



University
of Glasgow | Adam Smith
Business School

JRC webinar: Tackling the Scale-Up Gap

Colin Mason

Rapporteur for session 2: Addressing the scale-up gap

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colin.mason@glasgow.ac.uk





Two key challenges for the EU

- It is lagging behind USA/China in scale-ups and its unicorn count
 - Although its performance has been good in recent year, growth has been slower than in US
- Unicorns concentrated in B2B, SaaS for FinTech, e-commerce and market technologies – few scale-ups in hardware and AI
- This is attributed to the lack of large EU-based VC funds able to make ‘big ticket’ investments and investments in sectors that have large capital needs and have a longer time to exit (e.g. AI, clean tech)
- Dependence on overseas (mainly US) investors for later investment rounds.
- Moreover, unicorns and VC are geographically concentrated in certain member states, and within member states in large cities and so are a source of inequality within the EU



Further consequences

- Of the lack of later stage investment
 - Acquisition of potential and emerging EU scale-ups by non-EU ‘big tech’ companies and consequent loss of technological successes
- Of less well-funded companies
 - EU companies are less competitive in global markets
- Of non EU investors
 - Pressure from non-EU investors to shift location from EU
- On early stage investors
 - Reduces potential returns for early stage investors (with implications for recycling)
- Research question
 - what is the impact of acquisition on EU scale-ups?



POLICY INTERVENTIONS

- Most intervention has focused on early-stage funding
 - innovation/pre-commercial stage
 - early funding stage
- Current instruments are fragmented at regional and national levels
- EU VC industry has a high dependence on public sector funding



Policy - continued

- Need for intervention to create a small number of funds capable of making 'big ticket' investments
- Should be private-sector led, not based on public money
- Public sector support should be designed in a way that helps the growth of private sector VC
- Challenge – how to attract investors?
- What structure – mega fund-of-funds?
- Current thinking: ESCALAR
- Need to increase representation of female VC partners
 - Positive effect on fund performance
 - More likely to invest in women entrepreneurs



Finance is only part of the solution

- Other critical areas of intervention are:
 - Sufficient quantity and variety of funding earlier in the financing pipeline
 - Supportive entrepreneurial ecosystems
 - Regulation (effect on uncertainty)
 - Harmonisation of regulation, taxation, funding across the EU