Danish Growth Houses
Report for the OECD

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Introduction

Like so many other European countries, Denmark faces the challenge of reversing the decline in economic growth. Whilst, on the one hand, wages have increased at a higher pace than in similar OECD-countries during the past ten years, on the other, Danish growth in productivity is among the weakest within OECD-countries (Danish Business Authority 2011a: 7). Indeed, a Danish benchmarking report on entrepreneurship and start-ups warns that jobs will be lost unless Danish enterprises increase their level of competitiveness (Danish Business Authority 2011a: 7).

Such warnings emphasize that it is necessary to promote growth in start-ups as well as established enterprises as a solution to the pressing challenges. Research shows that where start-ups in general create four new jobs over a three-year period, growth start-ups create 15 new jobs during the same period of time (Danish Business Authority 2011a). It has been documented that although Denmark is among the best performing countries in the world in terms of creating start-ups, Denmark performs less well in terms of high-growth start-ups and can be found in the median range in international comparisons of high-growth start-ups; reflecting negatively on job and wealth creation (Danish Enterprise and Construction Authority 2010).

Additionally, in the long term few growth enterprises develop to become larger corporations in a Danish context. In comparison with the United States, for instance, where 20% of growth enterprises, with 250-499 employees, are ten years or younger, this is only the case for two percent of enterprises in Denmark. Hence, even growth enterprises sustain growth at a significantly slower pace in Denmark (Danish Business Authority 2011a). The challenge for Denmark is thus twofold: (i) to increase the number of growth enterprises, whilst also (ii) sustaining and increasing growth within established enterprises.

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1 The name of the 'Danish Enterprise and Construction Authority' was altered to the 'Danish Business Authority' with the change of government in 2011
Acknowledging the criticality of these challenges for stimulating the Danish economy, in 2007 five Growth Houses (GHs) were established. The aim was and is to sustain and support the growth potential of start-ups and growth businesses in general.

In the following, this report evaluates the performance of the Danish GHs, their work on an operational and strategic level, and integration into a wider support system as well as making recommendations concerning potential improvement. It is based on the following sources of primary and secondary material: (i) interviews with all GH managers (ii) policy reports, (iii) existing evaluations, and (iv) available statistics.

**Legal Context**

In the autumn of 2005, the concept of GHs as a mechanism for promoting entrepreneurship was developed. In June 2006, the five Growth Houses, one per region, were officially launched, and in January 2007 they were formally opened. The implementation of the GHs was part of a larger Danish reform and centralization process in the Danish structure of governance where prior civic territorial divides and their respective political institutions were reorganized into five major regions. Thus, in 2007, the GHs replaced 15 local business service centres and further defined a specific focus on growth businesses (Danish Enterprise and Construction Authority 2009: 1). The GHs are organized as independent, commercial, non-profit foundations by local municipalities, referring to the *Law on Business Development* on judicial matters, and governed by the *Danish Business Authority*. To ensure the successful collaboration between the regional GHs and local municipalities, the responsibility for the GHs was transferred from national to municipal level in 2011. Concurrently, the financing of the GHs was also moved to the local municipalities in cooperation with the Danish Business Authority. Quintessentially, local municipalities finance the GHs through national block grants.
Table 1 shows the annual budget of the GHs from 2007-2013. The financial resources are divided among the five regions based on the number of inhabitants in each region. Up until 2011, a bonus system rewarded the regions' degree of achievement in relation to the stated objectives in the *Agreement between Local Government Denmark and the Ministry of Economy and Business Affairs*; commonly referred to as the *Contract on Results* (in the following referred to as CR). However, as of 2011, when the municipalities became the financiers of the GHs, this bonus system was discontinued and compensated through the grants.

**Table 1. Basic Annual Budget of the all five Growth Houses provided through national block grants, 2007-2013 in million USD**

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total budget for GHs</td>
<td>15.6</td>
<td>15.5</td>
<td>15.98</td>
<td>16.08</td>
<td>16.3</td>
<td>16.74</td>
<td>16.98</td>
</tr>
</tbody>
</table>

The budgets, as illustrated in Table 1, only serve as the basic means of funding for the GHs. In addition to national block grants, each GH operates funding for regional, national and/or European projects and programmes which are established to tackle specific regional growth problems. The size of the total budget of each GH thus varies significantly across regions and is higher in Central and Northern Jutland due to funding from the European Union designated to partially compensate for enterprises’ expenditures to private intermediaries. For instance, the basic budget of Central Jutland in 2012 is USD 4,53 mill. while they operate a total budget of USD 18,79 mill. In comparison, Southern Jutland in receives an annual budget of USD 3,46 mill. through national block grants and operates a total budget of approximately USD 13,86 mill. in the same year.

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2 Note: Exchange rate: 1 USD = 5,7697 Danish Kroner; as of October 2012. This exchange rate was applied throughout the report.

3 Unfortunately, detailed figures for all the regions have not been available.
Rationale

The GH initiative was launched subsequent to the Globalization Strategy introduced in April 2006 (The Government 2006), that by 2015\(^4\) Denmark should (i) be a leading knowledge society; (ii) offer world class education; (iii) be the most competitive society in the world and (iv) be a leading entrepreneurial society and one of the societies in the world where most growth enterprises are launched. The later goal was also adopted as the vision of the GH programme. Its mission was defined as the creation of growth in new and small and medium-sized enterprises (SMEs). In effect, the expected impact of growth enterprises includes increases in: job creation, innovation, productivity, wealth and the general welfare in Denmark (Danish Business Authority 2011a).

The public infrastructure of the service to growth entrepreneurs were in essence initiated to balance public and private offerings to generate the optimal conditions possible for Danish businesses (Danish Business Authority 2011a: 112). The GH initiative was created to address the potential negative consequences of a market failure of insufficient supply and demand in the consulting market because research indicated that start-ups and SMEs hesitate to request and acquire external specialist advice to initiate growth (Wren and Storey 2002; Danish Business Authority 2011a: 103).

To achieve an increase in jobs, growth and social inclusion, the GH is, as illustrated in Figure 1 designed like a house with three floors as part of a larger service support system to promote businesses in Denmark. The ground floor of the house; i.e. the CR of 2011, builds the foundation of how ‘the GHs will impartially and without compensation assist enterprises in mapping their growth potential, make a growth plan and refer enterprises to public or private business service that can contribute to realize their growth potential’ (Danish Ministry of Economics and Business Affairs 2011a: 1).

\(^4\) In the CR for 2010 the year of 2015 was altered to the year of 2020.
The first floor of the house demonstrates the GHs as ‘the main hub in an integrated system of services where the GHs generate collaboration between actors and are the ‘drivers’ of further developing the initiatives in a direction that sustains a growth culture as well as growth on the part of the enterprises’ (Danish Ministry of Economic and Business Affairs 2011a: 1-2). In collaboration with the local business service centres, the GHs are established to offer an integrated, streamlined and transparent business service system with a specific focus on enabling and supporting growth start-ups and businesses with high-growth potential. Collaborating partners include education and research institutions, ministries, service centres and technological service institutes among others; actors whom the GHs aim to engage to create a balance between public and private offerings (Danish Business Authority 2011). The purpose of the GHs is, in this respect, to guide companies in the right direction and thereby decrease information asymmetries and search costs, while reducing...
the potential market failure of insufficient supply and demand in the consulting market (Wren and Storey 2002; Danish Business Authority 2011).

The top floor of the GH indicates that the GHs can be operators on various regional projects that create growth possibilities for businesses, for instance, projects financed by municipalities, regions, the state or EU (Danish Ministry of Economics and Business Affairs 2011a: 2).

The homepage Startvækst.dk (i.e. start-growth) is the central online hub aimed at entrepreneurs and growth businesses. Apart from linking to the GHs, startvækst.dk offers a vast variety of services on everything from online business and webshops, business forms, contracts, financial strategies and how to employ the first employee, among others. At startvækst.dk links are available to ‘vækstguiden’ (The Growth Guide) and Rådgiverbørsen (The Consultant Exchange). Vækstguiden alone offers 224 public service opportunities on financing and consulting. Figure 2 shows the GH as the central ‘hub’ to a wide range of initiatives in the Danish infrastructure of support to businesses. The GH is portrayed as the ‘front door’ into an elaborate business support system.

**Figure 2. The Growth House as a Central Hub** (based on notes from the Danish Business Authority)
Objectives

The GHs have both national and regional objectives. The *Danish Ministry of Economics and Business Affairs* and the *Local Government Denmark* designed nine objectives to be applied to all regions and used in a cross-regional evaluation (see table 2). Apart from these, the CR states a variety of goals to help strengthen the work of the GHs. These include (i) the united identity of the GHs, (ii) constantly developing the GHs, making them more efficient as well as enabling sharing knowledge on regional activities continuously, (iii) the increase of an effective and coherent service system with local service providers, (iv) the creation of an overview and transparency in the service system as well as (v) the focus on the development of competencies among different actors involved at both regional and local level (Danish Ministry of Economics and Business Affairs 2011a).

**Table 2. The objectives of the GHs for 2012** (Danish Ministry of Economics and Business Affairs 2011a)

<table>
<thead>
<tr>
<th>#</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A minimum of 2,650 high-growth enterprises is selected each year through business diagnosis and these are provided a growth plan and further undertake a user-evaluation.</td>
</tr>
<tr>
<td>2</td>
<td>At least 80% of the selected enterprises are referred to intermediaries.</td>
</tr>
<tr>
<td>3</td>
<td>At least 70% of the selected enterprises will recommend GHs to others.</td>
</tr>
<tr>
<td>4</td>
<td>At least 80% of the intermediaries are satisfied with the particular GH.</td>
</tr>
<tr>
<td>5</td>
<td>At least 80% of local collaborators are satisfied with the GHs.</td>
</tr>
<tr>
<td>6</td>
<td>At least 70% of the selected enterprises will refer intermediary to others.</td>
</tr>
<tr>
<td>7</td>
<td>High-growth enterprises will increase employment by at least 10% in comparison to similar enterprises in the control group from 2011 to 2012.</td>
</tr>
<tr>
<td>8</td>
<td>High-growth enterprises will increase turnover by at least 15% in comparison to similar enterprises in the control group from 2011 to 2012.</td>
</tr>
<tr>
<td>9</td>
<td>High-growth enterprises will increase export by at least 10% in comparison to similar enterprises in the control group from 2011 to 2012.</td>
</tr>
</tbody>
</table>

The objectives are clear, specific, and measurable. The first two goals account for the number of client enterprises and the share of customers referred to private consultants and
public operators evaluating the basic set-up of the GHs. The majority of the objectives focus on the satisfaction of intermediaries and client enterprises (objectives 3 to 6). This is worth noting as the chosen satisfaction measures fail to capture whether the advice influences client performance. The target numbers correspond to the satisfaction level that all programmes of business advice throughout the developed world report, which is around 75% (OECD 2007). One third of the presented goals analyse the performance of client enterprises (objectives 7 to 9). It needs to be emphasized that due to the widespread use of intermediaries the GHs have only an indirect influence on these outcomes. The use of a control group for these three objectives, however, indicates that the measure is reliable.

**Geographical scope**

The five regional GHs have a nationwide outreach. The number of inhabitants in each region determines the expected quantity of performed business diagnosis’ similar to the way that block grants are divided among regions based on population counts. With the exception of the GH in the region Zealand, located in Vordingborg, the GH offices are located within the four largest cities of Denmark; Copenhagen, Aarhus, Odense and Aalborg (see Figure 3). The GH manager of Northern Jutland reports concern that locating the GHs in major cities may distort an equal availability and access to services as enterprises nearer the larger cities are assessed to be more liable to seek the services of GHs than enterprises further away. On a national level, he warns that this may potentially skew enterprises’ access to services, especially for enterprises located in the west coast areas of Jutland and the islands.

Of the five GHs, only Northern Jutland targets growth enterprises in lagging regions. This is, however, a new initiative of 2012, hence, there is presently no evaluation of the success rate of this activity.
Figure 3. The location of each Growth House (Væksthus) in Denmark (based on notes from the Danish Business Authority)

Note: The five colours indicate the five different regions. Starting on the right, going clockwise is the Capital Region, Region Zealand, Southern Denmark, Central Jutland and Northern Jutland.

Beneficiary (client) enterprises

Target enterprises

The GH programme targets 'new and small businesses with growth ambitions and growth potential' (Ministry of Economic and Business Affairs 2011a: 2), independent of age, sector, business ownership, and market orientation etc. A ‘growth start-up’ has in a Danish context been defined as 'a business that is maximum five years old and through the first two years employs minimum five employees. In the following three years its average increase in growth and employment will be minimum 20 percent' (Danish Business Authority 2011a). This definition differs from the OECD definition of Gazelles that is used in international comparisons and is a term for enterprises that within the first two years employ at least ten
employees (Danish Business Authority 2011a). Thus, growth start-ups and Gazelles are not the same.

The age of client enterprises vary significantly across regions. Recent statistics show that the Capital Region has the youngest client enterprises with almost 60% being a maximum of five years old or younger and almost 20% being from 2011. In comparison almost 70% of enterprises in Southern Denmark were founded prior to 2007, hence, only around 30% are five years old or younger and the GH manager informs that the average age is about 17 years (Danish Business Authority 2012a). GH managers report that prior to the crisis enterprises tended to be younger. The manager of Southern Denmark explains that she perceives this is in part due to the need for many enterprises ‘to reinvent themselves’ during the crisis that they have to e.g. look to new markets; in other words, several enterprises have returned to forge a different strategy for growth.

Companies from all industries are supported by the GHs. Across all GHs almost 30% of the client enterprises supported in the first two quarters of 2012 were in industry, raw material extraction, and utility services; 20% in trade and transport; 20% in business services; 12% in information and communication, 5% in building and civil engineering works; 2% in culture; 2 % in public administration, education and health; and 1% in real estate and rentals. There are some variations across the regions, e.g. the Capital Region has the largest percentage of enterprises within the business of information and communication, whereas Southern Denmark has the highest activity within business services and transport (Danish Business Authority 2012a: 10).

Table 3 shows the average turnover in USD and average employment of enterprises supported by the GHs in the first two quarters of 2012. With regard to employment, these figures are at present only available for 82% of the firms. The figures show that many of those enterprises approaching the GHs and receive support are micro-enterprises both in terms of turnover and employment.
### Table 3. Turnover and Employment at GH Entry (based on figures from the Danish Business Authority)

<table>
<thead>
<tr>
<th>Turnover In USD</th>
<th>&lt;90,000</th>
<th>91,000-173,000</th>
<th>174,000-860,000</th>
<th>870,000-1,720,000</th>
<th>1,730,000-3,450,000</th>
<th>&gt;3,460,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of firms</td>
<td>45%</td>
<td>10%</td>
<td>27%</td>
<td>10%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>1-9</td>
<td>10-19</td>
<td>20-49</td>
<td>50-99</td>
<td>&gt;100</td>
<td></td>
</tr>
<tr>
<td>Percentage of firms</td>
<td>50%</td>
<td>15%</td>
<td>13%</td>
<td>3%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

### Enterprise selection

The high growth enterprise selection process is based on the assessed potential to increase job creation, turnover, export and finally enterprises' high growth ambition. More specifically, programme advisors assess whether the individual enterprise, over a period of one year, will be able to increase employment with at least 10%, its turnover at least 15% and its export with at least 10% in comparison to control groups of similar characteristics (Ministry of Economic and Business Affairs 2011). Whenever possible, this is achieved through an evaluation of the enterprise's past metrics of business performance in addition to the programme advisors' professional assessment. Frequently, as with start-ups and younger enterprises, there are no past metrics of performance on which to base estimations, hence the selections of these enterprises are based on the programme advisors' professional experience.

Subsequently to the first screening, client enterprises meet with a programme advisor. If special service needs are detected during the screening process, the enterprises are, when possible, matched with a programme advisor that holds expertise within the particular field in question.
Range of services

Business diagnosis

Enterprises with high growth potential are subjected to a business diagnosis based on which a tailored growth plan is developed and signposting to intermediaries are performed. To aid the business diagnosis, the Growth Wheel is used see Figure 4 (www.vaeksthjulet.dk). The Growth Wheel was designed to identify and visually clarify both growth potentials as well as barriers to growth while aiming to set an agenda and timetable for actions. The main idea of the Growth Wheel is ‘to do’ rather than ‘plan to do’ specific activities to achieve growth. In this way, it counters the mainstream consolidation of the appraised usefulness of a formal business plan. The Growth Wheel focuses on four different areas estimated to represent the major challenges to growth namely the business concept, the organization, customer relations and operations.

Figure 4. The Growth Wheel (www.vaeksthjulet.dk)
According to GH managers, the Growth Wheel is used regularly to assist programme advisors in performing the initial business diagnosis and to further develop a growth plan, which is considered critical for an enterprise's success. Programme advisors' frequently find that the owner's perception of an enterprise’s greatest challenges and opportunities does not correspond with the advisor’s assessment. The Growth Wheel helps illustrate this misconception. The advisors are therefore well content with using the Growth Wheel to help owners define new strategies for growth.

Other commonly used tools and processes include e.g. Transformation Maps, the Business Model Canvas, and SWOT Analysis, GH managers emphasize that the choice of tools is based on the individual programme advisor’s personal and professional experience.

**Support services**

The GHs are the hubs and operators of services as illustrated in Figure 1. Programme advisors refer enterprises to what is assessed the most appropriate business service based on the business diagnosis and the growth plan. In this process, programme advisors do not offer advice to generate a particular type of innovation such as technological innovation. Instead, enterprises are guided towards the service, which will help achieve the necessary growth.

Up to 20% of the client enterprises can be referred to in-house programmes. Some of these programmes are funded and implemented within the region – e.g. Southern Denmark offers a programme targeting cleantech companies as there is a big cluster of cleantech companies in this part of Denmark and they all face common challenges. Additionally, all GHs collaborate on some projects. These projects are initiated when all GHs experience certain demands to support growth more comprehensible. One area e.g. within which GH managers report of a diminished focus is in relation to upgrading human resources; whether managerial skills of the entrepreneur or the technical skills of the workforce or staff in general. Therefore, all five GHs commenced recently a joint initiative called Growth via
Leadership (Vækst via Ledelse), which has been launched to place a renewed focus on the link between competent leadership and successful organizations (see www.vvl.dk).

**Delivery arrangements**

The CR requests that at least 80% of high-growth enterprises are referred to public or private intermediaries and that 70% of these 80% are referrals to private intermediaries such as business development service providers, consulting agencies, etc. In 2011, the GHs referred between 83 - 97.7% of client enterprises to intermediaries. 71.6 - 92.2% of these were private (Danish Business Authority 2012b: 1).

At Rådgiverbørsen.dk, an Internet site where private service providers may create a business profile for enterprises to choose from, enterprises can choose among 2,537 private service providers. The site also offers the opportunity for enterprises to make tenders for services for which service providers can make a bid. There is no selection process as to who can, and cannot, create a business profile at Rådgiverbørsen and GH advisors cannot point to any specific consult.

In order to grow, enterprises need finance. Indeed, the most commonly requested service, GH managers report, concerns advice on, and access to, finance. Despite bank packages to stimulate the Danish economy in the aftermath of the economic crisis, SMEs still have limited access to loan capital compared to pre-crisis years (Økonomi- og Erhvervsministeriet 2011b). Enterprises can draw on a plethora of initiatives in the public infrastructure for finance; still, the central national actor in the financial market is Vækstfonden. Vækstfonden is a state investment fund that provides venture capital, loans and guaranties in collaboration with private partners and Danish financial institutions to start-ups and SMEs (www.vf.dk). In 2010 Vækstfonden co-invested 260,8 million USD in Danish enterprises, many with international outreach (Vækstfonden 2010). Programme advisers also aim to match enterprises with Business Angels or other investors.
Measurement and evaluation system and proven impact

Measurement & Evaluation system

The policy formulation of the CR is the foundation of the evaluation system of the GHs. The formulation of the contract has been modified and reformulated throughout the years to take account for the learning process involved in initiating regional business support systems. Based on the objectives in the CR, the GHs are evaluated by the Danish Business Authority annually. These evaluations draw on data from Statistics Denmark as well as data from the GHs’ customer relationship management (CRM) system. Programme advisors register all enterprise referrals in the CRM system and provide basic information. Statistics Denmark, combines data from the tax registration with data on number of employees, turnover, and rate of export, etc. With regard to the evaluation on increase in job creation, turnover and export, enterprises are compared to control groups. The control group is drawn as to control for region, size and industry. It includes all “active” enterprises with fewer than 250 employees and sales below a threshold, which varies by sector.

Data on client satisfaction is collected differently. Here the client mail address is sent automatically to an independent private enterprise commissioned to seek clients views on the Growth Houses and on any private consultants to which they were referred. The independent private enterprise uses the Net Promoter Score for measuring client referral willingness.

The evaluation system is unique in that GH managers can consult updated statistics of the performance of their GH on the measures provided by the CR at any time. Yet, a challenge with the CRM system used in evaluations is that enterprises diagnosed in December 2011 will be evaluated on progressive growth in 2012, in other words, at a time where the implementation of the diagnosis is unlikely to have had an effect. Viewed from the
perspective of the GHs that strive for measurable success, this potentially skews the results of the evaluation unfavourably.

Furthermore, every three years, a more inclusive evaluation of the GHs is made. The last was undertaken in 2009, whilst the 2012 version is under way and will be completed by the end of the year. Finally, some regions conduct additional monitoring and evaluation using impartial regional private businesses evaluations of programme outputs.

**Proven impact**

The evaluation of 2011 shows that the GHs perform either satisfactory or near satisfactory in relation to most stated objectives for 2011 as presented in Table 3. Due to changes within the Danish tax registration system of enterprises’ value added tax (VAT), it has not been possible to draw data on enterprises’ increase in turnover and export in the 2011 evaluation from Statistics Denmark. Data on these objectives as presented in Table 4 includes new measures from the first two quarters of 2012; while data on control groups is yet missing for 2012. Furthermore, two of the objectives for 2011 were not transferred to the CR of 2012. Firstly, in 2011, GHs were expected to develop a minimum of three new initiatives in relation to GHs’ unified way of functioning and providing services; initiatives that were intended to increase the effect of the offerings and decrease the costs involved. In relation to this, GHs were expected to perform a nationwide process of competence development for local business service centres. Even though two initiatives were fully developed and a third was only partially developed (Danish Business Authority 2012b). Secondly, it was an objective that a growth culture was to be strengthened through a 10% increase in numbers of press releases and knowledge of the GHs, the latter measured by number of homepage users and enterprises’ knowledge of the GH. This goal was reached (Danish Business Authority 2012b).
<table>
<thead>
<tr>
<th>#</th>
<th>Objective</th>
<th>Goal</th>
<th>Result</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business diagnosis</td>
<td>2,650 enterprises are business diagnosed</td>
<td>2807 business diagnosis; 6% (157) above the goal</td>
<td>Between 79.9 and 82.2% of enterprises were new; i.e. not client enterprises in 2010</td>
</tr>
<tr>
<td>2</td>
<td>Enterprise referrals</td>
<td>80% of enterprises are referred to public or private offerings and that 70% of the 80% are referrals to private service providers</td>
<td>Between 83 and 97.2% of enterprises were referred to public or private offerings. Between 69.8 and 90.2% were referred to private service providers</td>
<td>The measure is on enterprises registered the user evaluation in the CRM system. It is programme advisor that register enterprises in the CRM</td>
</tr>
<tr>
<td>3*</td>
<td>Recommendation of GHs by others</td>
<td>At least 70% of enterprises will recommend the GH to others</td>
<td>The Net Promoter Score on enterprises’ willingness to recommend the GH range from 48.1 to 63.1.</td>
<td>*This is a Net Promoter Score from the first two quarters of the 2012 evaluation</td>
</tr>
<tr>
<td>4</td>
<td>User satisfaction with GHs</td>
<td>At least 80% of enterprises are satisfied or very satisfied with the GH</td>
<td>Between 85.8-92.4% of entrepreneurs or enterprises are satisfied or very satisfied with the service. On average 90.1%</td>
<td>This is a slight decrease from the evaluation of 2010</td>
</tr>
<tr>
<td>5</td>
<td>User satisfaction with intermediaries</td>
<td>At least 80% of enterprises are satisfied or very satisfied with the intermediary they are referred to by the GH</td>
<td>Between 92.2 and 97.8% are satisfied or very satisfied with the intermediaries. On average 95%.</td>
<td>The measure is based on enterprises registered in the user evaluation in 2011</td>
</tr>
<tr>
<td>6</td>
<td>Intermediaries degree of satisfaction with the GHs</td>
<td>At least 80% of collaborating partners or service providers are satisfied or very satisfied with the collaboration</td>
<td>Between 71.4 and 91.9% of collaborating partners or service providers are satisfied or very satisfied with the collaboration. On average 85%.</td>
<td>The measure is based on three separate questionnaires sent, by DBA, to local business centres, collaborating partners and service providers</td>
</tr>
<tr>
<td>7</td>
<td>Impact on employment</td>
<td>Growth in employment is at least 10% higher than in other enterprises in the region</td>
<td>The difference among client enterprises and control groups are between -0.92 and 4.94%; the average difference is 3.31%.</td>
<td>The measure is based on enterprises registered in the user evaluation in 2010</td>
</tr>
<tr>
<td>8</td>
<td>Impact on turnover</td>
<td>Growth in turnover is at least 15% higher than in other enterprises in the region</td>
<td>Growth in turnover of enterprises diagnosed in 2009 is in 2010: 6% and 2010-2011: 8.8% on average.</td>
<td>Evaluation of the first two quarters of 2012</td>
</tr>
<tr>
<td>9</td>
<td>Impact on export</td>
<td>Growth in export is at least 10% higher than in other enterprises in the region</td>
<td>Growth in export of enterprises diagnosed in 2009 is in 2010: 14% and 2010-2011: 4.7% on average.</td>
<td>Evaluation of the first two quarters of 2012</td>
</tr>
</tbody>
</table>

5 The last figure available with control group is from 2010 and shows a difference in growth in turnover by 4% (Danish Enterprise and Construction Authority 2011b).
6 The last figure available with control group is from 2010 and shows a difference in growth in export by 6,8% (Danish Enterprise and Construction Authority 2011b).
Strengths

The design of the GH programme largely follows recent recommendations on how to design high-growth support systems which, as opposed to prior recommendations, point to the inclusion of companies of all ages, industry foci and location, as growth is possible everywhere (Lilischkis 2011). Additionally, the national strategic framework of the GHs appears to be flexible in a way that leaves room for regions to dynamically forge their own specific policies in accordance with their specific regional context. This is rewarded by success as all available measures on the objectives within the CR indicate that (i) the GH enterprises grow faster than control group enterprises, and (ii) client enterprises as well as intermediaries are satisfied with the services provided by the GHs.

Within the last five years, the GHs have established themselves as hubs in a growth ecosystem that are linked to and knowledgeable about numerous private enterprises and public institutions and can therefore guide business owners and start-ups to the support needed. Furthermore, the continuous use of intermediaries strengthens all enterprises and institutions involved permanently and allows for an effective resource allocation. However, it is more than merely logistics and market design: The GHs support a growth culture in Denmark, push ambitions of company owners, and through the creation of action plans, they help enterprises overcome initial barriers to get “out of the building”, thus, fostering an outgoing, network-focused and entrepreneurial business community. In the past, in certain industries such as the furniture industry, there has been a tradition for not collaborating or a tendency to stick to neighbouring export markets (Neergaard 1999). The GH initiative may help alleviate these problems.

The GHs have highly educated programme advisors, generally with several years of experience from private companies either as business owners or employees. This appears valuable with regard to creating the necessary respect when interacting with enterprise owners. The face-to-face interaction between the programme advisor and the enterprise owner is a major asset of the GH setup as explained by GH managers. In this interaction,
‘the moment of truth’ concerns changing the perceptions and mindset of the owners (GH manager, Central Jutland) as a key to an enterprise’s success (GH manager, Region Zealand) and largely dependent on the managers experience. Moreover, the selection of enterprises to be offered the GHs services is largely based on the professional experience of the programme advisors, as start-ups for instance do not have a history, based on which a track record for growth can be estimated. In these situations, the programme advisor’s long standing experience with high growth enterprises is used as a guide in the on-going identification processes of selecting high growth enterprises. In addition to their experience, the growth wheel has been perceived as valuable for the execution of business diagnosis due to its action-focus. It is considered a central tool in the Danish high-growth support system.

**Weaknesses**

First and foremost, based on the limited data available, it should be noted that the assisted growth companies do not reach their targets with regard to growth in turnover, export and employment as stipulated in the CR (see table 3). It therefore needs to be discussed if this is due to 1) the chosen measurement system used to evaluate growth based on one year data, 2) the fact that the GHs are in their start-up and thus in a learning phase and/or 3) the influence of the financial crisis. Due to the above, no definite conclusion can be made about why enterprises do not reach the growth target as expected. We must therefore conclude that there is much potential for improvement with regard to data types and sources as well as data analysis techniques. Especially, the lack of qualitative data in evaluations of GHs; i.e. missing data on the experience of client enterprises throughout the growth process, as well as programme advisors and their interaction, does not unleash the full potential of an evaluation that could otherwise be used more effectively to improve GH strategies. Furthermore, with regards to evaluation, it is questionable why the GHs are evaluated on client enterprises’ satisfaction with their interaction with intermediaries (see Table 4;
Objective Nr. 5), as GHs do not have any influence on which intermediaries client enterprises choose and no pre-selection or recommendation is allowed. This does not imply that the measure is unimportant but it could be questioned if indeed the CR is the right platform for this objective. In addition, the GHs only receive evaluations on intermediaries on an aggregate level, which complicates the legitimization of strategic changes based on the data provided. As there are no public screenings or evaluation of private intermediaries other than online user evaluations, which are rarely filled out by client enterprises, the GHs can only learn through informal talks with their client companies. This may represent both a time consuming task for both parties and one, which cannot be generalized.

As previously mentioned, the GHs are established as hubs in a wider support ecosystem for enterprises in Denmark. However, viewed through the lens of the client enterprise the complexity with regard to the number of services offered and intermediaries is high. On the homepage ‘start-growth’ (Startvaekst.dk) alone, there are 220 different public services available, aiming to create growth in enterprises; new and established. ‘Service offers include advice and finance; for instance subsidies and loans, networks and partnerships’ (startvaekst.dk/forside/0/2). Additionally, there are 2,537 private consultants to choose from at the website Rådgiverbørsen. The sheer number of these offerings complicates an overview of the different services enterprises can draw on and diminish the transparency within the general system of offerings divided across national, regional and local service levels. In light of the challenge of experienced complexity by the client enterprise, Central Jutland is implementing new strategies in the fall of 2012 aiming to simplify the client enterprises’ experience of meeting the public palette of services available to them. The manager of Central Jutland emphasizes the importance of being critical and selective in relation to which information is communicated to client enterprises.

As described before the GHs stand on a two-pronged national strategy as both united and divided. It is accentuated in the CR that the GHs are to safeguard their shared identity through various measures including public relations, marketing initiatives and branding material with shared design work (Ministry of Business and Growth 2012). It is a concern,
however, by some GH managers that the GHs are becoming progressively more divided than united. This strength of the GHs may therefore become a weakness as the GH brand may suffer from any dissociation among the GHs as may possibly the frequency of knowledge sharing in addition to motivational factors based on a sense of belonging and sharing mutual goals.

Lastly, the lack of follow-up activities with client enterprises is a weakness of the current design of the GH. To achieve the goal of the CR all GHs together need to consult minimum 2.650 companies per annum, leaving little time for follow-up activities. Companies are allowed to return but may not be pro-actively encouraged to do so; denying challenges that are naturally following any initiated growth. GHs are also not allowed to register enterprises if they come back within three years after their first consultation making resource allocation towards new clients more attractive and necessary. This approach is especially questionable in the light of prior research, which has shown that ‘the short-term effects of high-growth start-ups with regard to job creation are indisputable’ (Gjerløv-Juel and Guenther 2012: 39). However, they also argue that to actively pursue such short-term economic gains of high-growth start-ups is to risk the consequences of initial high growth in terms of higher tendency to eventually lose these jobs once again. Using the Danish Integrated Database for Labour Market Research they found ‘that former gazelles are not able to sustain their head start in terms of performance in the long run’ as ‘gazelles are often outperformed by initially slower growing competitors, as high initial growth negatively affects a enterprise’s long-term survival’ (Gjerløv-Juel and Guenther 2012: 1). Note, however, that Gjerløv-Juel and Guenther are talking about Gazelles and not start-up growth enterprises, cf the earlier definitions.
Recommendations

Derived from the description and analysis of the GHs provided in the above, recommendations are put forward for further reflection and consideration as regards processes, strategies and evaluations of the GHs. The themes of recommendations cover: market failure versus system failure, absence of qualitative data, transparency and visual designs, follow-up activities, the milestone plan and the CRM system.

Market failure versus system failure.

GH managers report infrequent enterprise referrals to knowledge institutions. This is an expected outcome given the CR policy objective that 80% of enterprises are to be referred to intermediaries and that 70% of these referrals are to be private service providers. This objective in the high growth support system might, however, cause system failure; that is ‘a lack of interaction between enterprises and knowledge institutes, leading to a suboptimal exploitation of new scientific knowledge’ (Bosma and Stam 2012: 7). In other words, the motivation to eliminate a market failure, by means of increasing interaction among enterprises and private service providers, can in turn generate a different system failure. Policy recommendations, aiming to increase uses of private service providers, should therefore be approached with caution, to ensure that they do not discourage knowledge sharing and learning processes potentially exploited through interaction with knowledge institutions.

Absence of qualitative data

The present evaluation system successfully measures the objectives of the CR, yet a limitation is represented by its lack of process knowledge at the level of the programme advisors and at enterprise level as well as of the interaction between the two. An in-depth qualitative process analysis of the overall activities, both during and after consultations, can
potentially advance the GHs’ performance as a business support system in several ways providing more in-depth knowledge about factors of success, effective counselling, knowledge sharing, enterprise behaviour, individual or organizational dominant logic, as well as collaboration with municipalities and strategizing.

Factors of success: a qualitative analysis can advance understanding and explanation of how and why business diagnoses’ and growth plans determine and link up with enterprise practices that may result in increases in growth. In other words; what essentially affects client enterprises’ increase in growth as compared to the control groups? This is important to reproduce constructive practices that positively effectuate high growth.

Effective counselling: pinpointing particular constructive sub-processes within the general counselling process is important to counselling development initiatives. Moreover, knowledge of how particular types of advice and counselling may prove to be, for instance, industry specific, age specific, business life-cycle specific and so forth, are examples of information that is critical to enhance the competence development process of programme advisors.

Knowledge sharing: qualitative knowledge; including knowledge of success factors and effective counselling in a situational and regional context, is important to improve the quality of intra- and inter-regional knowledge sharing at the level of programme advisors to encourage knowledge exchange based on each others’ success’ and failures.

Enterprise behaviour: analysis at this level can provide valuable knowledge of enterprise behaviour in relation to referrals of intermediaries; in other words, basic knowledge of the practices enterprises undertake, or do not undertake, when referred to intermediaries are needed. Questions arise such as: what are the challenges enterprises encounter in relation to contacting or choosing not to contact external intermediaries; what characterizes the process when the contact is made and are enterprises that have made the first contact to
intermediaries more prone to buy professional assistance in the future and so forth. On the one hand, these insights are useful for improving counselling sessions; on the other hand, they also connect to the recommendation of initiating formal follow-up activities as discussed below; or more specifically, they inquire into how follow-up strategies are best planned for and implemented.

**Individual or organizational dominant logic:** the dominant logic (mindset) may be a barrier for high growth in enterprises where owners or groups of organizational members are mentally set on implementing specific strategies that are unsuitable for unleashing the enterprises’ full growth potential. Consequently, the dominant logic may also be a barrier for receiving programme advisor’ advice, because the communication of new strategies and their reception can be complicated if they oppose existing perceptions of best practice. GH managers emphasize that a change in the mindset of the owner is commonly required to set a high growth strategic course for the enterprise; a qualitative analysis can inform what happens in the intersection between programme advisors and owners when opinions of strategies differ, and further how owners subsequently work with the advice given. Again, this is important information when aiming to work pre-emptively with potential pitfalls in relation to enterprises’ degree of the implementation of the advice provided. Moreover, information on programme managers’ and owners’ experience on these matters can be considered to be integrated into programmes such as Vækst via Ledelse (Growth through Leadership) to educate managers on the opportunities that exist in viewing strategies as dynamic in relation to environmental circumstances, turbulence and so forth, as opposed to working with pre-set strategies.

**Collaboration with municipalities:** a qualitative process analysis can further provide a more precise picture of the functions and services of the GH and of programme advisors specifically and finally of how functions are integrated among actors intra-organizationally in the specific GH. This is significant in relation to the objective of the CR that emphasizes the
criticality of local collaboration and strives to integrate the business service system between GHs and local municipalities through policy formulation (see Økonomi- og Erhvervsministeriet 2011a).

Strategizing: an in-depth qualitative analysis can aspire and optimize the generation of more effective and efficient strategy work, enhance strategic management and finally improve counselling processes to progress and sustain enterprises’ high growth. Qualitative measures may be formally included in the objectives of the RC, as analyses have shown that the CR ‘overrules’ other strategies in status (Danish Business and Construction Authority 2009), yet a fuller analysis will by necessity of scope be a separate measure and report.

Transparency and visual designs

As mentioned throughout this report the complexity with regard to the number of services offered and intermediaries is very high. This is not a new issue: Transparency has been addressed in general by policy work undertaken by the Danish Business Authority through for instance the ‘no wrong door’ slogan and it has previously been part of the CR objectives and Central Jutland is further implementing specific strategies to diminish complexities in the system and increase transparency. However, creating transparency within a programme that counts hundreds of offerings is difficult, and visual aids need to be considered to assist homepage viewers and users, existing and future client enterprises in establishing an overview of activities and offerings at the GHs. Similar to the way organizational charts can aid the overview of extensively complex organizational infrastructures, visual designs can illustrate the different offerings and how they are integrated and organized within the greater support system. ‘Design thinking’ is suggested as an aid to help enterprises navigate through the great number of service offerings; create an overview of offerings and further follow the path searched for and to dissect away paths that have no interest.
Enterprise follow-up activities

Some regions perform follow-up activities to identify to which degree enterprises perform according to the business diagnosis and the initial growth plan and to assess whether the enterprise requires further assistance to realize strategies for growth and growth in general. However, follow-up activities are not formally included as part of the GHs responsibilities. In fact, the CR can be viewed as a discouraging incentive system with regard to GHs responsibility for implementing follow-up activities. Presently, GHs are rewarded status, and previously economic resources, based on their degree of achievement; i.e. reaching the objectives of the CR. Since one of the objectives in the CR is the annual performance of a pre-set number of business diagnoses, and because returning enterprises are not counted in the statistics of business diagnosis until three years after their first encounter, GHs are, with regard to the CR, discouraged to undertake follow-up activities. In light of prior research and Danish statistics on high growth start-ups' inability to maintain growth and increase in employment, there is reason to consider if follow-up activities should be formalized and further included in the objectives of the CR. On the one hand, the benefits of follow-up activities are to be exploited more systematically; on the other hand, and perhaps more importantly, policy changes, including that of the CR, are to encourage and to create incentives for GHs to strategize and implement follow-up activities.

A milestone plan

One way to exploit follow-up activities more systematically as well as formalize and encourage these activities is to consider what GH managers have called a ‘milestone-plan’. Incorporating the milestone plan within the GH strategy involves setting up incentives for enterprises’ achievement in the design of the support process. Accordingly, enterprises that have implemented advice and reached the goals set in the growth plan at prior consultations are rewarded supplementary consultations and potentially suggested additional referrals for assistance with new challenges given they are at another growth stage. Integrating the
milestone plan in the CR; hence formulating objectives based on this approach, is a way to warrant and promote the consolidation of growth in both upcoming and established high-growth enterprises.

**Mentoring network**

Furthermore, these follow-up activities could also serve another goal indirectly. Through building up stronger ties with the client enterprises, the GH should be able to encourage managers to be part of a mentoring network. A mentoring network could work subsequently to the GH system and strengthen the entrepreneurial culture and community. Additionally, managers could e.g. act formally and informally in other enterprises' advisory boards in the beginning of growth phases to integrate another learning and support mechanism.

**The CRM system**

The CRM system provides essential measures in relation to CR evaluations, yet, according to GH managers, it suffers low popularity by its user; the programme advisors. The resistance of the CRM system by several programme advisors has arisen, explains GH manager of Northern Jutland, because it is perceived as a control mechanism implemented to monitor programme advisors' work achievements and because advisors assess the system deficient. Improving the CRM system is to be considered in combination with launching a simultaneous strategic reframing of the system, emphasizing the value of it as a tool for, for example, following the trajectories of growth enterprises as opposed to using it as a monitoring devise. Additionally, it could build a platform to collect the more qualitative data mentioned above and thus support process learning.
Conclusions

Following the vision and ambition that Denmark is, in 2020, one of the entrepreneurial societies in the world where most growth enterprises are launched, the GHs have provided support to more than 14,000 potential high-growth companies between 2007 and 2012. The GHs received 95.93 million USD in funding in this first six years and were transferred successfully from national to municipal level. Corresponding to national policy objectives, the five GHs have managed to advance as inter-connected, yet independent, entities, while implementing objectives in a dissimilar fashion to take account of regional diversity and context in general.

The GHs have showed immense achievements with regard to several objectives in the CR; documenting the majority of client enterprises’ and intermediaries’ satisfaction with the GHs and their services and offerings over the years. However, the lack of data on enterprises’ growth, and the rationale its measurements are based on, makes an evaluation with regard to either positive or negative effects of the GHs’ intervention unattainable at the time. Longitudinal and qualitative data collections will be necessary to enable an analysis and learning by it prospectively.

In the future, the GHs are to retain their balance between following national as well as local goals and interests to support Denmark’s vision as an entrepreneurial society. Turning more vigorously towards the sustainability of growth enterprises, instead of emphasizing the initiation of growth enterprises, will allow for a lasting impact of support, since it recognizes, and takes into consideration, the different challenges associated with various phases of growth. A future step to take might be the creation of a GH alumni mentoring network; fostering relations among the growth ambitious companies and leaders in Denmark. This would add a missing element in the growth ecosystem that could enable networking, learning and co-operations i.e. successful growth managers could act as non-executive board members for growth newcomers. Furthermore, as some growth companies launch at the stock market (IPO) or are sold, the opportunity to expand the existing business angel
networks and/or build up organically the lacking venture capital scene in Denmark may arise. Within the greater policy environment, and in cooperation with the GHs, frameworks to support this development will need to be built.
References


Annex 1: Interviews with GH managers

<table>
<thead>
<tr>
<th>Interview</th>
<th>Region</th>
<th>Manager</th>
<th>Date of interview</th>
<th>Length of interview</th>
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<tbody>
<tr>
<td>1</td>
<td>Southern Denmark</td>
<td>Liselotte Stockholm</td>
<td>11. September 2012</td>
<td>1h 42min.</td>
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<td>2</td>
<td>Central Denmark</td>
<td>Erik Krarup</td>
<td>12. September 2012</td>
<td>2h 50min.</td>
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<td>3</td>
<td>Capital Region</td>
<td>Marlene Haugaard</td>
<td>13. September 2012</td>
<td>2h</td>
</tr>
<tr>
<td>4</td>
<td>Zealand</td>
<td>Mads Kragh</td>
<td>13. September 2012</td>
<td>1 h 46 min.</td>
</tr>
<tr>
<td>5</td>
<td>Northern Jutland</td>
<td>Flemming Larsen</td>
<td>18. September 2012</td>
<td>2h 20 min.</td>
</tr>
</tbody>
</table>

Table 4: Overview of interviews with the five GH managers in September 2012.

- All five interviews were recorded in their entirety.
- Managers of the GH Southern Denmark, Central Jutland and the Capital Region were interviewed on site. The manager of the GH Zealand was interviewed in the GH Capital Region and the manager of Northern Jutland was interviewed at Aarhus University, Aarhus.
- Four of the five interviews were conducted in English. As concerns the fifth interview, questions were posed in English and translated when necessary to assist the respondents understanding of the questions. The manager responded in Danish.
- The Standardized Assessment Framework provided by the OECD was followed as an interview guide.
Annex 2: Transferability

- Enhancing growth is perceived as a desirable goal for all societies and therefore entrepreneurship and growth policies are continuously developed in almost all developed countries. The approach chosen in Denmark is based on current research findings and was mainly inspired by one-stop-shop examples from the UK.
- The GHs were designed to support the achievement of certain goals articulated in the Globalization Strategy. If transferring the GH concept to another setting this needs to be kept in mind.
- Consideration when transferring the presented GH approach to any other social system have to be given to the type of welfare state, existing policy work that it inevitable will connect to, as well as social, cultural and environmental factors regarding growth firms.
- It needs to be emphasized once more that the GH programme is not a stand-alone initiative but is embedded in a wider entrepreneurial support context. It can only be successful when national and local systems are designed together.
- The Danish framework leaves room for regional adaptation although Denmark is small in comparison with most other countries; such flexibility is cornerstone when transferring the concept into any other social context.
- The availability of client enterprises and control group data through the companies CVR number is unique to Denmark and other Scandinavian countries; thus the measurement system is not easily transferrable.
- The Growth Wheel as a tool for business diagnosis is transferable and is not context specific.
- Other countries or regions may increase learning from analyzing the progress that the GHs have made through the last six years. The continuous development of goals as well as the continuous design of new programmes and the triggers for change might be the most important sources for cross-country learning.