



ANNEX 4.10 TO THE JRC TECHNICAL REPORT

High Growth Enterprises:

demographics,
finance &
policy measures

FACTSHEET - FRANCE (FR)

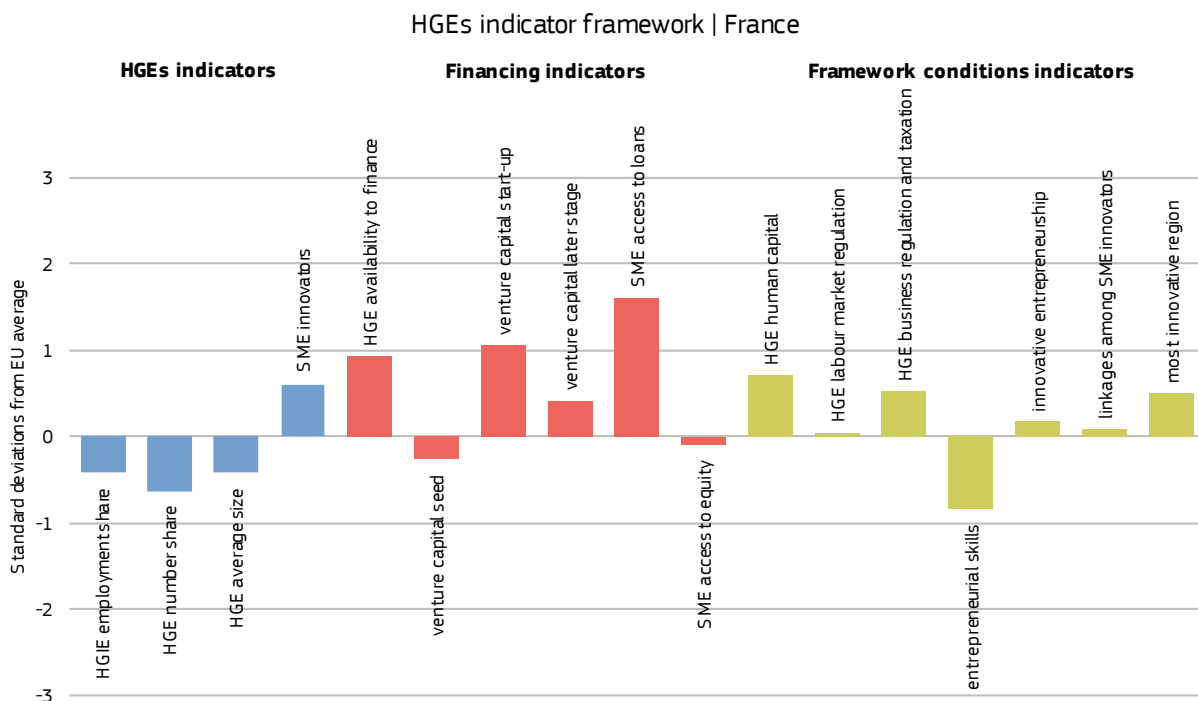
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1. Executive summary

FR performs overall well as regards to the framework conditions supporting the development of high growth enterprises* (HGEs). There is a strong performing innovation ecosystem with a fairly good access to finance and human capital. Venture capital (VC) investments have significantly increased in recent years and are quite diversified in terms of sectoral coverage. A number of measures have recently been taken to promote the scaling-up of companies, including through the PACTE law (*Plan d'action pour la croissance et la transformation des entreprises*) and the Deep Tech Plan at national level, or the SRDEIs (*Schémas régionaux de développement économique d'innovation*) at regional level.

However, FR lags behind in terms of the relative number and employment share of HGEs as well as the average size of HGEs. According to Business France, ten year after their creation, FR start-ups have on average half as many employees as US start-ups. When looking at the supportive framework conditions for HGEs, entrepreneurial skills and investments in VC seed, which are key elements to launch any new business, are not performing well in FR compared to the EU average. More importantly, regional disparities are very pronounced in FR, which could partly explain the lower performance at national level. In 2016, the region *Ile-de-France* concentrates around one quarter of FR enterprises in the business economy with ten or more employees and relatively even more HGEs (around 30% of the total). As a result, the share of HGEs in the region *Ile-de-France* is the highest in FR and similar to the EU average (11%), while this share is below the EU average in all other FR regions. When looking at the financing sources for HGEs, regional disparities appear to be even more acute. For instance, VC is mostly concentrated in the region *Ile-de-France* (around 70% of total VC).

2. HGEs indicator framework

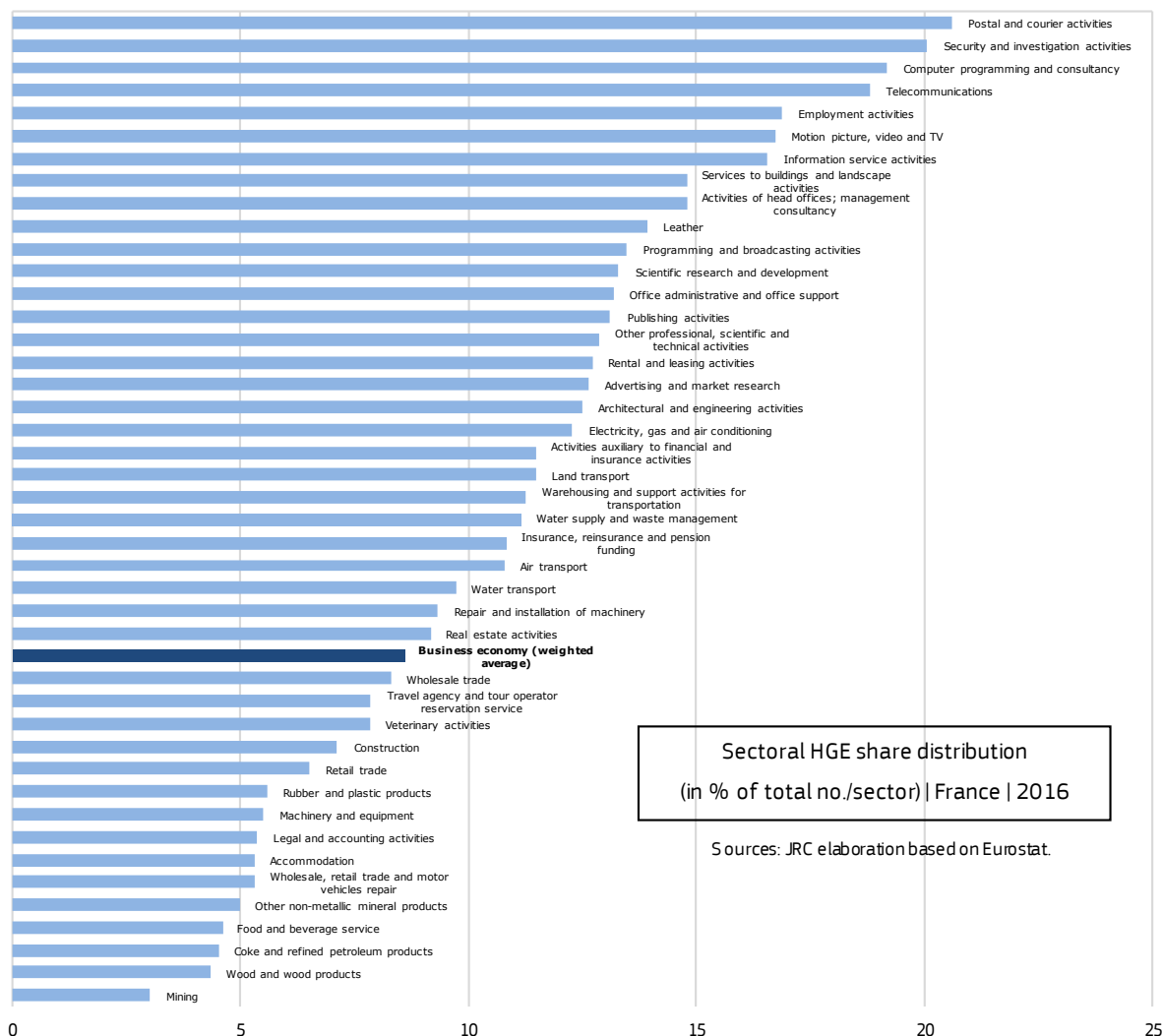


- FR performs above the EU average for SME innovators and its most innovative region (among other indicators), but lags behind for HGEs in terms of relative number and employment share, and average size.
- The framework conditions seem favourable for HGEs in FR, with an overall well performing system for access to finance and human capital as well as a supportive business environment.

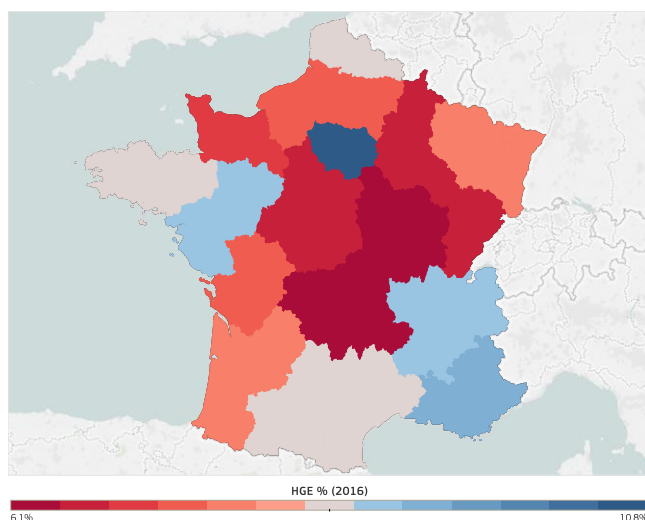
* In line with Eurostat, HGEs are defined in this factsheet as enterprises having (i) experienced an annualised average employment growth rate of 10% per year over a three-year period and (ii) at least 10 employees at the beginning of the growth period. The importance of HGEs is directly linked to their substantial contribution to employment growth, productivity improvements, economic renewal and innovativeness.

- However, FR could improve its support for entrepreneurial skills and investments in VC seed, which are key elements to launch and grow any new business.

3. Firm demographics and sectoral decomposition



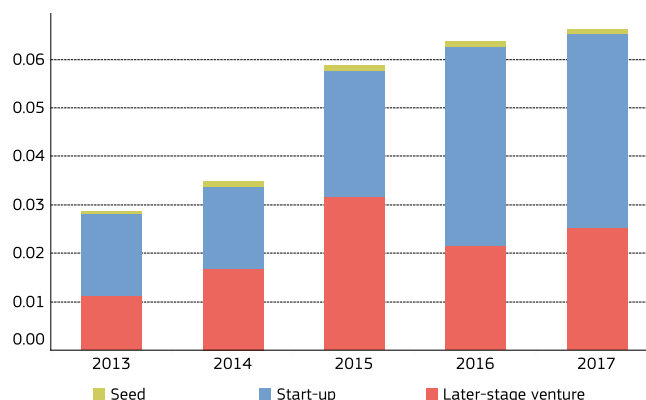
- The average share of HGEs in the business economy (with at least 10 employees) is around 9% in FR, versus 11% in the EU: the HGE share ranges from 3% in mining to around 21% in postal and courier activities.
- Overall, highest shares of HGEs are mostly found in knowledge-intensive industries, particularly in ICT, employment activities, and motion picture, video and TV. However, the highest share is found in postal and courier activities.



- Overall, the density of HGEs is quite low in FR regions. The highest concentration is found in the region *Ile-de-France*, where the HGE share just reaches the level of the EU average (11%). In all other FR regions, this share is below the EU average.
- Regional disparities are important in FR: one fourth of enterprises in the business economy with ten or more employees and 3 HGEs out of 10 are located in a single region, the region *Ile-de-France*.

4. Financing HGEs and start-ups: the role of venture capital

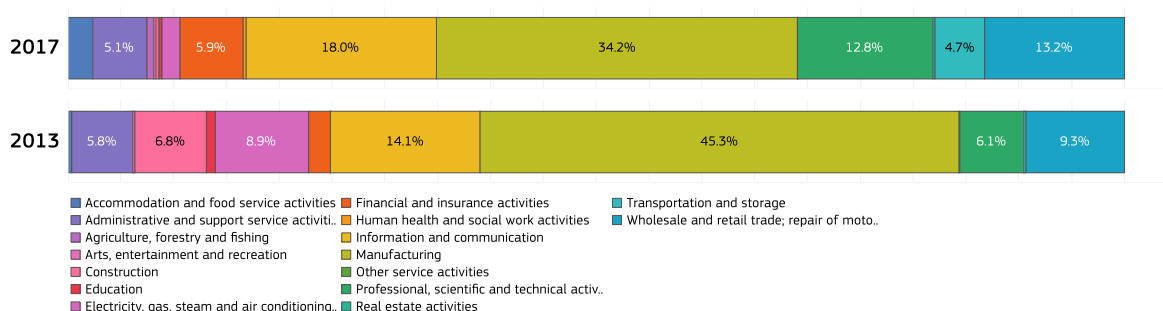
Venture capital by stage of financing (in % of GDP) | France | 2013-2017



Sources: JRC elaboration based on Venture Source.

- Overall, VC investments as a share of GDP steadily increased in FR in recent years going from less than 0.03% in 2013 to above 0.065% in 2017 but they remain below the weighted EU average (0.07% in 2017).
- FR Investments in start-ups and later-stage ventures have significantly increased since 2013. In comparison, the size of investments in seed companies remains very modest and is below the EU average.

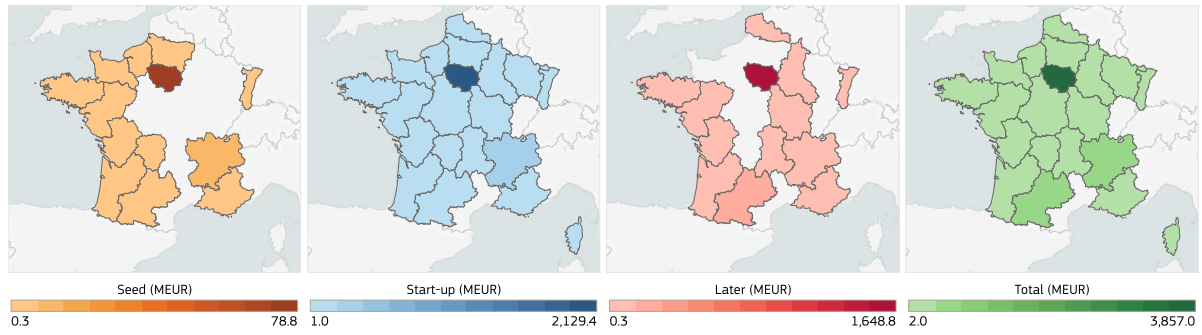
Sectoral distribution of VC investment (in %) | France | 2013 & 2017



Sources: JRC elaboration based on Venture Source.

- The sectoral distribution of VC investments in FR is quite diversified, though some sectors generally tend to receive most investments, such as manufacturing, ICT, wholesale and retail trade, and professional, scientific and technical activities.
- The investments per sector have shown some limited evolution over time. In terms of shares, VC investments in manufacturing decreased between 2013 and 2017 but still represented the highest share (around 1/3 of total VC investments in 2017), while those in ICT, wholesale and retail trade, and professional, scientific and technical activities increased.

Regional distribution of VC investment by stage of financing (in MEUR) | France | 2013-2017



Sources: JRC elaboration based on Venture Source.

- Over the period 2013-2017, there was an extreme concentration of VC in Paris area (*Ile-de-France*) across all stages of financing. The capital region attracted around 70% of VC investments for each stage of firm development (seed, start-up and later).

Annex: HGEs indicator framework details

Indicators	Details	Motivation
HGEs indicators		
HGE employment share	Percentage share of employees among HGEs in 50% 'most innovative' industries relative to total employment (EIS; 2018)	Measures contribution of HGEs to employment creation
HGE number share	Percentage share of HGEs of total enterprises with at least 10 employees (Eurostat; 2016)	Measures how many firms are HGEs
HGE average size	Average size of HGEs (employment definition); employees divided by number of HGEs (Eurostat; 2016)	Measures average size of HGEs, an indication for future job growth potential
SME innovators	Share of SMEs with product, process, marketing or organisational innovations or innovating in-house among all SMEs (EIS; 2018)	Existing SME innovativeness as predictor for future innovations
Financing HGEs indicators		
HGE availability of finance	Percentage of HGEs considering the availability of finance is not an investment barrier (EIBIS; 2016-2018)	HGEs access to finance is considered a precondition for the development of HGEs
Venture capital seed	Share of seed venture capital to GDP (Venture Source; 2017)	Venture capital is a relevant source of finance for potential HGEs
Venture capital start-up	Share of start-up venture capital to GDP (Venture Source; 2017)	Venture capital is a relevant source of finance for potential HGEs
Venture capital later stage	Share of later stage venture capital to GDP (Venture Source; 2017)	Venture capital is a relevant source of finance for potential HGEs
SME access to loans	EIF SME Access to Finance Sub-index for loans, comprising the use and cost of loans (EIF; 2018).	SME access to loans is an important framework condition indicating the access to loans for HGEs
SME access to equity	EIF SME Access to Finance Sub-index for equity, comprising use of equity and the sophistication of the equity market (EIF; 2018)	SME access to equity is an important framework condition indicating the access to equity for HGEs
HGEs framework conditions indicators		
HGE human capital	Percentage of HGEs considering the availability of staff with the right skills is not an investment barrier (EIBIS; 2016-2018)	HGEs access to human capital is essential for the development of HGEs
HGE labour market regulation	Percentage of HGEs considering the labour market regulation is not an investment barrier (EIBIS; 2016-2018)	HGEs may be constrained by existing labour market regulation
HGE business regulation and taxation	Percentage of HGEs considering the business regulation (e.g., licences, permits, bankruptcy) and taxation is not an investment barrier (EIBIS; 2016-2018)	HGEs may be constrained by existing business regulation
Entrepreneurial skills	Percentage of 18-64 population who believe to have the required skills and knowledge to start a business (GEM; 2018)	HGEs may require entrepreneurial spirit, skills and knowledge
Innovative entrepreneurship	Ratio between improvement-driven and necessity-driven entrepreneurship (EIS; 2018)	Countries with high relative prevalence of improvement-driven opportunity, and entrepreneurship tend to be primarily innovation-driven, thus conducive for HGEs
Linkages among SME innovators	Innovative SMEs collaborating with others, public-private co-publications and private co-funding of public R&D expenditures (EIS; 2018).	Quality of innovations increases with collaboration and provides information on sophistication of SME innovation ecosystem, thus related to HGEs.
Most innovative region	Relative performance of most advanced region in the Regional Innovation Scoreboard within each Member State vis-à-vis the best performing regions across all other Member States (RIS; 2017).	HGEs innovation ecosystems tend to be concentrated in most innovative regions/centres.

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