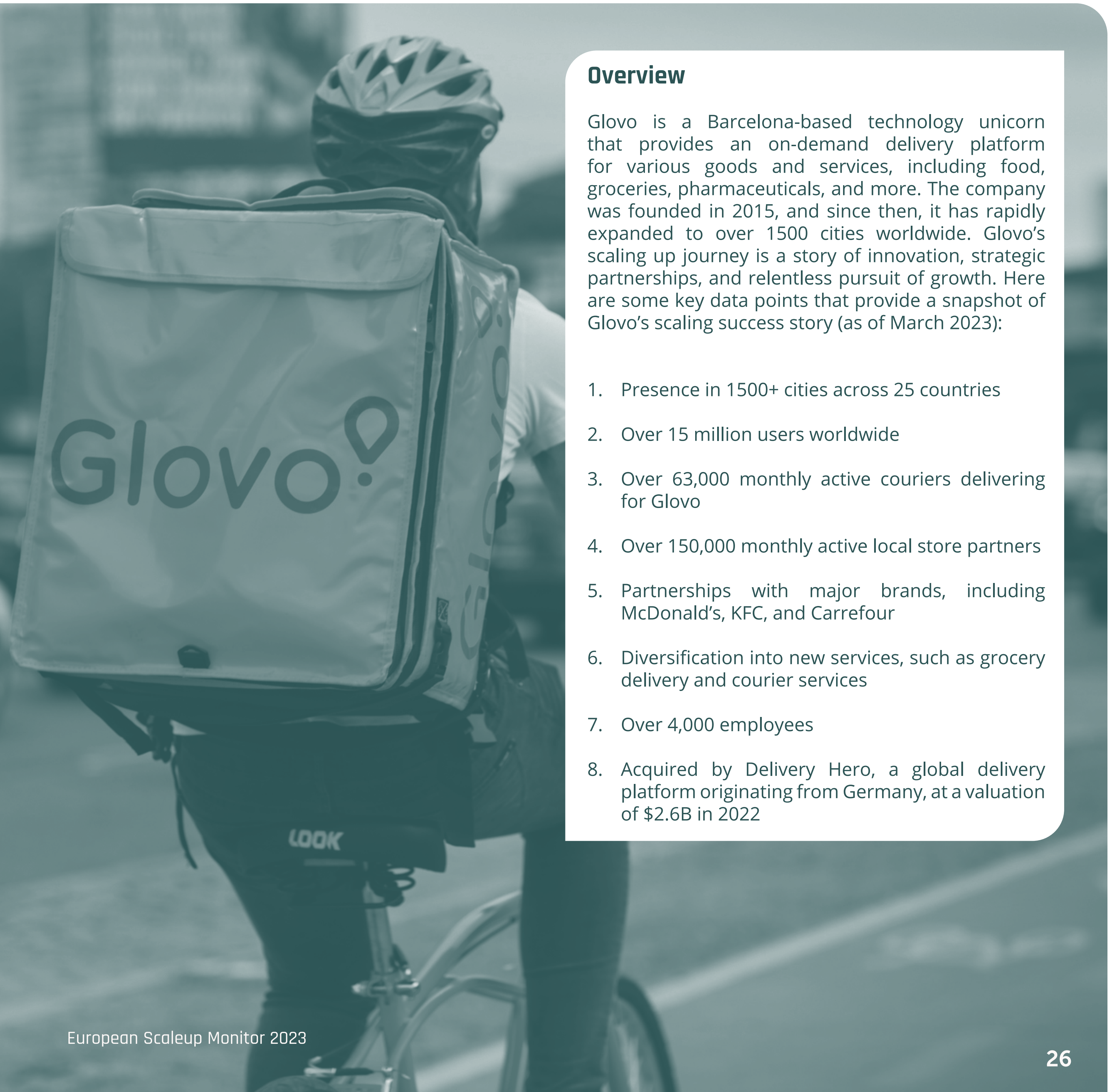
- Affordable and clean energy (#7)
- Sustainable cities and communities (#11)
- Industry innovation and infrastructure (#9)
- Good health and well-being (#3)
- Climate action (#13)

*companies with at least 1 female founder

[Source: Dealroom]

Glovo's Scaling Up Journey:

a story of innovation, strategic partnerships, and relentless pursuit of growth



Overview

Glovo is a Barcelona-based technology unicorn that provides an on-demand delivery platform for various goods and services, including food, groceries, pharmaceuticals, and more. The company was founded in 2015, and since then, it has rapidly expanded to over 1500 cities worldwide. Glovo's scaling up journey is a story of innovation, strategic partnerships, and relentless pursuit of growth. Here are some key data points that provide a snapshot of Glovo's scaling success story (as of March 2023):

1. Presence in 1500+ cities across 25 countries
2. Over 15 million users worldwide
3. Over 63,000 monthly active couriers delivering for Glovo
4. Over 150,000 monthly active local store partners
5. Partnerships with major brands, including McDonald's, KFC, and Carrefour
6. Diversification into new services, such as grocery delivery and courier services
7. Over 4,000 employees
8. Acquired by Delivery Hero, a global delivery platform originating from Germany, at a valuation of $2.6B in 2022

Digital Platform Innovation

Glovo's platform is built on a highly scalable technology stack that allows it to offer on-demand delivery services across multiple categories. The company has invested heavily in its technology infrastructure, including its mobile app, order management system, and logistics network. This has enabled Glovo to provide a seamless delivery experience for its users, making it the preferred choice in the markets it operates.

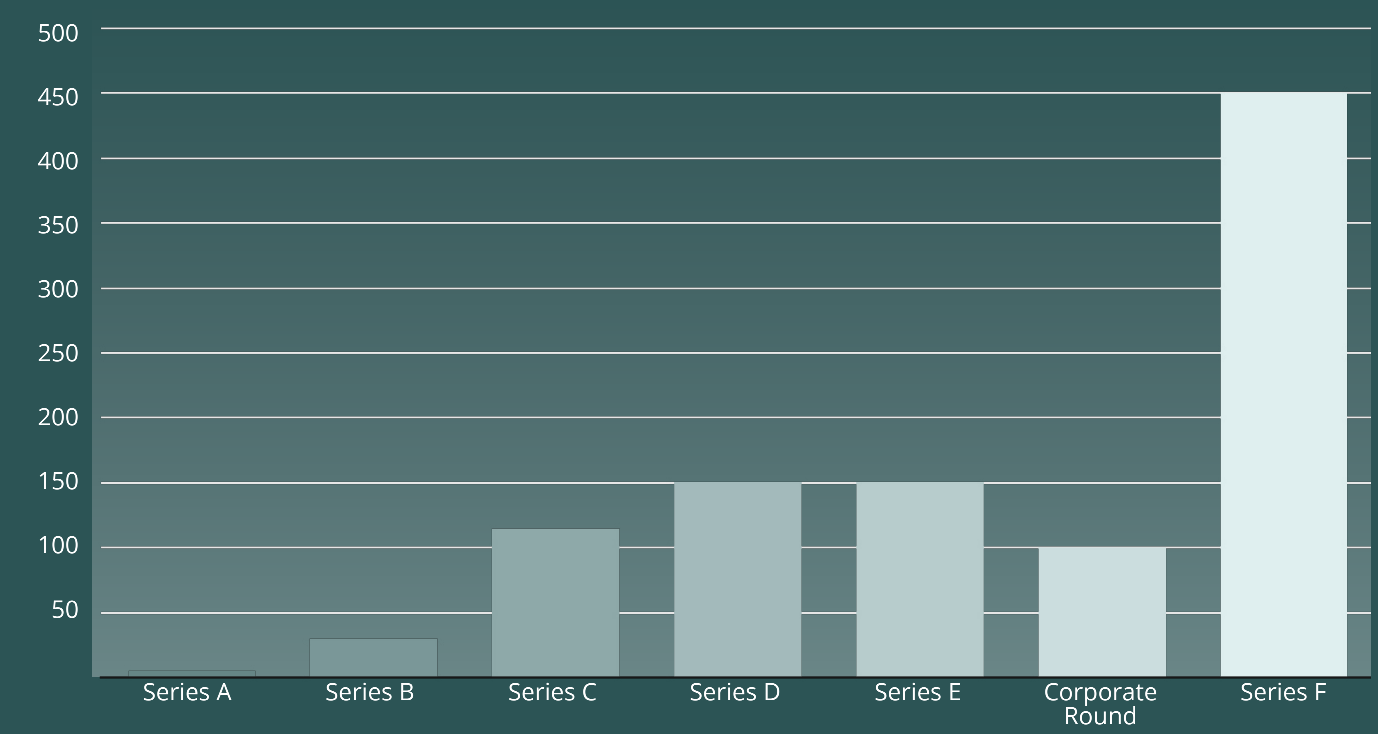
Local Network Effects and Strategic Partnerships: Glovo has formed strategic partnerships with major brands and retailers across the globe, including McDonald's, KFC, and Carrefour. These partnerships have enabled Glovo to rapidly reach a wide customer base. Moreover, Glovo has partnered with a wide variety of local restaurants and merchants, enabling them to reach a broader audience and grow their businesses via local network effects.

Relentless Pursuit of Growth (Blitzscaling): Glovo has pursued growth aggressively since its inception. Glovo's blitzscaling expansion strategy has been to launch in new markets and cities quickly, build a strong local presence, and then expand into adjacent markets. The company has also rapidly launched new services, such as grocery delivery and courier services, to diversify its revenue streams and offer more value to its customers by becoming a one-stop-shop SuperApp for delivery services.

Summary: Glovo's scaling journey is a testament to the power of digital platform innovation, strategic online-to-offline (O2O) partnerships, local network effects, and blitzscaling. The company has built a highly scalable technology platform, formed strategic partnerships with major brands and retailers as well as more than 150K local stores, thereby rapidly expanding its delivery service into 1500+ cities across 25 countries.

by Prof. dr. Dimo Ringov
Director of ScaleUp & Growth Strategy Center
I ESADE Business School

Capital Investments raised by Glovo from August 2016 - March 2021
by funding round (in millions of euros)



Beyond Scaling:

Towards an Integrated Scaleup Agenda for Europe

Leonardo Fuligni

Executive Director of the European Scaleup Institute

This first edition of the European Scaleup Monitor provides our readers with interesting insights in the landscape of high-growth firms in Europe. This research initiative emerged from our new-born European Scaleup Institute, a platform of leading academic experts and practitioners on a mission to make Europe a prominent scaleup ecosystem. Together, we want to address what is often referred to as "the scaleup gap", in which less SMEs are said to be able to achieve high growth in Europe when compared to similarly crowded entrepreneurial ecosystems in the rest of the world.

Convinced that making real change starts with knowledge and understanding, our European Scaleup Monitor represents the first joint effort to analyse the landscape for growth in Europe as such. In particular, we look at the Old Continent as an ecosystem without borders and with, despite some notable regional differences, an integrated complex web of (inter) actions affecting the climate for high-growth entrepreneurship.

The nature of this research is however not the only factor that makes it innovative by definition. In fact, the European Scaleup Monitor 2023 is addressed to a wide range of readers, from academics to practitioners, such as policy-makers, ecosystem developers and entrepreneurs as well. The report offers them a comprehensive understanding of the European landscape for high growth and directly invites them to make use of this information to facilitate sustainable high growth within their organisation or ecosystem. Here is an overview of the key insights as highlighted in the Monitor:

1. **Scaling is a multifaceted phenomenon.** Scaling up is often portrayed as a linear process, but looking closer one will realise there exist different types of scaling organisations, e.g. ranging from size, age, sector and scope, with different types of challenges. While we are indeed confronted with a "scaleup gap", our research shows main differences among the 12% of European organisations that have grown with at least 10% yearly in our period of analysis. Most notably, even in this outstanding group, European scaling companies are struggling to achieve faster growth (20% or even 40%) and sustain it over time.

2. **Adopt a more targeted approach to scaling organisations' needs.** If we are to fill this "scaleup gap", we should address all these different needs accordingly in order to facilitate these firms' path to sustainable growth or even hypergrowth. There is no one size fits all solution, while the plurality of needs and challenges should be carefully addressed by the educator or the policymaker when designing a support programme for HGFs. In particular, on average, European smaller and older scaling organisations seem to grow slower than their larger and younger counterparts, and should receive more targeted support to overcome their challenges.

3. **There is much we can learn from European scaling organisations.** However limited, the number of successfully scaling European companies offer plenty of micro insights into how to achieve and sustain a high-growth trajectory. Thanks to our expert insights, we have learnt deeply about a bunch of Superstars and their strategies to build a winning team (De Lift, pg. 12-13), create a sustainable corporate culture (Alaiko, pg. 10-11), implement an innovative go-to-market and investment plan (Glovo, pg. 26-27) and work on a resilient organisation (nCore, pg. 22-23). This knowledge about their successes as well as failures should be better shared among academic experts and practitioners in Europe and integrated in their programmes. In this way, we will be able to better support scaling entrepreneurial teams, allowing them to take better informed decisions, innovate faster and more effectively, and ultimately achieve sustainable high growth.

Methodology

The main results in this report are based on Bureau van Dijk's Orbis database* of EU27 companies with at least 10 employees in 2018. This excludes subsidiaries ownership structures: global ultimate owners (GUO), domestic ultimate owners (DUO), directly or totally owned by a company of the selected group with min 50.01% ownership and branches. This amounts to an overall sample of 1,131,038 companies.

The observation period of the analyses is over the years 2018-2021 and the growth indicator is based on the number employees in a company. Following OECD's definitions, Scalers are companies with average annualised growth greater than 10% per annum, over this three-year period, with ten or more employees at the beginning of the observation period. High-Growth Firms (HGFs) are defined as companies with average annualised growth greater than 20% per annum, over this three-year period, with ten or more employees at the beginning of the observation period.

With persistent high growth as a main theme driving the analyses, additional criteria are added to the sample selection process. Consistent HGFs are defined as companies with average annualised growth greater than 20% per annum, over this three-year period, and have grown 20% or more for at least two out of three years, with ten or more employees at the beginning of the observation period. Consistent Hypergrowers are defined as companies with average annualised growth greater than 40% per annum, over this three-year period, and have grown 40% or more for at least two out of three years, with ten or more employees at the beginning of the observation period.

High-growth hotspots represent all countries with more than 5 consistent HGFs and the top 10 cities with more than 50 consistent HGFs – the latter is ranked by the percentage of HGFs of all companies in the city.

*An exception to Orbis being the main source of data is the results presented in "Snapshot of hypergrowth funding insights" [pg. 24-25], which represent insights from 546 funding rounds based on a sub-sample of hypergrowth companies (with average annualised growth greater than 40% per annum in both employees or revenue from 2018-2021) with funding data recorded in Dealroom. A synthesis of Crunchbase and Dealroom data helped inform the proportion of hypergrowers that are funded.

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About the European Scaleup Institute

The European Scaleup Institute is a platform of academic experts and practitioners in Europe for scaleups, high-growth firms, governmental organisations and policymakers to address the scaleup gap.

Our mission is to enable Europe to become a leading global scaleup ecosystem. We aim to do this through joint research and educational initiatives across borders, sharing best practices and building a strong knowledge community around scaling up.

Together with partners across the European scaleup ecosystem, our objectives are to:

- Inspire a wide audience of (European) scaleups, with research insights, programmes and tools;
- Align and standardise data and knowledge, by sharing and validating insight across borders;
- Create and share best practices at company and ecosystem level;
- Set up joint research initiatives involving world-class European universities, business schools and professionals;
- Foster faculty exchange programmes and share best practices for scaleup programmes and entrepreneurship education.

Find out more on https://scaleupinstitute.eu/

Get in touch with us via info@scaleupinstitute.eu if you're interested in joining us on our mission to bridge the scaleup gap!

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