



PRO INNO EUROPE

# INNO LEARNING PLATFORM

**Good practice Identification –  
Advice for transferability  
Innovation in Support for  
Gazelles – US Greater Louisville’s  
High Impact Program**

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# 1. CHAPTER I: Good practice identification

## 1.1 *General Introduction and Overview of the Policy Practice*

The High Impact Program (HIP) is a **public/private partnership**, initiated in 2003 by Mayor Jerry Abramson, funded by Louisville Metro Government and administered by Greater Louisville Inc. - The Metro Chamber of Commerce (GLI) that identifies and serves fast growth companies, companies with the potential for fast growth and those companies that enable growth in others. This program focuses on companies of these types headquartered in Louisville that have a disproportionately higher impact on the metro area economy. Through economic development solutions, the program's objective is to establish a firm relationship with these companies that results in further job and wealth creation. The Mayor's High Impact Program highlights growth businesses headquartered in Greater Louisville that significantly contribute to the local economy by generating substantial job and wealth creation. For more than a year, GLI and city leaders have interviewed local business leaders and compiled data to create the first High Impact "portfolio." This research was aimed to identify the profile for successful gazelle companies. The program is working to make Louisville gazelles successful and to provide Louisville gazelles with the necessary instruments to become successful.

## 1.2 *Rationale and Objectives of the Policy Practice*

When the HIP was initiated in 2003, an extensive research was conducted to create a new program that could provide an environment that would facilitate business growth and development.

The main goals of the program were:

- Job creation
- Diversified economy
- Desirable community
- Opportunity to keep young people and their talents in the region
- Stimulated growth in other businesses and personal spending

The HIP looked collectively at fast-growth companies including businesses across many industry sectors - small to large in size.

As a partner in supporting their growth, the aim of the High Impact Program was and still is to:

- Deliver a comprehensive and confidential company evaluation.
- Provide programming to foster growth and education.
- Facilitate networking and peer relationship building.
- Offer public recognition opportunities as is best suited for each high impact company.

## 1.3 *Origin of the Concept of the Policy Practice*

### 1.3.1 *Origin of the Practice*

As the U.S. makes the transition to a knowledge-based economy, a new generation of growth-oriented companies is emerging. One benchmark of such growth is the number and distribution of fast growth companies called "gazelles." In support of the vision to transform Louisville in an economic hot spot, Metro Louisville, through the mayor's office, has identified

the "7 Cs" to enhance the entrepreneurial climate. Included among them is the specific initiative to proactively connect with and serve existing and potentially fast growth companies those results in job and wealth creation and economic sustainability.

The High Impact Portfolio program began from a series of focus groups, in 2003, conducted among various business leaders on the subject of entrepreneurship. One particular message that came as a result of these focus groups was the observation that greater Louisville did not pay enough attention to established, growth businesses that were specifically headquartered in the area. Mayor Jerry Abramson envisioned the High Impact Portfolio program and charged Greater Louisville Inc. with its delivery and management.

**1.3.2 Preceding Practices on which the Program builds**

When the Program was created a thorough research was conducted among existing best practices with the aim of finding a model that could be adapted to the emerging Louisville needs. No best practices were found. However, a private company called Blane Canada, LTD was selected for its experience in helping economic development clients seize opportunities and overcome problems. In particular one of the company tools was valued as important for the objective that the HIP was willing to accomplish: the internet software Synchronist, used to organize, analyze and report company information, giving community decision-makers invaluable insight into the dynamics of the local economy. Another existing program that was valuable to build the HIP is an Ontario Ministry of Economic Development and Trade Program called "leading growth Firm Program". This Program that in 2003 was already 10 years old, and therefore well established, was aiming to give fast leading companies all the necessary tolls to succeed and grow. Representatives of HIP were sent to Ontario to learn about the Program, which was then modified according to the specific needs and used to implement the HIP.

**1.4 Main Design Features of the Policy Practice**

Companies participating in the High Impact Program represent a diversified portfolio, much like a stock portfolio, that includes "gazelle" or fast growth companies, "renaissance" or companies undergoing revitalization and "enablers" that facilitate fast growth in other companies. Companies selected to the portfolio must meet the criteria for one of the three possible categories, depending on their age and current business objectives. Companies may be large or small, privately or publicly held, and within any industry sector; all must be headquartered or divisionally headquartered in greater Louisville.

**1.4.1 Targeted beneficiaries and criteria for programme participation**

**Table 1 - Beneficiaries of HIP**

Company type	Characteristic	Business Focus
<p><b>The Gazelles</b> - Fast growth companies</p>	<ul style="list-style-type: none"> <li>- At least four years old</li> <li>- Annual compounded growth rate of at least 20% over the last four years, starting from a base of \$100,000</li> <li>- At least \$1 million annual revenue for the last three years with a positive</li> </ul>	<ul style="list-style-type: none"> <li>• Strong management teams</li> <li>• Competitive advantage</li> <li>• Defensible market position</li> <li>• Job creation</li> </ul>

	operating profit	
<b>The Renaissance Companies</b> - Established company undergoing change or revitalization.	<ul style="list-style-type: none"> <li>- At least fifteen year old</li> <li>- Have been in a state of rapid growth (at least 10%) within the last four years</li> <li>- Undergoing change in management or leadership structure, gain of large new client, entry into new market, launch of new product/service, or change in mission or business direction</li> </ul>	Require multi-disciplinary, hands-on experience in a short timeframe in the following areas: <ul style="list-style-type: none"> <li>• Capital acquisition</li> <li>• Commercialization</li> <li>• Bridge/interim management</li> <li>• Technology</li> </ul>
<b>The Enablers</b> - Company that provides a vital product or service that enables other companies to grow at a fast rate.	<ul style="list-style-type: none"> <li>- Guidance center or business incubator for entrepreneurial companies and start-ups</li> <li>- Investment firm of operating businesses</li> <li>- Technical solution provider</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer of knowledge and technology in highly competitive industries undergoing rapid change.</li> </ul>

#### 1.4.2 Selection criteria

In order to participate to the programme the gazelles must have the specific features reported in paragraph 1.4.1. Other than just the conventional way of looking at a new company potential, the HIP takes in consideration less conventional but nonetheless important factors such as the company view on innovation and internationalization.

**Table 2 - Selection Criteria for Gazelles**

Quality factors for successful gazelle companies:	
<b>Company profitability</b>	Profitability maintained for last four years
<b>Growth strategy</b>	Strategy in place and being executed
<b>Strategic plan</b>	Covers at least a three- to four-year time span and is reassessed annually or more frequently
<b>Revenue growth target</b>	Established and at least 15% over the next 12 months
<b>Innovation</b>	Viewed as a priority, as evidenced in their corporate strategy, new product development, corporate values and focus of employee training and human resources programs. They encourage innovation through their new product development methodologies, employee recognition or award programs, alliances or partnerships with leading-edge companies and innovation-specific communications
<b>Internet</b>	Doing business directly or indirectly over the Internet creating community, building customer and prospect relationships, providing product/service information and commerce. They also use the web as a source of competitor information and as a statistical or data resource
<b>Investments</b>	Planning increased investments in key areas of their business, generally in information technology and primarily due to a need for improved information security, new

	product development and R&D, though relatively cautious
<b>International</b>	Doing business abroad and benefiting from their strategy of diversification outside the U.S. and dollar's relative weakness
<b>Benchmarking</b>	Using a database to measure business performance against their peers, to determine relative competitiveness. Identify performance gaps and develop strategies and plans to address them. Prefer more financial and operating metrics, specifically: <ul style="list-style-type: none"> <li>• key financial activity and profitability ratios</li> <li>• employee productivity</li> <li>• average sales growth rates and cost of-materials</li> <li>• labor and overhead-to-sales ratios</li> </ul>
<b>Exit strategy/succession plan</b>	Formally prepared and with a target timeframe
<b>Advisory board or board of directors</b>	Established and utilized

### 1.4.3 Policy Funding

The High Impact Program is a **public/private partnership**, initiated by Mayor Jerry Abramson, funded by Louisville Metro Government and administered by Greater Louisville Inc. The program is almost entirely publicly funded by Louisville Metro Government, which contributes with a budget of \$100, 000/year. The private contribution amounts to \$ 25,000/year and it is sustained by private companies that sponsor special events organized by the Program. In addition, each company of the High Impact Portfolio participate to the HIP budget with an annual fee which in is part used to take part to the events (i.e. roundtables) organized along the year within the Program.

### 1.4.4 Supported Activities

From beginning to end, each project is comprehensively managed by GLI's economic development and metro government's professionals through customized business growth strategies. Every project starts with a confidential business evaluation and determination of the company's value to the community; growth potential; risk factors; satisfaction with the community and its services; emerging problems and untapped marketing opportunities. A competent team of experts is committed to finding the best solutions for all aspects of business development, including:

**Capital** - Identifying non-traditional sources of financial resources and discover cost-saving opportunities for businesses including tax incentive programs and facilitation of funding streams such as grants or low-interest loans

**Workforce** - Recruiting qualified employees with innovative workforce services such as WorkInLouisville.org, the community's new job portal. GLI helps businesses access local training opportunities and resources to increase employee satisfaction and retention

**Real Estate** - Saving time locating and evaluating acreage, office or industrial listings. GLI's Client Solutions team has carefully developed partnerships with real estate professionals and has access to an extensive database of available properties

**Interactive** - Creating business opportunities through innovative partnerships, industry-specific Business Networks, strategic alliances and market development tactics facilitated by GLI

**TopLine Solutions** - Exploring the possibilities of expanding market opportunities locally, nationally and globally. GLI's TopLine Solutions connects local businesses with government procurement agencies, international trade assistance and more

**Evaluation - Monitoring a business' progress** with GLI's business assessment services and determining factors for each company's growth potential, level of satisfaction with the community and its services, value to the Louisville community and potential risk factors

The High Impact Program can be considered the first endeavor to create a "peer community" among Louisville's growth business leaders through:

**Programming - Fostering growth** and education of high impact leaders through CEO roundtables, "Best Practices" sharing, seminars and panel discussions

**Networking** - Connecting leaders to exchange ideas, pursue learning and share strategies to achieve personal and professional growth and success

**Recognition - Public awareness and market exposure** as each company feels best suits their interests

#### **1.4.5 Cooperation and knowledge transfer between actors**

The High Impact Program provides a full range of services that require the involvement of specialist in many sectors. This is because, the most important players, the companies, represent a diversified portfolio with different focuses, specialization, field of operation and targets.

To assist the company in the most profitable way possible, each project is managed stage after stage, by a team of expert through customized business growth strategies. Professionals in the Capital, Workforce, Real Estate and Business Development sectors work together to find the best solutions for all aspects of new business development and then deliver them to the companies.

### **1.5 Implementation and Operation of the Policy Practice**

#### **1.5.1 Overall Budget**

The High Impact Program is a **public/private partnership** funded by Louisville Metro Government with an annual contribution of \$100,000/year and it is administered by Greater Louisville Inc. The private annual contribution -about \$25,000- is raised privately through the sale of sponsorships. The private contribution is used for the organization of special events and in addition, the private companies of the High Impact Portfolio pay an annual fee in part used to take part in roundtables and other activities organized along the year within the Program.

The companies pay no fees for inclusion or one-on-one business consulting. The consulting is done by the Director of the High Impact Program for projects that include access to capital, workforce solutions, real estate solutions, local exposure or business introductions. Other services rendered are performed by contacting or referring the client to experts from Greater Louisville Inc, the metro government or other selected experts/organizations at no cost.

There are many organizations in every community that offer their services for free and the High Impact Program keeps a large directory of them.

For the participation in an event (Recognition event, Exchange event) the companies pay a nominal fee to attend. If they choose to participate on a CEO Roundtable, they pay a fee of which the HIP receives a portion for administrative purposes. The rest is kept in an account that is a flow through account for their table's expenses.

Speakers for the Recognition event or Exchange are local and are not paid, they volunteer their time. The sponsorships sold cover the venue and meal expenses, or the printing in the case of a published report.

The budget is divided in 5 activities:

- services and salaries
- administrative expenses
- organization of an annual event ( 250 participants take part in the event)
- publications
- organization of High Impact Exchange series (6 events along the year)

### **1.5.2 Size of the Policy**

The HIP includes "gazelle" or fast growth companies, "renaissance" or companies undergoing revitalization and "enablers" that facilitate fast growth in other companies The HIP website lists 15 companies in the "gazelle" category, 8 in the "renaissance" category and 3 in the "enablers" one.

Collectively, High Impact Portfolio companies represent \$2.3 billion in annual revenues; have a 36 percent average growth rate; have created nearly 3,000 new jobs in the region; and have invested \$438 million over the last four years.

### **1.5.3 Changes in Design/Implementation**

When interviewed, the Director of the High Impact Program, Miss Lisa Bajorinas said that the Program had been improved by adding a new element each year. In particular she spoke about the implementation of the Program in the "fund raising" service. In a difficult economy situation like the one the country is now facing, and furthermore considering that fast growing companies require high capitals to keep growing at an annual rate of 20% or more, the HIP gave high importance in developing a special ability in mastering the fund research sector. HIP is now working more closely with venture capital funds and mezzanine companies.

## **1.6 Evaluation and Assessment of the Policy Practice**

### **1.6.1 Evaluation of the Policy Practice**

The High Impact Program is constantly monitored through monthly and quarterly reports. The reports, completed by the Director of the Program, are submitted to the major stakeholders and to the Louisville Metro Government for evaluation. To the periodical reports, an extensive annual report follows which synthesizes the goals achieved. Among the criteria taken into consideration for evaluation/impact assessment:

- ability to increase the number of new jobs

- ability to increase the number of investments to support new initiatives
- salary average
- ability to increase the annual revenues of the High Impact Portfolio companies
- ability to generate a local growth

## 1.6.2 Results and Impact of the Practice

Collectively, High Impact Portfolio companies represent \$2.3 billion in annual revenues; have a 36 percent average growth rate; have created nearly 3,000 new jobs in the region; and have invested \$438 million over the last four years. The Greater Louisville region is investing a considerable amount of capitals in developing and helping new companies to emerge and this is proven by the numerous awards the region is receiving. It is difficult to tell exactly if the Program has been so far so successful because implemented in an area particularly receptive to innovation initiatives or vice-versa if the area is developing in such a fruitful way because of the HIP.

One of the most powerful instruments to monitor and measure the results of a program is collecting people's opinion regarding activities developed and together with people ideas come the number of awards.

A list of people interviews follows and in addition a short list of some of the most important national and international awards won by the HIP.

- o **Kent Oyler, OPM Services Inc.** *"I am a great fan of the High Impact Program and feel that it will prove one of the hallmarks of Metro Louisville's economic development strategy. The High Impact Portfolio represents the realization that the jobs and wealth of the near future will arise from a relatively small number of fast growth companies. These are companies that haven't traditionally asked for help, nor understood the help that could be rendered. As we have seen though, they are eager and high-value recipients of attention once GLI and the city have made the connection through the program."*
- o **Chris Zaborowski, Peptides International Inc.** *"Once selected as a Renaissance Business in the High Impact Portfolio, we found that doors to new opportunities were being opened. We were educated about programs and introduced to government officials who were in positions to assist us in our efforts to grow. And the recognition in the press that Peptides International would continue to make an impact in the community was welcome as well."*
- o **Jeff Rausch, Risk Management Services Corp.** *"The High Impact Program has assisted RMSC in the following ways; 1) given public recognition and notoriety to RMSC and our accomplishments (this has given us credibility in the local market), 2) the recognition has been a great motivational experience for our team, 3) introduced us to other fast growing companies which we can share experiences and issues, and 4) given us a platform to raise issue and topics important to our growth. It is through programs such as the High Impact Program that companies such as RMSC are encouraged and enabled to continue to growth and prosper in the Louisville community."*
- o **Chip Huber, Q Fix Inc.** *"As a member of the High Impact Program through GLI, Inc., we are fortunate to have been included with this group. The program is consistently productive because of the clearly defined plan and consistent execution by its executive staff. Assistance is offered in many areas of critical concern to businesses; we have been especially pleased with the attention given to our company assisting us with recruitment and retention of employees. Unlike most other agency initiatives, High Impact is results driven with follow through by the experienced staff members who have demonstrated commitment and expertise in disciplines we lack in our organization."*

- **Mike Harlan, Conforma Clad Inc.** *"The High Impact Program] makes a difference when I'm discussing growth plans with our new "owners" at corporate headquarters in Pennsylvania to be able to show that Louisville cares about and actively supports companies like Conforma Clad."*

### **National & International Awards**

- **In Oct 2005 High Impact Program Wins National Award** the U. S. Department of Commerce's Economic Development Awards honored the program in their "excellence in urban economic development" category.
- **In October 2008** Greater Louisville Inc. receives honorable mention at economic development conference for its innovative program, the International Economic Development Council (IEDC).

## **1.7 Role of Policy Involvement or Connections**

As mentioned in paragraph 1.3.1 no best practices similar to the High Impact Program were found. Nonetheless the Program is pursuing objectives that are important to other US region committed to the implementation of policies directly linked to innovation.

Those policies involve numerous measures that US states are adopting in order to foster growth of innovative companies. Among the policies that the Louisville Metro Government - and indirectly the High Impact Program funded by it- and other US states are implementing, are the following:

- **Taxes and Incentives:** Louisville and the states of Kentucky and Indiana offer a variety of financial incentives that can significantly enhance a company's bottom line. The majority of these programs are performance based and geared toward job creation to encourage improvements in the overall economy. Facilitating growth through these incentives enables a company to offset the costs associated with growth while at the same time, furthers our community's goal of long-term economic prosperity.
- **Education:** The Greater Louisville Inc. Education Department is responsible for connecting the business community with the educational systems - Pre-K to PhD. It is evident that education and training is a vital part of forming an individual's persona, value system and foundation for future accomplishment. It is also evident that none of this can be achieved without a strong educational background. Through offering competitive education programs, the Louisville Government is hoping to develop the workforce of the future and make sure that Greater Louisville will remain a competitive business region.
- **Talent attraction:** As the Metro Chamber of Commerce and Economic Development, one of GLI's core objectives is to attract an educated and skilled workforce to the Greater Louisville area. We work with area employers, recruiters and relocation organizations to assist individuals considering relocation to the region.
- **Talent Attraction Initiatives**
- [LiveInLouisville.org](http://LiveInLouisville.org)  
The LiveInLouisville site is designed to inform and engage people about moving to and living in Louisville. Visitors to the site can access video, photos, content and links to a wide range of information about how they can live, work, learn, play, thrive and belong in Possibility City.

- [Louisville101](#)  
This half-day course quickly immerses recently relocated employees and their spouses into their new hometown. The program showcases Louisville's cultural attractions, civic amenities and quality of life, addresses social issues and champions community involvement.
- [Louisville Reunion](#)  
An innovative talent recruitment event, this annual reception is held in a competitor city, hosted by Louisville civic leaders and employers and attracts 300-500 guests with a connection to Louisville.
- [Talent Attraction Forum](#)  
This network provides a forum for the exchange of ideas and best practices among human resource professionals who focus on talent recruitment. The Forum also supports and assists in the development of community initiatives that improve our region's ability to attract and retain a skilled and educated workforce.

## **1.8 Good Practice Features Benchmarked against European practices**

According to both the ERAWATCH and the INNO Policy Trend Chart, the High Impact Program belongs to the category Research Policy Priorities as 4.3.1: "Support to innovative start-ups including gazelles".

### **1.8.1 Comparison between the Louisville High Impact Program and Similar European Policy Practices**

#### Growth Firm Service- Finland

The Finnish "Growth Firm Service" Programme, like the High Impact Program was initiated in 2003 and it is still successfully running. The same length of the Program allows an accurate comparison between the policies. Like the HIP,

- the Growth Firm Service program aims to proactively identify firms and entrepreneurs with a high growth potential and direct these to appropriate services offered by the various public agencies that support SMEs and innovation.;
- through the contact with a specialist in one of these agencies, a firm can get information about and be referred to appropriate services offered by all the agencies;
- the consultant offers a growth analysis session with the firm, and based on the growth analysis, specific needs for achieving growth are prioritized and appropriate services from the four participating institutions are enlisted.

While the majority of the Growth Firm Service Programme support measures concern financing, the High Impact program offers a broad range of services, covering the capital research aspect but also extending the assistance to other services such the creation of networking opportunities, the creation of business opportunities through innovative partnerships and through the exploration of possibilities for the expansion of the company's market both nationally and globally.

#### Mastering Growth Program-Netherlands

The Mastering Growth Program is one of the few European existing initiatives that focus on the initiation and management of growth from a managerial perspective. The program was

started in 2006 and is financed by the Ministry of Economic Affairs. Like the HIP fosters growth through the organizations of seminars, panel discussion, roundtables, the Mastering Growth Program supports “master-classes”, in which ambitious entrepreneurs with growing companies learn from each other (through interactive case studies and experience sharing) about how to achieve high growth, e.g. in terms of funding, human resource management, strategic planning, and growth management. These workshops provide an opportunity for entrepreneurs to share notes and ideas, and these are combined with tailored lectures on growth. The classes are implemented by the management academy De Baak and the national innovation agency Syntens. Another similarity with the HIP is the goal of the program. Both HIP and Master Growth Program aim to improve both the motivation to grow, as well as the management skills of the participants.

However, while the Master Growth Program targets only few select sectors, including human health, agriculture & food, manufacturing, logistics, construction, and creative industries, the HIP supports any sector. The other important difference is that in the Master Growth Program, each participant is charged 3 000 EUR for participation in the program, and the courses have a limited duration while in the HIP there is a nominal fee and the companies can participate to all the numerous events along the year.

#### *The Mustard.uk.com Program-UK*

The Mustard.uk.com program was started in the West Midlands, UK, by the two public organizations in 2000. The program is co-financed by the E.U., and it offers business coaching and subsidized private consultancy services to nascent entrepreneurs and young start-ups.

Like the HIP:

- the Mustard program refers firms to and subsidizes private consultancy services (e.g. inmanagement consulting, law, accounting) for new nascent entrepreneurs and start-up firms.
- In addition to access to subsidized consultancy services, available support includes workshops for start-ups and nascent entrepreneurs, access to a business opportunity database, and mentoring services for young firms through a dedicated businesscoach.

Unlike the HIP:

- the support is provided only for a limited amount of time (up to 18 months, but can be extended for up to 36 months) while the HIP does not have this time related limitation;
- while the program is not limited to firms in any specific sectors, the priority sectors are creative industries, food, and tourism. The HIP covers all sectors.
- one important difference is that the Mustard program requires a co-pay system for the services. The HIP requires no fees for inclusion or one-on-one business consulting and offers most of the services at no cost.

## **1.9 Review and Implications of Good Practice Features**

The Greater Louisville region is a 25-county area, home to two Fortune 500 companies and with an economy growth rate of over 3.5% in recent years. Today, there are over 30,000 business establishments in Louisville's 13 county MSA (metropolitan statistical area) and of these, 28,552 are "small businesses". The effort in investing in innovation is paying back, and in fact in the last years, the Greater Louisville has been rated:

- Top 50 large metro areas for best places to start and grow a company (*Entrepreneur/National Policy Research Council, 2006*)
- Among “America’s 50 Hottest Cities” for business relocations and expansions (*Expansion Management, 2007*)
- Best City for Small Business Growth (*Entrepreneur Magazine, 2006*)

In such a fertile environment, it is easy to envision the contribution of a well studied and structured program such as the HIP. Collectively, High Impact Portfolio companies represent \$2.3 billion in annual revenues; have a 36 percent average growth rate; have created nearly 3,000 new jobs in the region; and have invested \$438 million over the last four years.

The High Impact Program represented a valuable contribution to the growth of the area by serving fast growing companies with a full range of services (funds identification, recruiting of qualified employees, business opportunity creation etc) that proved vital for their success.

The Honorable mention at International Economic Development Council’s (IEDC) Annual Conference is probably one of the best tool to express the success of the initiative. Headquartered in Washington D.C. the IEDC mission is to provide leadership and excellence in economic development for communities, members and partners. IEDC's professional economic development awards annually recognize excellence in the economic development profession.

*"Economic development efforts have long been a keystone in the quest to bolster the economy and improve quality of life in every locality across the country," said Robin Roberts Krieger, IEDC chair. "As the nation continues to tackle longstanding challenges in the midst of an inhospitable financial climate, these efforts have taken on an even greater significance. With the award, we laud trendsetting organizations like Greater Louisville Inc. for leading the charge."*

Competing in the category of Business Retention and Expansion - Three-Year-Plus Programs by organizations serving areas with populations exceeding 200,000, GLI and the High Impact Program, were a clear standout for the role played in the local development.

## 1.10 References of the Good Policy – Sources and Contacts

1. <http://www.greaterlouisville.com/highimpactprogram/>
2. Phone Interview with Program Director, Ms. Lisa Bajorinas. 26 February 2009

### Contact References below:

Name:	Lisa M. Bajorinas
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Web address:	<a href="http://www.greaterlouisville.com/highimpactprogram/">http://www.greaterlouisville.com/highimpactprogram/</a>

## 2. CHAPTER II: Advice for transferability

### 2.1 *De-contextualize the good practice*

#### 2.1.1 Context Dependency of the Rationale and Objectives of the Good Practice

The HIP's was established with the objective to create a new program that could provide an environment able to facilitate business growth and development in the Greater Louisville Area. An extensive research was conducted to develop a program able to:

- Facilitate job creation
- Create a diversified economy
- Build a desirable community
- Create opportunities to keep young people and their talents in the region
- Stimulate growth in other businesses and personal spending
- 

The HIP supported fast-growth companies including businesses across many industry sectors - small to large in size, through a public/private partnership, initiated by Mayor Jerry Abramson, funded by Louisville Metro Government and administered by Greater Louisville Inc. Previous to the creation of the Louisville Program, not enough attention was paid to established and fast growing companies localized in the area. Today, collectively, High Impact Portfolio companies represent \$2.3 billion in annual revenues; have a 36 percent average growth rate; have created nearly 3,000 new jobs in the region; and have invested \$438 million over the last four years.

It is difficult to tell exactly if the Program has been so far so successful because implemented in an area particularly receptive to innovation initiatives or vice-versa if the area is developing in such a fruitful way because of the HIP. Certain external factors, certainly contributed to the success of the initiative.

The Greater Louisville region is a 25-county area with diverse landscapes - from the urban bustle of downtown Louisville to the rolling horse farms in the outer counties.

According the community's recent rankings, Louisville is a leader in business growth.

- Top 50 large metro areas for best places to start and grow a company (*Entrepreneur/National Policy Research Council, 2006*)
- Among "America's 50 Hottest Cities" for business relocations and expansions (*Expansion Management, 2007*)
- Best City for Small Business Growth (*Entrepreneur Magazine, 2006*)

Now the 16th largest city in the U.S. after Louisville merged city and county governments in 2003. This government merger provides an environment that facilitates business growth and development. Home to two Fortune 500 companies, Louisville's economy has grown at a rate of over 3.5% in recent years.

Important indicators such as relative business cost, taxes and incentives, educational programs, indeed suggest that Greater Louisville offers a supportive and progressive climate for business. The region's dynamic, diversified economy has out-performed the U.S. in job and income growth on a per capita basis throughout the last decade.

### **Relative Business Cost (US Average 100)**

City	Overall	Labor	Energy	Taxes	Office Rent
<b>Louisville</b>	<b>89</b>	<b>95</b>	<b>70</b>	<b>86</b>	<b>69</b>
Atlanta	98	105	90	76	99
Charleston	97	104	89	85	86
Cleveland	104	102	114	107	84
Indianapolis	93	102	69	87	74
Kansas City	100	108	77	79	84
Nashville	90	94	86	69	85
Richmond	87	90	83	78	81
St. Louis	95	107	49	76	90
Tampa	96	96	104	80	87

Source: North American Business Cost Review, May 2007

### **Taxes and incentives**

The Commonwealth of Kentucky is becoming more competitive due to recent tax reform policies enacted to stimulate investment and business growth. The repeal of the corporate license tax and the intangible property tax, as well as a reduction in the corporate income tax rate from the current 8.25 percent to 6 percent in 2007 will continue to improve the current business tax structure. Personal income taxes are also being reduced from 6 percent to 5.8 percent.

Louisville and the states of Kentucky and Indiana offer a variety of financial incentives that can significantly enhance a company's bottom line. The majority of these programs are performance based and geared toward job creation to encourage improvements in the overall economy. Facilitating growth through these incentives enables a company to offset the costs associated with growth while at the same time furthers the Greater Louisville community's goal of long-term economic prosperity.

### **Education**

The region's post-secondary institutions offer a wide variety of higher education options; furthermore the "Business Leader for Education Program" is predicated on the belief that a proper business education will have an impact on the prosperity of the Louisville community.

**The HIP, born as initiative of Louisville Metro Government is a clear example of how a collective effort (local government and State) can turn a local program in a successful entrepreneurial manoeuvre.**

We think that a Program similar to the HIP could be successful in any region/country committed to collectively invest in creating a productive business environment.

### **2.1.2 Context Dependency of the Emergence of the Good Practice**

The High Impact Program was initiated to offer fast growing companies the necessary support to increase and accelerate their business growth. Prior to HIP such specific programs were non-existent or they were unable to provide important services, necessary to a company for a fast and successful growth.

### 2.1.3 Context Dependency of the Design Features of the Good Practice

The High Impact Program represent a diversified *companies portfolio* that includes "gazelle" or fast growth companies, "renaissance" or companies undergoing revitalization and "enablers" that facilitate fast growth in other companies. In order to be selected in the portfolio, the companies must meet the criteria for one of the three possible categories, depending on their age and current business objectives. Companies may be large or small, privately or publicly held, and within any industry sector; all must be headquartered or divisionally headquartered in greater Louisville.

The High Impact Program provides a full range of services that require the involvement of specialist in many sectors. This is because, the most important players, the companies, represent a diversified portfolio with different focuses, specialization, field of operation and targets. To assist the company in the most profitable way possible, each project is managed stage after stage, by a team of expert through customized business growth strategies.

The success of the High Impact Program is highly linked to several specific features of the good practice:

- The collective financial effort of public (Louisville Metro Government) and private sector (companies)
- The professional support the HIP experts provided the companies with in all the aspects of business development such as:
  - Capital
  - Workforce
  - Real Estate
  - Creation of business opportunities
  - Exploration of expanding market opportunities
  - Monitoring business progress
- The Program was extended to companies of any size, carefully selected by taking into considerations specific criteria. Also since the portfolio was built with companies developing within any sector, this allowed the involvement of a large number of participants.

### 2.1.4 Context Dependency of the Implementation Aspects of the Good Practice

The High Impact Program is a **public/private partnership** funded by Louisville Metro Government with an annual contribution of \$100,000/year and it is administered by Greater Louisville Inc. The private annual contribution -about \$25,000- is raised privately through the sale of sponsorships. The private contribution is used for the organization of special events and in addition, the private companies of the High Impact Portfolio pay an annual fee in part used to take part in roundtables and other activities organized along the year within the Program.

The budget is divided in 5 activities- services and salaries, administrative expenses, organization of an annual event, publications and organization of High Impact Exchange series (6 events along the year).

The success of the initiative is strongly due to the good policy implementation aspects such as:

- The Program's team of Directors made a huge effort in order to improve HIP by adding new element each year, giving high importance in developing a special ability in mastering the fund research sector.
- The Program has been implemented by involving a large number of experts that offer their services at no cost

### **2.1.5 Context Dependency of the Outcomes and Impacts of the Good Practice**

The outcomes and impact of the HIP are greatly dependent on the context. Collectively, High Impact Portfolio companies represent \$2.3 billion in annual revenues; have a 36 percent average growth rate; have created nearly 3,000 new jobs in the region; and have invested \$438 million over the last four years. The Greater Louisville region is investing a considerable amount of capitals in developing and helping new companies to emerge.

### **2.1.6 Context Dependency of the Relation to Other Policies of the Good Practice**

It is difficult to say how the relation to other policies impacted the HIP, since no best practices similar to the High Impact Program were found.

Nonetheless the Program is pursuing objectives that are important to other US region committed to the implementation of policies directly linked to innovation.

Those policies involve numerous measures that US states are adopting in order to foster growth of innovative companies. Among the policies that the Louisville Metro Government - and indirectly the High Impact Program funded by it- and other US states are implementing, are:

- taxes and incentives
- education
- talent attraction

### **2.1.7 Context Dependency of the Good Practice Features of the Good Practice**

The High Impact Program represented a valuable contribution to the growth of the area by serving fast growing companies with a full range of services (funds identification, recruiting of qualified employees, business opportunity creation etc) that proved vital for their success.

The Good Practice features were specifically designed to meet the needs of fast growing companies of the Greater Louisville Metro area.

A huge collective effort was made in order to design a program that would be helpful to the fast growing companies in all the aspects of the innovation process.

The effort in investing in innovation is paying back, and in fact in the last years:

- The Greater Louisville has been rated:
  - Top 50 large metro areas for best places to start and grow a company (*Entrepreneur/National Policy Research Council, 2006*)
  - Among "America's 50 Hottest Cities" for business relocations and expansions (*Expansion Management, 2007*)
  - Best City for Small Business Growth (*Entrepreneur Magazine, 2006*).
- Competing in the category of Business Retention and Expansion - Three-Year-Plus Programs by organizations serving areas with populations exceeding 200,000, GLI and the High Impact Program, were a clear standout for the role played in the local development.

## **2.2 Summary of the De-contextualized Lesson of the Good Practice**

Certain features which determined the High Impact Program's success can be separated by its context and turned into lessons applicable to good practices designed in different frameworks but aiming to similar objectives.

In summary the lessons taken from the HIP are:

- a strong desire from the local government authorities to enhance the entrepreneurial climate
- the creation of a public-private partnership consortium willing to design and finance a project aimed to create the ideal business environment for fast growing companies, providing financial and professional help
- the creation of a strong network aimed to establish a firm relationship between companies which, by working together, by sharing knowledge and with the help of experts, can result in further job and wealth creation
- the possibility to gather professionals with expertise in several business sectors in order to form a team of experts with complementary knowledge, willing to work together at no cost
- the creation of a companies portfolio open to fast growing companies of any size, privately or publicly held, and within any industry sector. The broad spectrum of companies that can participate in the program, brings together people with completely different background, business approach and abilities. Such "diversity" can generate ideas and support both while solving problems and creating new business scenarios.

## **2.3 Are there Favourable Circumstances and Atmosphere for Transfer?**

### **2.3.1 Is there good codified material in English, such as reports, studies, evaluations and assessments to transfer?**

The good practice is supported by excellent online material. The HIP web site is structured in a friendly user way, and all the information regarding the program are easily available and available in English.

Specifically, the website links the visitor to a *Publication* section divided in the two subsections:

- Reports
- Newsletters (Current Newsletter and Newsletter Archive)

A section named *Testimonials* links the visitor to Program's participant interviews, while the *News* section provides information regarding the events and outcomes related to the Program

The website does not provide information regarding the assessment reports. The High Impact Program is constantly monitored through monthly and quarterly reports. The reports, completed by the Director of the Program, are submitted to the major stakeholders and to the Louisville Metro Government for evaluation. To the periodical reports, an extensive annual report follows which synthesizes the goals achieved. Those reports are not online.

### **2.3.2 Are there relevant people willing/capable to transfer their knowledge? Proud of the practice? Attitude towards Europe?**

The Director of the Program was extremely useful and cooperative when interviewed. She shared openly all information regarding the Program, extensively answering question by phone and emails.

The director was proud of the work and the results obtained so far and enthusiastic when we mentioned the best practice was selected for an EC funded policy study.

## **2.4 Select two EU countries or regions where the context would be favourable**

- Spain
- Italy

Although gazelles are a rare and small proportion of entrepreneurial firms that are growing rapidly, they are an important and main driver of employment generation as 5 -10% of the firms deliver 50-80 % of employment generation. This high growth phenomenon is in no way limited to a selected few sectors only. Firm growth distributions are remarkably similar across different sectors and EU countries. Many gazelle supporting policies are horizontal and offer access to financial capital support. Gazelles in both Southern and Northern/Continental Europe are characterized by higher R&D intensity, higher innovation sales, and higher innovation output, while gazelles in the EU New Member States are not characterised by a higher level of innovation.

As gazelles have unique needs, potential support measures need to be highly customised, flexible and responsive to change. Most important is likely to provide guidance to achieve organizational change and managerial competence. The main focus should be on general framework conditions. The New Member States might hesitate to focus too much on these adaptive entrepreneurs because perhaps these are temporary phenomena. Statistical analyses show that in the more advanced economies of the European Union (continental and northern countries) fast growing firms are mostly of the creative entrepreneurship type and they also have a significantly larger share of turnover from product innovations. For gazelles in the southern European countries and the new member states innovation is much less important.

While taking the above into consideration and the de-contextualized lessons from the good practice, Spain and Italy were two countries that appeared as favourable environments to transfer this good practice. Several factors (when information was available) were considered when selecting a target EU country, such as: Role of Government Policy/Programmes, Quality of Education/Training; Commercial/Legal infrastructure, Government regulation, Entrepreneurial culture, Access to finance, Market dynamics, and R&D transfer. For example, the entrepreneurial activity at a national level is very much determined by the industrial landscape (i.e. structural conditions that are subjected to economic development). Compliance with regulatory systems was found to be linked positively with the high potential of entrepreneurship.

## **2.5 Re-contextualize the practice in those countries and regions, discussing the new characteristics to the issues (2-8) of the good practice.**

Both Spain and Italy offer a favourable environment for transfer due to key external elements: a strong involvement from university/academia, already existing successful SME supportive government policies, and a collaborative private-public atmosphere.

### 2.5.1 Re-contextualization in Spain

In Spain, a couple small but successful measures have been implemented to support high-growth entrepreneurial SMEs, such as:

- Prestecs Participatiu del CIDEM is a new public venture capital fund for young firms and spin-offs in Catalonia. The fund is a collaborative effort between six universities. It is funded by the Catalonia Investment Promotion Agency. The fund offers seed-stage loans and start-up equity investments.
- The Embryo Project is a program started in 2000 by the University Miguel Hernandez. The program seeks to encourage students to become entrepreneurs, through courses, mentoring, and seed funds. The program is co-financed by the European Commission.
- Contest of Ideas for the Creation of Technological or Science-Based Industries. This contest is a competition for technology-based business ideas in the Madrid region. The competition is targeted mainly at young university students. The initiative was started by the University Carlos III and Technological Park of Leganés in 2004.

The transfer of the Greater Louisville's High Impact Program could be a spin-off and expansion of the Prestecs Participatiu del CIDEM venture capital fund, by maintaining the collaboration of the 6 universities, the public Catalonia Investment Promotion Agency, and then expanding to receive the support of the Catalonia private sector.

- The emergence of the program will be to continue to offer fast growing companies the necessary support to increase and accelerate their business growth.
- The design features should match the success features of the Louisville program, by drawing on the collective financial effort of the both the public and private sector. The professional support should be comprised of a team of experts to assist the companies in the most profitable way possible, managing projects through stages in similar aspects, such as: capital, workforce, real estate, market expansion, etc. The program should offer of a full range of service that requires the involvement of specialists from the universities and the private sector through the donation of time.
- The program should be open to any high-growth company in the technological sector of any SME size.
- The important implementation aspects to remember to transfer are to create a public/private partnership in the Catalonia region that will maintain an annual contribution of investment from the Promotion Agency, the universities, and the private sector.
- The commitment of the public Catalonia Investment Promotion Agency is an integral part to the success of the support program.
- 

### 2.5.2 Re-contextualization in Italy

Italy, in the last years is doing a major effort in promoting and helping the development of high tech related sectors. Among them one of the best results has being obtained by the high tech healthcare related one.

Despite the differences between the policies implemented by the Louisville Metro Area and the one implemented by Italy as a whole country, we found that the High Impact Program, in part addressed towards gazelles, could be used to improve the Italian programs, that both at the national (public and private) level and at the regional level, are contributing to the growth of high impact sectors but do not specifically favour fast growth companies.

Below are listed some of the "environmentally favorable" factors that make Italy and the specific sector analyzed in this section of the report a good candidate for being implemented with the HIP.

- The existence of an extensive network of **Science Parks, Business Incubators**, and **several Public and Private Research Institutes**, which are highly specialized in the high tech health care-related sectors (molecular technologies, biomedical technologies,

neurosciences, cell biology, molecular immunology, molecular genetics, oncology, gene therapy) .

- At least 95 companies out of 260 are located in these types of infrastructures.
- Several of the universities and institutes listed in this document have incubators or tech transfer capabilities, fostering therefore many spin-offs (44 in in 2008)
- The country is still experiencing a significant lack of VC activity and the industry is rather immature compared to several European neighbors. However, there are several active VC funds, both private and public or a combination thereof, with which prospective foreign players could co-invest in early stage companies.

The favorable Business Environment in Italy in the Biotech Sector	
<b>Lombardy</b>	With the strongest science base in Italy, major pharma companies and a financial market showing a growing interest for the Life Sciences, Lombardy is by far the first biotech location by density. Home to more than half of Italian biotech companies, the area takes advantage of having the whole biotech productive chain and a strong entrepreneurial and business background.
<b>Piemonte</b>	Piemonte has always been considered Italy's industrial heart, characterized by the presence of leading and highly innovative automotive, aerospace, electronics and information technology companies, and a region where science and technology have always been interconnected. Over the last few years it began diversifying towards knowledge-based sectors, designating Life Sciences as one of its strategic research priorities. The region now actively and successfully coordinates public institutions, industry, academia and a range of financing bodies and is currently home to 31 biotech companies.
<b>Tuscany</b>	At the foundation of the region's strength and achievements are a strong commitment of the public administration of the Province of Siena and Tuscany region and of the Monte dei Paschi Foundation, which all supported strategic investments in the Life Sciences,
<b>Lazio</b>	The province of Rome and the Lazio Region are also recognized as territories of scientific excellent in the fields of biotechnology and biomedicine thanks to the competences of its research centres.
<b>Lazio Sardegna</b>	The growth of the Life Sciences in recent years is attributable to several factors, such as the presence of prominent biomedicine scientists, state-of-the-art infrastructures such as the Science and Technology Park, and substantial R&D investments by local authorities.
<b>Friuli Venezia Giulia</b>	The region of Friuli currently boasts several world-renowned scientific institutions in the field of molecular biomedicine. The region has in fact successfully created a few years ago a District of Molecular Biomedicine and is also the setting for AREA Science Park, one of the most important science parks in Europe.
<b>Campania</b>	Biotech in the Naples region is a wide-ranging, cross-cutting discipline which has had a strong impact in tradition industries such as Agro food, Chemicals, and Pharmaceutical as well as newer areas like Public Health. The Life Science research activities are concentrated in research centers within the university system and the National Research Council (CNR) institutes.

There are a few active Italian VC funds, both private and public or a combination thereof. The report will mention the most important, in order to highlight the type of companies targeted by VC in Italy.

- **Eporgen Venture** - Eporgen is the first Italian company specialized in seed financing of early stage biotech initiatives and R&D projects.

- **Quantica** - Quantica SGR is an Asset Management Company specialized in closed-end funds for venture capital activities, investing in high-tech spin-offs and start-up stemming from scientific research, as well as early-stage financing. Its mission is to be the Venture Capital of Research, enhancing the connection between investors and innovation.
- **Innogest Capital** - Innogest Capital, is currently the largest Italian Venture Capital fund in the Seed and Early Stage segment. It is recognized as a reference investor for young, high-potential companies that intend to raise capital in order to sustain their growth plans. The goal of Innogest is to invest in and encourage the success of about twenty highly entrepreneurial and young companies with very strong technology and a distinctive and unique approach to the market.
- **TT Venture** - TT Venture is the first Italian closed-end fund dedicated to Technology. The fund supports the development of high-potential entrepreneurial projects within the sectors of Biomedicine, New Materials, Agro-food and Energy/Environmental Technologies. An extensive established network facilitates the deal flow and a relevant contribution is provided by the Italian Banking Foundations, a key player in the private funding for research in Italy. TT Venture invests in all phases of an entrepreneurial project - seed, start-up, and development through the selection of investment opportunities offering a high development potential, capable entrepreneurs and a varied disinvestment strategy.

As described, Italy is making a major effort in promoting the development of specific valued sectors such as biotechnology. An important limitation of what Italy has done so far is represented by the fact that often the investments are directed towards start-ups or spin-offs coming from academic research centres but only few VC funds target fast growing companies. The biotech sector in Italy is growing and by analyzing the growth trend of the last years, it is possible to foresee that new policies will be created to fill the gaps for what it is missing. A program such the HIP could apply to the Italian analyzed scenario in order to:

- help in creating a program specifically directed to gazelles
- creating a collaborative core and network of professionals that could help to overcome the decentralization of talents, often spread in an extended geographical area

## 2.6 Propose an actual plan on how to transfer practice

### 2.6.1 Who should be involved?

US – Louisville Involvement	Spain – Catalonia Involvement
Louisville Metro Government	Catalonia Investment Promotion Agency
Greater Louisville, Inc.	6 involved Universities
	5-10 successful private companies in Catalonia
US – Louisville Involvement	Italy Involvement
Louisville Metro Government	Associazione Parchi Scientifici e Tecnologici Italiani (APSTI) – the Italian national network of scientific and technological parks
Greater Louisville, Inc.	TT Venture

### **2.6.2 What kind of visits would you recommend?**

In this transfer of this particular policy to support gazelles, it is recommended that at least one visit be made by the European managing policy administrator to the Greater Louisville's High Impact Program.

### **2.6.3 What could be the main barriers, and how could they be addressed?**

#### **Barriers to transfer practice to Spain- Catalonia Region:**

- Challenge to involve private actors as currently they are not participating helping fund the VC program