

Press release

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Can Belgian startups conquer the world?

Rising Star Monitor issued by Deloitte and Vlerick Business school reveals 50 percent intend to grow.

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The answer seems to be doubtful. In the first half of 2017, the number of new startups formed increased in Flanders (5.4%), Wallonia (7%) and Brussels (4.3%). However, growth ambitions remain low. Half of the organisations surveyed in the Rising Star Monitor, launched today by Vlerick Business School and Deloitte, indicated that they did not intend to grow. This increases risks as Belgium is too limited a market for many companies to be viable.

The second edition of the Rising Star Monitor provides a snapshot of the trends and challenges young, high potential ventures in Belgium face.

About half of the organisations surveyed in the Rising Star Monitor indicated that they intend to grow, but not always at very high speed. A second major finding refers to the fact that founders often forget to enter into a proper shareholder agreement, which is worrying as one in four founders leaves their company within the first three years. To support high-potential ventures in their path to rapid growth, attention should be paid to attracting potential employees in a more professional manner and providing existing employees with more feedback and a clearly defined career path.

"Belgium has a dynamic startup scene, but the best is yet to come. Over the past years the eco-system has significantly matured, a number of new investment funds have been founded, the academic and research environment is world-class and the government is supporting the start-ups with several measures. We see a number of start-up companies with great teams, great technology and the right investors. Now, we look forward to see them conquer the world," said Sam Sluismans, Partner Strategy & Innovation, Deloitte Private. *"However, in order to become a frontrunner in the international start-up scene, Belgium needs to step up its game when it comes to international growth ambitions".*

Fifty percent of Belgian startups intend to grow

"Plenty of Belgian ventures have great growth potential, but the vast majority lack ambition. They prefer to remain small, only wanting to add two new employees within five years, so that they can perfectly manage their organisation. On the bright side, the proportion of ventures that does want to scale up has increased from 38 percent last year to 44 percent this year. We are moving in the right direction, but Belgian founders

need to be encouraged to set the bar higher,” said Veroniek Collewaert, Professor in Entrepreneurship at Vlerick Business School.

1 in 4 ventures faces a founder exit within 2.5 years

The Rising Star Monitor reveals that many founding teams, regardless of their growth ambitions, do not consider entering into a dynamic shareholder agreement because they don't find them important or simply do not know about their existence. Yet, it is exactly these kinds of agreements that can help founders protect themselves against co-founders dropping out (for various reasons) and taking a substantial part of the company's shares with them when they leave. With one out of four founders leaving their company within two and a half years of its formation, building awareness around shareholder agreements would significantly help to professionalise the scale-up scene.

Scale-ups set themselves apart by having a more professional approach to founder agreements. Not only does about 50 percent use more advanced clauses in their agreements, such as buyout terms and vesting schedules¹, they also take into account the different circumstances under which founders may leave the venture (so-called good versus bad leaver provisions). It is important that they do this because even though they have slightly less founder exits than companies with lower growth ambitions, their founder exits tend to be a bit more painful: they can take up to 1.5 years to wrap up.

Scale-ups focus on feedback, career path and professional recruitment

The decision whether or not to set up a team is one of the first key hurdles startup founders face. When scaling up, finding and keeping the right people is absolutely crucial. Startups, and scale-ups in particular, need to introduce a set of HR practices to acquire, develop and motivate employees continuously. HR practices should focus on job satisfaction, performance and productivity whilst minimising turnover and absenteeism.

According to the Rising Star Monitor report, scale-ups adopt more high-performance work practices. The key differentiators are a more professional recruitment process (for instance make hiring criteria explicit, use multiple methods of screening candidates (e.g., have multiple people look at resumes and interview candidates), for prospective employees as well as more feedback, clear career planning and promotion possibilities for existing employees.

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About the Rising Star Monitor

The Rising Star Monitor surveyed 152 young, high-potential ventures in Belgium between March and May 2017 providing data on 300 founders. Companies that were selected had to be less than 7 years old by the end of 2016.

The report is part of the Entrepreneurship 2.0 initiative. Entrepreneurship 2.0 was launched by Vlerick Business School in collaboration with Deloitte Belgium to develop state-of-the-art knowledge about the key issues young, high-potential ventures struggle with. It also runs knowledge and community-building programmes for entrepreneurs who are in the midst of tackling important scaling challenges with their ventures.

More information can be found on www.vlerick.com/risingstarmonitor

¹ Buy-out terms set the terms under which founders can buy back each other's shares. Vesting implies that founders have to earn their equity stake over time (typically literally over time, but it can also be tied to achieving particular performance milestones). Both types of clauses help protect founders against material changes in co-founders' involvement.

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