

## Press release

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## Scale-ups successfully navigate through Covid-19

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Today Vlerick Business School and Deloitte announce the outcome of the sixth edition of the Rising Star Monitor. This report provides a snapshot of the trends and challenges involved in young and high-potential ventures in Belgium and strongly focuses on the impact of Covid-19 on these businesses and how they responded and overcame the pandemic. The study shows that 59% experienced a positive or no effect from the pandemic, however those who were negatively impacted are more frequently High Growth Ambition Ventures (HGV) compared to Low Growth Ambition Ventures (LGVs).

"It is positive to see that young business ventures have not been significantly impacted by the health and economic crisis. These results are heartening considering the Belgian economy was severely hit with a decrease in GDP by 6.3% and a decrease in household consumption by 8.9%," explained Sam Sluismans, Programma Leader Deloitte's Technology Fast 50 / Deloitte Partner

"On top of that, we see that Covid-19 has not harmed the growth ambitions of young ventures, on the contrary even. While we do see fewer companies having high growth ambitions, they make up for it by setting their bar about twice as high compared to last year in terms of sales ambitions. To give you an idea, that means the combined sales ambitions of our respondents are about 330 million EUR higher than they were last year." says Veroniek Collewaert, Professor of Entrepreneurship and Director of the Scale-up Centre at Vlerick Business School.

### **Hiring staff is crucial coming out of the crisis**

During the crisis HGVs mainly chose to reallocate resources to employees: 52% of HGVs hired new staff, whereas only 24% of LGVs did so. Both HGVs (63%) and LGVs (41%) indicate that hiring remains important in the coming months to strengthen their path to growth.

The report further shows that 20% of HGVs indicated that they missed payment deadlines, compared to only 2% of LGVs. 41% of HGVs cancelled or postponed a capital expenditure compared to only 22% of LGVs. Other actions that were undertaken include fundraising (34% of HGVs and 31% of LGVs), increasing marketing and sales (38% of HGVs and 36% of LGVs), development of online sales and websites (24% of HGVs and 20% of LGVs), identification of new supply options (10% of HGVs and 10% of LGVs), improvements in safety conditions for customers and employees (17% of HGVs and 22% of LGVs) and capital expenditure (24% of HGVs and 20% of LGVs).

For the coming months the continued investment in new employees (63%), increasing marketing and sales (67%) and the development of online sales channels (27%) are paramount to HGVs of which only 13% plan to postpone or cancel capital expenditure. LGVs are more conservative with only 41% focusing on new hires, 49% increasing sales and marketing. While both still have the intention to raise funding, the percentages are lower than 2020, with 20% of LGVs wanting to raise funding versus 31% in 2020.

### **HGVs more affected than LGVs**

When looking at those ventures negatively impacted by the pandemic, 11% indicate a small impact and 14% say that they have returned to their usual level of operations. 75% expect to return to normal levels in the coming months. Only 7% of the HGVs indicated to be back at their business-as-usual compared to 19% of LGVs. 67% of HGVs expect to need more than six months to recover compared to only 48% of LGVs.

### **Key challenges for recovery**

To overcome the effects from Covid-19 most ventures consider finding new customers (21%), government restrictions (17%), and the customers' ability to pay (15%) as the major challenges ahead. Next to that the restoration of liquidity has been highlighted, with raising funding (10%) and adjusting levels of operation to ensure liquidity (2%) as crucial challenges. Human resources (8%), including the management of the return to the office, employee safety, health and well-being, is also a main preoccupation to achieve normal levels of activity. Business owners also highlight the adaptation of the IT infrastructure (6%) as an important aspect to accelerate the digitalization.

Some ventures were able to cope better with the pandemic than others. Of course, there is an obvious industry effect with companies in IT and ecommerce thriving. "But it's more than just industry. How scale-ups perceive the environment in which they operate shapes their response to crisis. We show that entrepreneurs who perceive their environments as more dynamic, uncertain and hostile experienced a more negative Covid-19 impact compared to businesses in more stable and benign environments," explained Professor Collewaert. "Interestingly, it is exactly those companies that are best served by being strategically flexible, meaning they can adjust and evolve their strategy to new circumstances." More flexible ventures, allowing them to shift to economic conditions and quickly respond to changes in customers' needs and preferences, registered a more positive impact of Covid-19.

### **Remuneration of founders not affected by the crisis**

The way founders remunerate themselves is very much in line with the pre-pandemic era. 75% of HGVs and 70% of LGVs receive a form of base pay at founding which on average is 38,000 EUR. 89% of HGVs and 79% of LGVs receive a base salary when the company is on average 3 years old, which amounts on average to 67,300 EUR.

The insights of the Rising Star Monitor are based on data gathering from 153 young high-potential ventures with 188 founders and an average age of 3 years across a wide section of industries.

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