

Increasing the impact of start-up support

Policy brief on results and recommendations for action developed in the project “IMPACT of sustainability-oriented start-up support”

The example of the EU Horizon Europe programme shows that in the past years there has been a shift towards mission and impact orientation in research and innovation funding.

Five mission areas have been introduced as a new instrument for the programme years 2021 to 2027, including “a set of actions, such as research and innovation projects, policy measures and legislative initiatives, to achieve concrete goals with large societal impact and within a specified timeline”.

Mission-oriented funding policy focuses on overcoming the so-called Grand Challenges. Concrete “missions”, e.g. “developing new technologies”, “substantially reducing plastic emissions into the environment” or “safe, connected and clean mobility” are being defined as tasks for research and innovation, to which they should make a clear contribution. In contrast, this kind of mission and impact orientation, which goes beyond market success and economic targets, can hardly be found in start-up support.

Against this background, a concept for multidimensional impact assessment and a holistic understanding of success in start-up support programmes was developed in the frame of the project „IMPACT of sustainability-oriented start-up support“, funded by the German Federal Environmental Foundation (DBU Deutsche Bundesstiftung Umwelt).

This policy brief presents key project results and important conclusions for start-up funding and support. It lays the groundwork for sustainability-oriented impact management in the start-up support ecosystem.

Key messages and recommendations for action

- ▶ To date, there has been a lack of considering the ecological and societal effects of public and private start-up support
- ▶ Overcoming the Grand Challenges and meeting international sustainability goals requires a multidimensional understanding of success of start-up support
- ▶ There is a need to move from classical evaluation approaches to impact management of start-up support programmes
- ▶ A mission statement for impact-oriented start-up support should be developed
- ▶ An “Impact Management Forum” of start-up support organisations and funding institutions should be established as a community of practice
- ▶ Developing reference and benchmarking databases will be key to impact assessment of start-up support
- ▶ Methods and data as well as matching governmental research and funding programmes should be created and developed

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IMPACT Guide:

Brochure on impact management of start-up support

More detailed information on impact management of start-up support programmes is offered in the practical IMPACT Guide. It provides start-up supporters, programme managers and accompanying research with impulses, orientation and approaches on how to assess and manage the long-term impact of start-up support programmes on beneficiaries, the market, society and the environment.

Available at > www.borderstep.org

The project IMPACT of sustainability-oriented start-up support

This policy brief was developed within the project “IMPACT of sustainability-oriented start-up support: Innovative approaches for measuring and managing the economic, ecological and social impact of start-up support programmes” by the Borderstep Institute for Innovation and Sustainability.

Funded by the German Federal Environmental Foundation, the IMPACT project developed a model and methodological framework for a scientifically grounded, evidence-based assessment of the economic, environmental and societal impacts of start-up support programmes.

The development of these instruments aimed to provide start-up supporters with innovative funding approaches in control and steering processes for the achievement of their self-imposed impact goals. In this way, the project was to contribute to strengthening the transformation to a sustainable economy and to supporting the sustainability policy objectives in Germany.

Lack of consideration of ecological and societal impact

Start-up support programmes represent an essential instrument to help meet environmental and societal policy objectives. They accelerate and incentivise the development of innovative sustainable solutions. However, to date, little analysis is carried out to determine whether these support programmes realise this potential and contribute to environmental and social sustainability beyond economic effects.

The impact orientation of start-up support has so far been almost exclusively on questions of market usability, competitiveness and economic performance indicators. The survival rate of start-ups, their returns and market shares (scaling) or the number of jobs created are undoubtedly important success factors, but are limited to the economic added value for society.

The Grand Challenges and the sustainability goals formulated at regional, national and international level require a multidimensional understanding of success of start-up support in the future.

What contribution do the supported start-up projects and young ventures make to reducing greenhouse gas (GHG) emissions, to sustainable lifestyles or to establishing environmental and social standards in international supply chains? These are the kinds of questions that policy makers, but also citizens and entrepreneurs will be addressing to the start-up support system and the funding and investment resources it provides.

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Impact and mission orientation is not considered

What exactly do we mean by “impact”? Impacts are medium- and long-term effects that occur as a result of an intervention, e.g. a support programme. They can be positive or negative, intended or unintended.

Accordingly, impact management is understood as deliberately designing and managing processes and influencing factors in order to achieve intended impacts of support programmes.

In this regard, the German start-up support system shows a clear gap as direct and indirect impacts are not considered at an early stage. Only very few programmes are systematically assessed and many have only a fragmented or no monitoring system in place at all.

So far, programme evaluations have focused on the analysis of invested programme resources (inputs) as well as the services provided and the use and beneficiaries’ satisfaction thereof (outputs). Effects on the beneficiaries (outcomes) are hardly considered and higher-level effects beyond the beneficiaries on the market, society and the environment (impacts) are usually not considered at all.

On the one hand, this can be explained by the fact that many programmes are still young and a systematic evaluation and monitoring system has not yet been established. On the other hand, this is also due to the fact that in contrast to innovation policy there has so far been little impact- and mission-orientation in start-up policy.

Here, we observe a lack of requirements with regard to the measurement and assessment of the medium- and long-term impacts of start-up support programmes on economic, societal and ecological objectives.

Moving from evaluation to impact management of start-up support programmes: New conceptual perspectives

The results of the project show the need to introduce impact management approaches in the German start-up support system. Against this background, it is recommended to distinguish between the practice of programme evaluation to date (which focuses on evaluating input, output and short-term outcomes at the end of funding) and medium- and long-term impact assessment (outcomes and impact) (see figure 1).

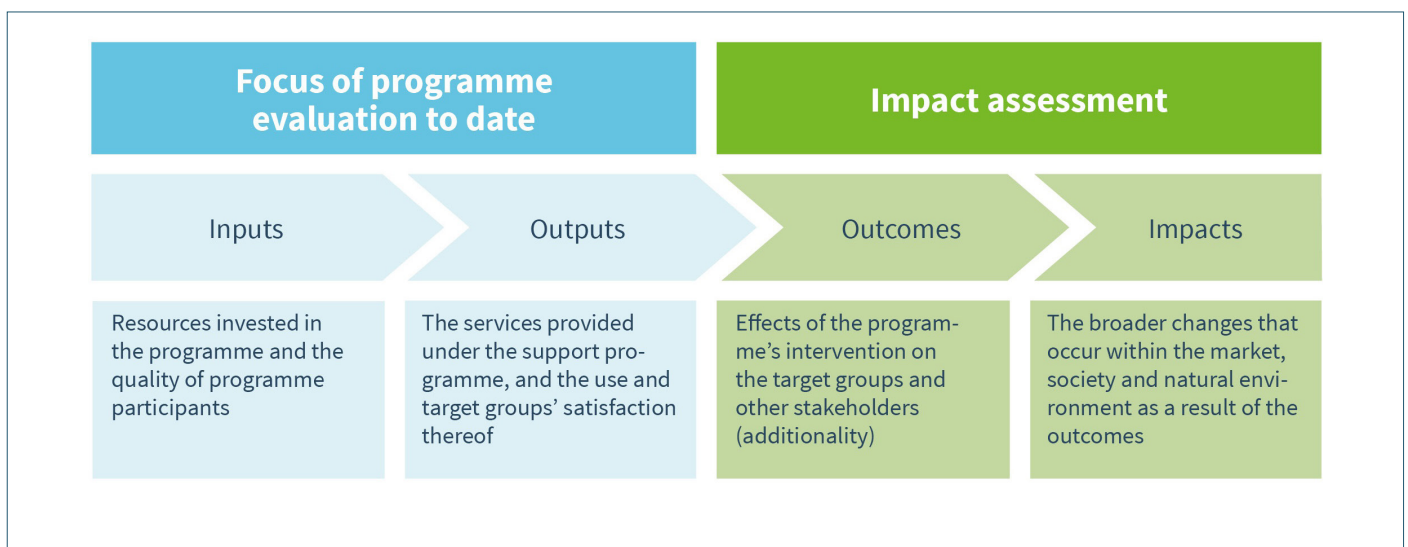


Figure 1: Differences between programme evaluation and impact assessment (Source: Borderstep Institute)

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This distinction makes clear that effects at the level of the funded start-up teams as well as at the societal level can only be achieved and measured on the basis of outputs. In order to be able to determine the medium- and long-term impact of start-up support programmes, it is necessary to go beyond the programme inputs and outputs and consider further impact levels and impact periods of a programme.

Basis for sustainable change

To this end, impact assessment builds on programme evaluation, but explicitly focuses on the outcome and impact dimension. This allows assessment and analysis of the extent to which positive changes occur in the beneficiaries as a result of the services and offers provided by a support programme.

Changes in the target group's knowledge, attitudes, skills and living condition are made visible. These changes form the basis for sustainable change beyond the beneficiaries in the market, society and the environment.

Establish and develop impact management for support programmes

The understanding about the relevance of impact management in start-up support is increasing sharply. Nevertheless, important prerequisites for establishing effective impact management processes have been missing until now. The first concrete steps that programme managers and teams can take are presented in the programme impact cycle (see figure 2):



Figure 2: Programme impact cycle (Source: Borderstep Institute based on Kurz & Kubek, 2018, p.7)

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Planning impact

Understand Grand Challenges, missions and requirements

When planning for impact, the first question should address what a support programme intends to contribute to. The objectives and guiding concepts to which a start-up support programme wishes to refer must be determined on an individual basis and depend on the programme's specific political and other objectives.

Set outcome and impact objectives

Formulating objectives and regularly reflecting on already set objectives is important as this is the prerequisite for evidence-based impact assessment and management of start-up support programmes.

Both the management team of the support programme and relevant stakeholders, such as higher-level funding providers and supported start-ups, should be involved in this process.

Develop your impact philosophy and logic model

In addition to defining impact objectives, it is important for transparent impact planning that the programme and impact assessment team in charge clarifies the fundamental understanding with which the impacts of the support programme are to be viewed and analysed.

Clarifying basic assumptions and developing a logic model are important steps to making clear the intended cause-effect relationships of a programme and a prerequisite for subsequent impact assessment and management.

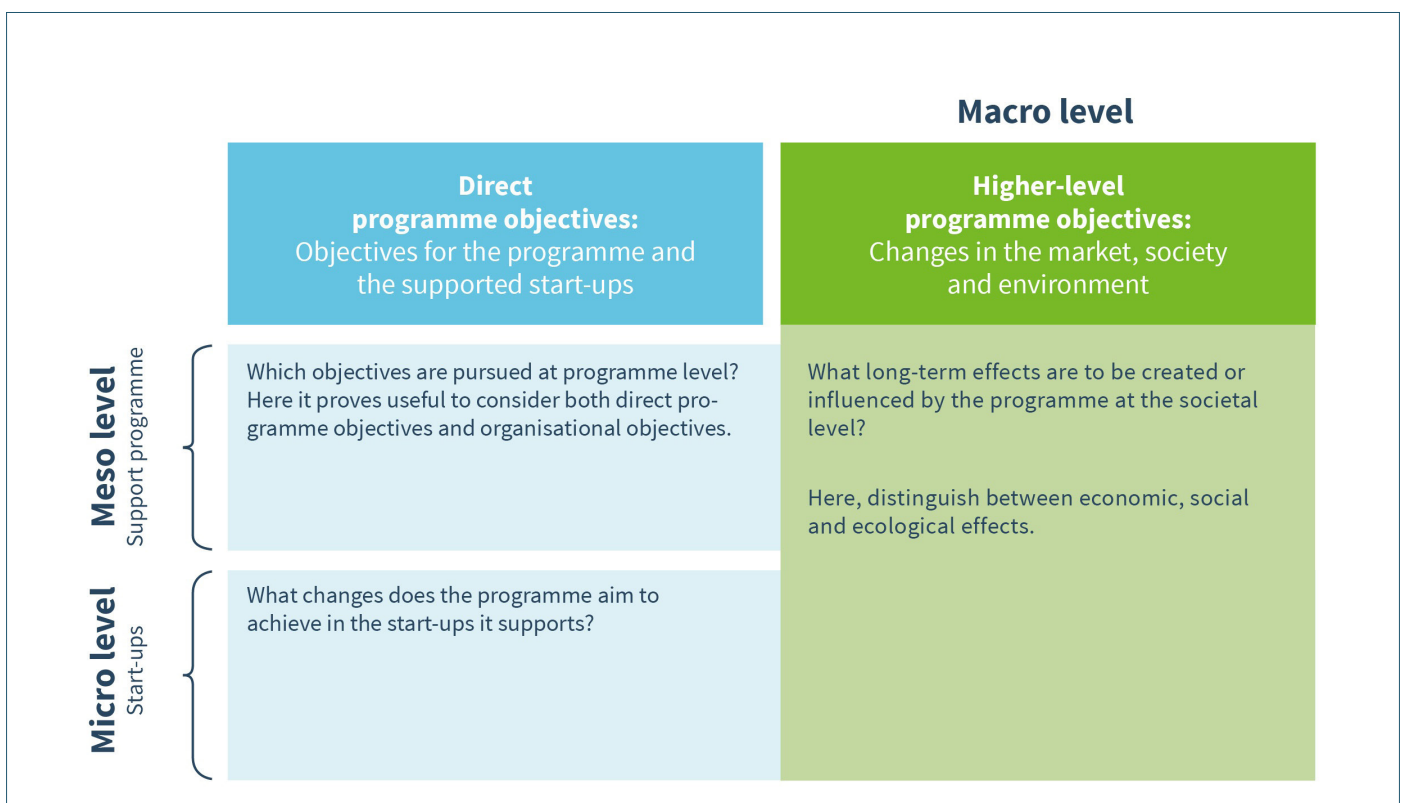


Figure 3: Setting objectives for a start-up support programme at micro, meso and macro level (Source: Borderstep Institute, 2018)

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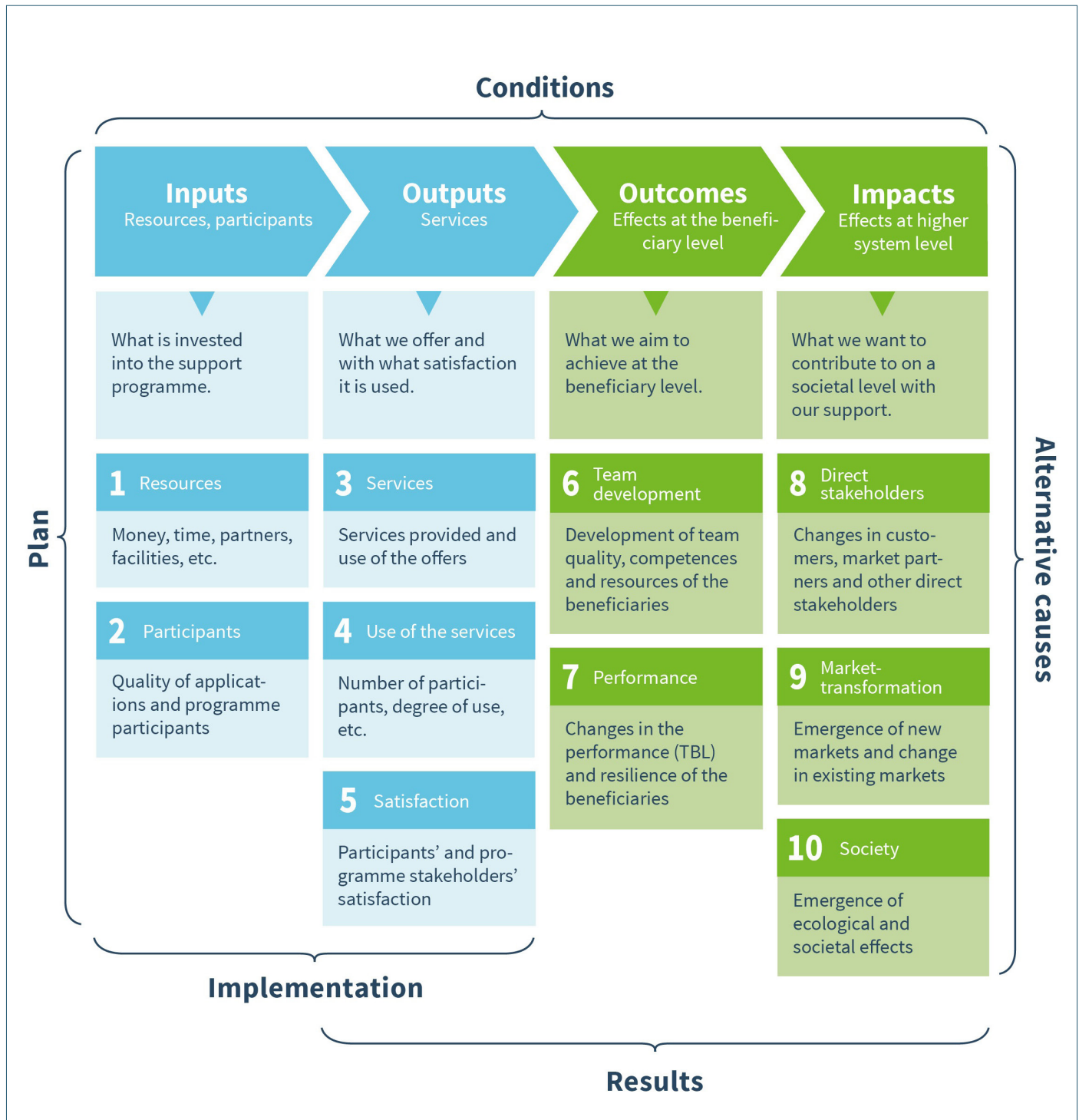


Figure 4: General logic model of a start-up support programme (Source: Borderstep Institute based on Kurz & Kubek, 2018, p.35)

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Analysing impact

Develop and select indicators

Input, output, outcome and impact indicators can be used to assess whether the defined impact objectives are achieved along the logic model levels. They support in assessing the programme's progress and impact and thus serve as an important instrument for a learning start-up support programme. Orientation for developing outcome and impact indicators is provided by internationally established indicator concepts, e.g. GRI, IRIS, IMP, etc.

Collect and analyse data

Based on a set of indicators tailored to the support programme, both quantitative and qualitative information is measured and assessed. With regard to impact analysis, two basic options can be distinguished: on the one hand, the analysis and evaluation of the funded cohort and, secondly, the comparison of the funded cohort with a comparison group. While cohort-internal analysis and evaluation only allow for assessing short-term outcomes and the medium- and long-term impact potential, comparative evaluation approaches allow for assessing actual medium- and long-term outcomes and impacts:

Improving and communicating impact

Learn & Steer

Based on the analysis of the results on the development of start-up quality and performance, the effects on the support programme itself and the funding organisation, as well as on the environment, society and economy, it is possible to identify the need for programme adjustments in line with set objectives. These insights can be used to optimise the programme in line with the objectives at programme and societal level.

Legitimate & Motivate

Ideally, beneficiaries and other programme stakeholders will be involved in the improvement process. If the results suggest it necessary, the programme can undergo a complete reorientation, including making adjustments to the programme's impact logic and reformulating programme and higher-level objectives. Communicating assessment results to the target groups of a support programme creates external and internal understanding for the efficiency and effectiveness of your programme's use of resources, enables the legitimisation of your funding approach by decision-makers and can help other actors in the start-up support system in using your impact management approach as orientation for their own work.

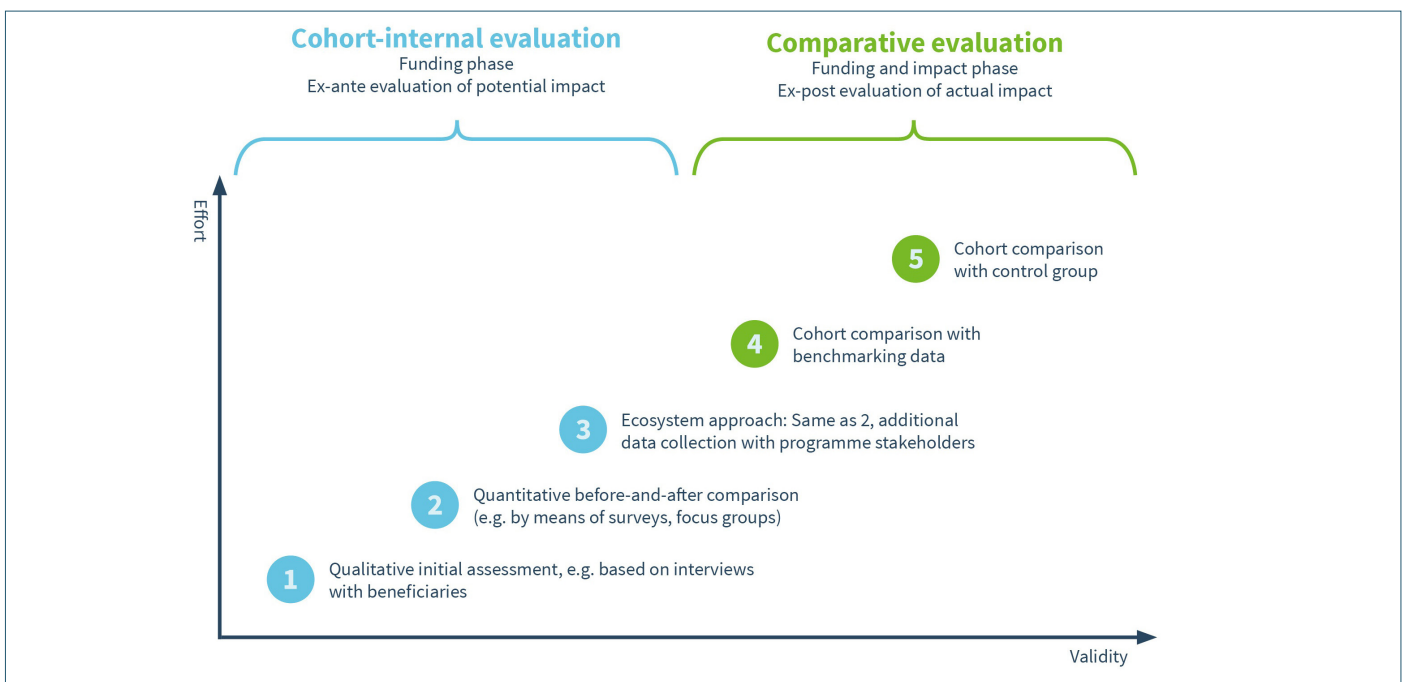


Figure 5: Approaches to impact analysis (Source: Borderstep Institute, 2018)

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Recommendations for action for impact-oriented funding policy

In the following, we present possible courses of action for policy makers and funding actors that are suitable for increasing impact orientation in the German start-up support system.

Development of a mission statement for impact-oriented start-up support

Programmes are an essential instrument for incentivising developments that contribute to meeting societal and environmental policy objectives, developing solutions to the major future challenges (Grand Challenges) and achieving the sustainable development goals. In the long term, new mission-oriented guiding principles for the start-up support system in Germany are important and urgently needed. An important next step would thus be to develop a vision for the European landscape of start-up support programmes with a time horizon that is similar to the one set by climate policy.

Establishment of an “Impact Management Forum” of start-up support organisations and funding institutions

So far, little experience has been gathered in the rather young field of impact management of start-up support. Therefore, it is all the more important that those who would like to advance in this direction and implement first steps can exchange their experiences and learn from each other. To this end, we propose establishing an “Impact Management Forum” of start-up support organisations, funding institutions and associations as a community of practice.

Establishment of reference and benchmarking data-bases

There is great need for developing and generating reference and benchmarking data for comparison groups. In the future, this will be key to answering the question of where start-up support programmes actually make a difference in the results chain of a supported start-up. In this regard, the reference and benchmarking data being developed in the “Score4Impact” project funded by the German Federal Ministry for the Environment from 2021 to 2024 can build an important basis. For funding providers and programme managers, making use of specialised assessment service providers, e.g. for self-assessment tools for start-ups, also presents an important option in the future.

Creation and further development of methods and data

In evaluation research and practice, a great deal of experience and know-how has been built up over the past decades on how evaluations can be carried out efficiently and effectively. However, impact assessment is still a young and underdeveloped subfield of evaluation, for which methodological and data-related foundations have yet to be created or further developed in the coming years. Important steps in this direction are, for example:

- Developing and adapting existing international standards on impact management and sustainability assessment and reporting (GRI, IRIS, IMP, etc.), specifically for founders and young companies (start-ups) or establishing specific standards for start-ups, e.g. through the internationalisation of the DIN SPEC 90051-1 Specification on Sustainability Assessment of Start-ups.
- Initiation of a research programme by national governments or on a European level for method development and data collection in the field of impact research and analysis of start-up support programmes. Such a programme should be used to further develop national, European or international research and innovation indicators.
- Without the participation of former programme beneficiaries, start-ups and young companies, sound impact assessment and management are not possible in the long term. The more start-ups establish and operate their own impact and sustainability management from the outset, the easier it will be to collect necessary data. In order to obtain meaningful comparative data, participation of a large number of start-ups and beneficiaries is important. Therefore, very lean reporting requirements for start-ups that provide them multiple benefits should be examined. Data collection would then not only serve to analyse the impact of support programmes, but also and in particular for the start-ups' own use, e.g. in investor communication.