Scaling for Growth
Unlocking the Potential of Europe's Startups and Scaleups

How Scaleups Are Building Tomorrow's Economy and What We Must Do to Fuel Their Growth

Sage

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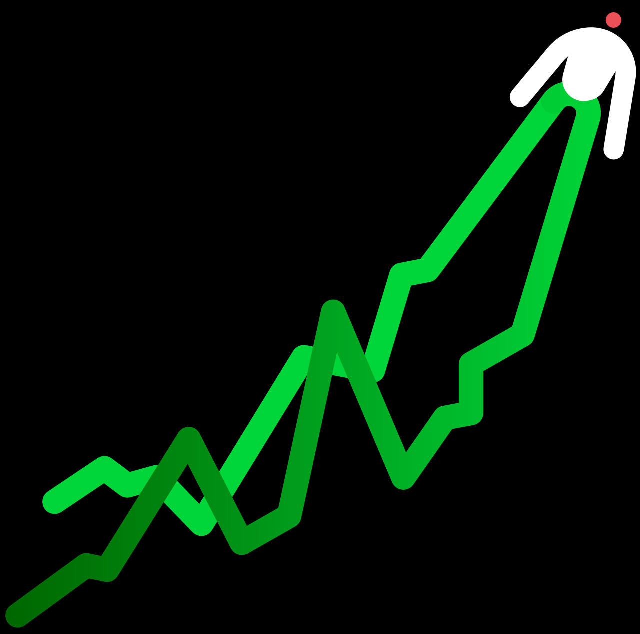


Foreword
by Derk Bleeker, Chief Commercial Officer

Europe is at a turning point. In a more competitive and unpredictable global environment, **this new research demonstrates that startups and scaleups will be central to the EU's future prosperity, creating jobs, driving innovation, and strengthening economic resilience.** Yet in order to thrive, they must overcome significant barriers including fragmented regulation, limited finance access, and digital policies that don't always facilitate their growth.

European scaleups are **growing at an average rate of 38% per year**, almost double the OECD's benchmark for high-growth firms. This makes them one of the continent's most powerful engines of innovation, job creation, and economic resilience. But their continued success is not guaranteed especially in today's uncertain world.

Unlocking their full potential will require targeted support and bold policy choices. The European Commission's Startup and Scale-up Strategy is a welcome step in that direction, with its strong focus on digital-by-default approaches and efforts to streamline how high-growth businesses operate and expand. To ensure this Strategy delivers maximum impact, Sage has commissioned **new research drawing on insights from over 7,500 scaleups** and next-generation scaleups **across 15 EU Member States**.

The research findings reveal **two critical enablers of scaleup success: digitalisation and cross-border trade.** However, too many businesses still face friction on both fronts. Fragmented systems, inconsistent national rules, and a still-maturing digital-led single market continues to slow progress. **Nearly half of surveyed scaleups say they need more support** to adopt the digital tools essential to their growth.

E-invoicing exemplifies how targeted digital solutions can deliver outsized impact. It reduces late payments by up to 20%, enables smoother cross-border operations, and **helps firms comply with growing sustainability and reporting requirements**. Embedding e-invoicing and similar tools into the EU's digital strategy would reduce bureaucracy and give businesses the confidence to expand faster and further.

Yet digitalisation alone cannot solve all barriers to growth. The research also highlights that **accessing the right talent—particularly with digital and AI skills—remains one of the most pressing challenges scaleups face**. This skills gap points to the need for stronger collaboration between business, education systems, and public-private investment in upskilling programs. Equally important is improving access to finance and rethinking how incentives like equity funding and tax relief can help founders scale sustainably.

Europe's scaleups are ambitious, resilient, and ready to lead. **With the right policy frameworks, they can become the global champions of tomorrow**—powering a more competitive, connected, and sustainable economy.

Europe's scaleups demonstrate remarkable optimism and growth potential even amid geopolitical and economic uncertainty. They need policy frameworks that match their ambition by delivering on the Startup and Scaleup Strategy, accelerating digital adoption, expanding finance access, and simplifying cross-border trade.

With the right support, today's scaleups will become tomorrow's global champions—driving Europe's economy, competitiveness, and resilience in the digital age.

About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses served by us, our partners, and accountants.

Customers trust our finance, HR, and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks, and governments, our digital network connects SMEs, removing friction and delivering insights. Knocking down barriers also means we use our time, digital tech, and expertise to tackle digital inequality, economic inequality, and the climate crisis.

At Sage, we are deeply committed to fostering an environment where digitalisation is an accessible, achievable goal for SMEs, rather than a threat. Our role is not only to provide technological solutions, but also to advocate for policies and practices that pave the way for SMEs to harness the full potential presented by digital adoption.

We are embedded in Europe's SME ecosystem: Sage is proud to serve European SMEs, building on over 30 years of presence in Europe and a thriving ecosystem of more 3,000 employees and 4,000 independent partners and smaller technology companies across 8 EU Member States: Austria, Belgium, France, Germany, Italy, Poland, Portugal, and Spain.

Markets surveyed

About this study

Strand and Sage commissioned a landmark survey of over 7,500 scale-ups and next-gen scale-ups across 15 EU Member States, as well as comparator studies in the UK, US, and Canada.

The data captures a wide mix of business sizes and sectors; business models (product vs. service, digital vs. physical); firm age, investment history, and export orientation; regional detail (NUTS 1 geography), enabling national and subnational insights.

Total sample size: 7,523 scale-ups across the EU-15.

EU-15 covered: Germany, France, Italy, Spain, Poland, Romania, Netherlands, Belgium, Greece, Czech Republic, Portugal, Sweden, Hungary, Austria, Bulgaria.

Executive Summary

In today's competitive and uncertain world, scaleups are proving themselves to be Europe's most dynamic engines of growth and economic resilience. These companies, having successfully transitioned from early-stage startups to high-growth businesses, are creating jobs, driving innovation, and strengthening Europe's position in the global economy. The OECD has long argued that high-growth scaleups don't just expand their own footprint - they lift productivity across the economy. They act as a magnet for attracting talent and capital, and they fuel broader efficiency and innovation.

Headline Findings

38%
year-on-year revenue growth for EU scaleups (vs 20% OECD benchmark)

67%
of next-gen scaleups struggle to access equity funding

91%
of scaleups say digital tech is critical to their growth

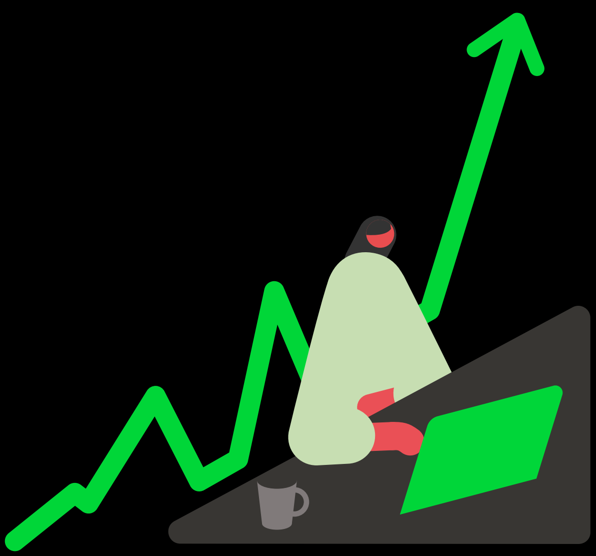
52%
of revenue on average comes from outside a scale-up's home country

98%
have expanded or plan to expand internationally

55%
of scaleups face challenges in hiring digital/AI-ready talent

New research from Sage, based on insights from more than 7,500 startups and next-generation scaleups across 15 EU Member States, as well as supplementary studies in the US, UK, and Canada, reveals the remarkable potential of European scaleups. On average, these businesses report 38% year-on-year revenue growth—nearly double the OECD's threshold for high-growth firms. Yet their continued success cannot be taken for granted, especially amid rising geopolitical pressures and intense global competition.

Despite their impressive performance, Europe's scaleups face significant systemic barriers that risk undermining their momentum. The ecosystem remains fragmented, with inconsistent approaches across markets that slow expansion and limit growth potential. Unlocking their full potential will require targeted support and bold policy interventions that address these fundamental challenges.



Four critical enablers of scale-up success consistently emerged from our research, though access and implementation of each varies significantly across Europe:

1. Digital Adoption – Scaleups rely heavily on digital tools, from ERP systems to AI, but uptake varies, particularly among next-gen scaleups. Gaps in access to key technologies, such as e-invoicing, open finance tools, and integrated AI systems, hinder productivity and cross-border scaling

2. Cross-Border Trade – A frictionless Single Market is essential for scaleups to thrive. Yet, regulatory fragmentation, lack of harmonisation, and complex compliance rules are holding many businesses back.

3. Access to Finance – The majority of European scaleups have secured external capital, but next-gen firms struggle to move beyond early-stage financing. With just 5% of global VC flowing into the EU, unlocking private capital is vital.

4. Access to Talent – Digital and AI-ready talent shortages remain a top concern across the continent. Without workforce alignment and targeted upskilling, scaleups will struggle to sustain or accelerate growth.

The solutions to ensure every European business can access these four enablers are within reach. Many have already been identified by policy makers. The challenge now is to implement them with urgency and consistency. **By building a digital-by-default Single Market, enabling seamless digital trade, unlocking equity investment, and aligning skills with emerging technologies. Europe can become the best place in the world to scale a business.**

OECD Centre for Entrepreneurship, SMEs, Regions and Cities

This report builds on and echoes the pioneering work of the OECD, in particular through its Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), which has led the way in identifying the policy conditions that enable startups to scale. The OECD has been instrumental not only in setting the recognised definitions of scaleups but also in providing a robust evidence base for policymaking through extensive data collection and international benchmarking.

The OECD's work highlights the critical role scaleups play in driving economic growth, innovation, and job creation. Its policy research examines the factors that underpin SME expansion, including talent access, digital transformation, local ecosystem strength, and financing conditions. It also explores the barriers scaleups face as they outgrow early-stage support systems and begin to navigate more complex regulatory, international, and capital challenges.

The OECD's SME and Entrepreneurship Performance Dashboard is a valuable tool for policy makers, offering cross-country data and indicators that allow policymakers to benchmark SME and scale-up performance and assess the effectiveness of policy interventions.

Our report builds on these insights and seeks to localise and apply them to the current European context. In doing so, we aim to contribute to the growing international consensus around the importance of enabling scale-up growth as a strategic economic priority.

Source: OECD (2010), High-Growth Enterprises: What Governments Can Do to Make a Difference; OECD SME and Entrepreneurship Outlook (2023)

Introduction
The Competitiveness Imperative

Europe is at a crossroads. As global challenges mount—from geopolitical instability and inflation to accelerating technological change and sustainability imperatives—European policymakers are being called upon to make bold choices. To remain globally competitive, the EU must support the companies that are best positioned to drive growth, create jobs, and lead the green and digital transitions.

Startups and scaleups are central to this effort. Their agility, innovation, and ambition make them essential to the EU's broader competitiveness agenda. As highlighted in recent flagship reports from Enrico Letta and Mario Draghi, Europe's long-term competitiveness hinges on the ability of its high-growth businesses to scale, compete globally, and remain anchored in the EU.

CASE STUDY: PARTOO

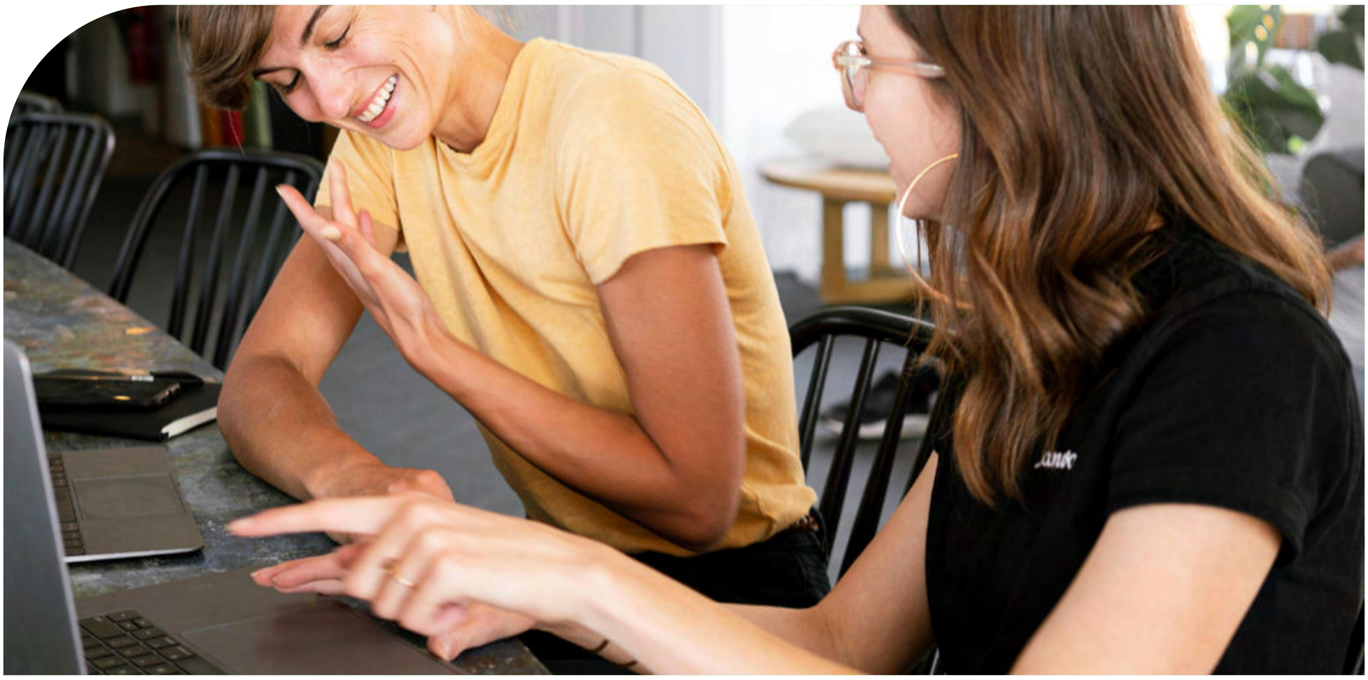
Scaling with Digital Focus and International Reach

Partoo is a B2B SaaS company that helps local businesses get closer to their customers by improving their online visibility and reputation. It works with enterprise clients like Carrefour, Leroy Merlin, and BNP Paribas. After several years of rapid growth—reaching €36 million in annual recurring revenue - Partoo is now focused on sustainable growth, profitability (reached in 2025), international expansion, and new products, including AI features.

Key milestones include growing from 10 to over 350 employees in under eight years, becoming the leader in France for local SEO and review management, expanding into Spain, Italy, Latin America, and the Middle East, and launching an AI-powered review response tool that has already processed over 1 million reviews—saving the equivalent of 25 years of work for clients.

Digital technology is central to both the product and the way the company operates. Its platform uses automation and APIs to connect with services like Google, Facebook, and Apple Maps. Internally, tech supports everything from lead generation to onboarding and renewals.

Partoo was bootstrapped up to €6M ARR, before bringing in Fimalac Investment to support long-term goals without pressure for hyper-growth. With 50% of revenue now generated outside France, the company continues to scale through strong execution and customer focus.



Engines of Growth across Europe

The data tells a compelling story. European scaleups are delivering remarkable growth:

- **38% average annual revenue growth**, well above the OECD's 20% international benchmark. This is slightly below the UK (43%), but represents a very strong growth rate vs. global benchmarks.
- **93%** want to keep their business headquartered in Europe, demonstrating strong regional loyalty. This is roughly the same as scaleups in Canada (93%), the UK (95%) and the US (96%).
- **87%** expect their revenue growth to accelerate in 2025.

These companies are the engine of Europe's innovation economy, spanning sectors from climate tech to life sciences. **While 40% operate in the technology sector, digitalisation is now fundamental across industries—from manufacturing and retail to energy and agriculture.** This diversity means that scaling is not a one-size-fits-all journey–a point which the OECD has consistently underscored in its own studies. Europe's high-growth firms include both young and established businesses, digital natives and traditional players alike. Policy must reflect this reality, with tailored support for scaleups at every stage of their growth.

Yet for the next generation of scaleups—those with high potential but not yet growing at scale—the road ahead is more uncertain. Only 48% feel confident about their ability to scale within Europe, and their growth expectations are significantly lower than those of their more established peers.

Barriers to Growth

The potential of European scaleups is substantial, but so are the barriers they face. These challenges are consistent across markets and sectors, and they disproportionately impact next-gen companies and those in earlier stages of scaling:

Access to finance: 68% of scaleups and 75% of next-gen scaleups cite access to capital as a barrier–this compares to just 51% in the UK, 49% in Canada and 40% in the USA.

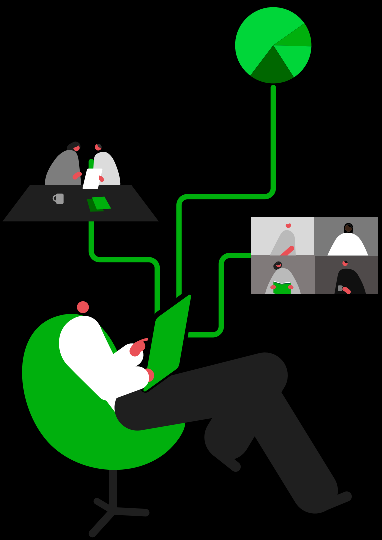
Regulatory complexity: 52% of scaleups and 50% of next-gen scaleups say regulatory burden holds them back.

International market access: Nearly half of all respondents report difficulty expanding across borders.

Access to skills: 48% of scaleups and 42% of next-gen scaleups cite talent shortages as a significant barrier.

While many of these barriers are long-standing, the urgency to resolve them is growing. Scaleups operate in fast-moving industries—if they cannot grow quickly, they risk falling behind globally or relocating to more supportive markets.

Key Findings



DIGITAL TECHNOLOGY

40%

of scaleups are in the tech sector, yet digital is mission-critical across industries

91%

say digital tools have been critical or very important to their growth, this is just behind the US rate (95%)

ERP, AI, and data-driven decision-making are central to their success, with 65% of scaleups using ERP technology

SUSTAINABILITY

84%

say sustainability is important to their business

34%

say it is core to their business model

CROSS-BORDER TRADE

57%

of scaleups generate a majority of revenue outside their home country

72%

of international trade is within the EU, underscoring the importance of the Single Market

AI AND DIGITAL MATURITY

One-third

of scaleups report using AI, but only a third of those say it works well

The most digitally mature firms are also the most likely to grow rapidly, with this saying that digital technology is 'critical' to their business growing 32% faster year on year than those who say it is not important

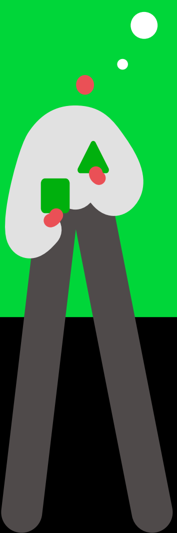
Scaleups that have adopted AI currently report year-on-year growth rates around 21% higher, on average, than those that haven't

REGULATORY FRICTION

62%

of scaleups call for simpler, more harmonised EU regulation

More than half want stronger EU-level support for cross-border trade



GLOBAL AMBITIONS

93%

of scaleups intend to stay headquartered in Europe

69%

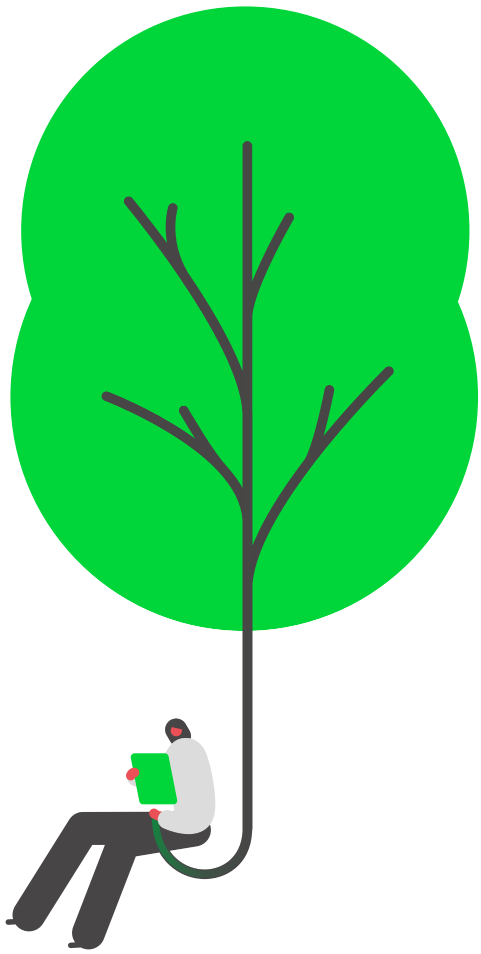
of scaleups are currently confident in their business performance

71%

of scaleups are satisfied with their business' ability to grow and scale

Looking Ahead
The Case for Action

Europe's startup and scale-up ecosystem is a source of progress but critically untapped potential. These firms want to grow here. They want to lead the digital and green transitions from inside Europe. But they need the right support to do so. Supporting this ecosystem is critical for Europe's future economy, with research from the OECD has demonstrated that countries with a higher share of scaleups contribute more to overall growth.



The following chapters outline four critical enablers for EU policymakers to focus on:

Digital Adoption:

From e-invoicing to AI, scaleups need access to tools that help them scale

Cross-Border Trade:

A more frictionless Single Market and expanded regulatory harmonisation are essential.

Access to Finance:

A deeper equity market and improved access to institutional capital will power growth.

Access to Talent:

Closing the digital talent gap is a prerequisite for scaleup success.

The EU has a unique opportunity to lead. With the right frameworks, incentives, and political will, it can become the best place in the world to scale a business.

The rest of this report sets out the data, insights, and policy recommendations needed to make that vision a reality.

Critical Enabler
Digital Adoption

Why it matters

Digitalisation is the backbone of modern scaleups. From managing cash flow and operations to driving international expansion and sustainability goals, digital adoption determines how effectively a company can scale. Yet, despite overwhelming recognition of their importance, access to and implementation of next-generation digital tools remains fragmented across the EU.

The EU's Digital Decade targets, such as 75% of businesses using cloud, AI and big data, and over 90% of SMEs reaching at least a basic level of digital intensity by 2030, set a clear direction. But progress is deeply uneven, and many high-growth and potential high-growth firms risk being left behind unless these ambitions are met with accelerated, coordinated action.

The state of play

According to our research, **91% of scaleups say digital technologies have been critical or very important to their growth.** These technologies go well beyond the tech sector: ERP systems, e-invoicing, cloud platforms, AI tools, and digital ID solutions are now core components of competitiveness across all industries.

Despite this, digital adoption is still uneven. **Next-gen scaleups are significantly less likely to have access to advanced tools,** and even among digital adopters, usage does not always equate to value. For example, while a third of scaleups report using AI, only a third of those say it is currently delivering well for their business. The gap between adoption and effectiveness is wide and growing.

The late payment problem

Digital tools are particularly powerful when used to automate admin, streamline compliance, and reduce friction. One clear area of opportunity is **late payments**—a persistent barrier to growth and liquidity. Our data shows that **e-invoicing adoption can lead to 20% faster payment cycles,** freeing up vital cash flow and reducing insolvency risks[1]. Among the smallest next-gen scaleups (under €5 million in revenue), **31% cite getting paid on time as a major challenge,** highlighting the critical role of cash flow and access to capital at every stage of the growth journey. Strengthening digital financial infrastructure can help close this gap.

As the Startup and Scaleup Strategy sets out an ambitious vision to position the EU as the best place in the world to start and scale tech-driven companies, e-invoicing must be seen as a strategic asset. It helps tackle late payments, boost businesses' cashflow, and acts as a gateway to adopting more advanced tech–such as AI and cloud technologies. This builds on the VAT in the Digital Age (ViDA) package, which will mandate e-invoicing for cross-border transactions from 2030, and new e-invoicing activities in the Single Market Strategy, including revising current rules on e-invoicing in public procurement. In parallel, the proposal for a European Business Wallet set for Q4 2025, which will establish a digital identity for all economic operators, can further incentivise the use of e-invoicing to facilitate seamless digital interactions between businesses and public administrations.

1) Sage finds small European companies can unlock €13,500 in annual Savings with e-invoicing

ERP: the digital foundations

Once firms have achieved a foundational level of digitalisation, they can begin to unlock the full value of more advanced tools, driving productivity, improving decision-making, and scaling operations efficiently. **Enterprise Resource Planning (ERPs) systems are a foundational tool for scaleups—providing the digital infrastructure needed to manage growth, integrate core functions, and prepare for more advanced technologies like AI.**

We see the impact of this across our data, with digitally mature firms consistently report stronger revenue performance, underscoring the competitive edge digitalisation provides.

Today, 95% of European scaleups have implemented ERP systems. Of those:

- **85%** report saving time and streamlining internal processes, freeing up teams to focus on higher-value work;
- **81%** use them to automate routine tasks, improving consistency and reducing human error;
- **75%** say ERP enables better financial decision-making by providing real-time visibility into business performance;
- **69%** cite more effective cash flow management as a key benefit, helping them better navigate uncertainty and growth cycles.

The integration of AI further amplifies this potential, enhancing forecasting accuracy, personalising customer service, and optimising operations at scale. However, without targeted support and guidance, many startups and scaleups remain stuck in the experimentation phase, unable to move from pilots to real-world deployment. Closing this gap must be a priority if Europe is to remain competitive on the global stage.

CASE STUDY: LIDERKIT

Scaling Through Digital Transformation

LIDERKIT manufactures industrial bodies in kit form, ready for assembly, with a fully personalised approach. Its mission is to transform the industrial sector through technology, aiming to become a European leader in innovation, efficiency, and delivery speed.

The company began as a traditional business and has since undergone a full digital transformation. It selected Sage X3 as its foundation and developed in-house solutions that enable full real-time control from order to production. LIDERKIT now manages thousands of orders annually with complete traceability and exports to over 60 countries.

Sage X3 sits at the centre of a fully integrated system, including proprietary mobile apps, machine connectivity, and predictive maintenance - without reliance on third parties.

LIDERKIT has followed a sustainable growth strategy based on continuous reinvestment of its own resources. These investments include process digitalisation, proprietary technology linked to Sage X3, new machinery, industrial automation, and facility expansion. This has allowed the company to scale efficiently while maintaining control at every stage.

The company highlights a lack of agility in public support for medium-sized industrial businesses. To address talent gaps, particularly in profiles combining manufacturing and tech skills, LIDERKIT is investing in internal training and collaborating with educational institutions.

It calls for greater visibility and institutional backing for companies already demonstrating sustainable growth and impact.

Driving sustainability through the digital transition

Digital tools are essential to achieving Europe's sustainability objectives, particularly by improving ESG transparency and enabling accurate, scalable carbon accounting. **Among scaleups, 84% say sustainability is important to their business, and over a third say it is core to their business models. Yet reporting remains too complex and resource-intensive.** Integrated digital solutions, such as linking e-invoicing systems with carbon accounting platforms, present a significant opportunity to automate emissions tracking across supply chains. Advancing such tools at scale would not only support the EU's climate goals but also reinforce the Single Market Strategy by reducing reporting burdens and facilitating the interoperable flow of data across borders.

Recommendations: Digital Adoption

1. **Mandate e-invoicing** and embed it in legislation to reduce late payments and boost cashflow.
2. **Work with the EU Payment Observatory** to improve payment culture across Europe.
3. **Use e-invoicing as a gateway to AI/cloud tech**, linking it to broader digitalisation.
4. **Promote carbon accounting tools** to link digitalisation with sustainability.
5. **Support the adoption of digital HR, payroll, and financial tools** to ease administrative burdens for scaling businesses.

Critical Enabler
Cross Border Trade

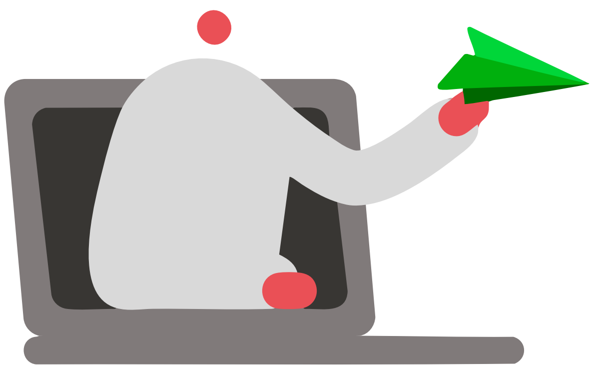
Why it matters

International expansion is a defining feature of successful scaleups. Businesses that cross borders grow faster, become more resilient, and access wider customer bases. In Europe, the Single Market is a critical lever for achieving that scale—yet many startups and scaleups still struggle to navigate fragmented regulatory environments and complex compliance regimes.

The state of play

Our research reveals that **77% of scaleups have already expanded internationally**, and a further 20% are in the process of doing so. On average, scaleups generate **52% of their revenue from outside their home country**. For the most successful firms, the Single Market provides the first stepping stone to global expansion.

However, while the Single Market should be a competitive advantage for EU-based businesses, **too many scaleups cite trade friction and regulatory duplication as barriers** to faster or broader expansion. **62% of scaleups call for simpler regulation**, and over half want stronger EU support for cross-border growth.



Intra-EU trade: high volume, high friction

Significantly, **72% of international revenue reported by scaleups is intra-EU**. This underscores the continued relevance of the Single Market — but also highlights the pain points that businesses encounter within it. Administrative complexity, VAT mismatches, licensing delays, and divergent national digital rules all slow down progress.

For next-gen scaleups, the picture is more challenging. With fewer internal resources and less regulatory experience, they are more likely to limit their operations to domestic markets — risking slower growth and reduced competitiveness.

Regulatory divergence and missed opportunities

The fragmentation of rules for digital services, taxation, and professional recognition creates inefficiencies that scaleups can't afford. Businesses want a predictable, interoperable, and digital-first trade environment. The European Commission's proposed 28th regime, a voluntary, harmonised legal framework for corporate compliance across Member States, expected in early 2026, is welcome. Crucially, it aims to complement existing national laws rather than replace them, providing companies that opt in with a single set of rules for cross-border activity in areas like digital taxation, company registration, and corporate reporting.

For startups and scaleups, this could significantly reduce legal complexity, compliance costs, and barriers to international growth. **If implemented with a digital-by-default mindset, including real-time data sharing, streamlined e-government services, and mutual recognition of digital credentials, the 28th regime could lay the groundwork for a truly borderless Single Market for high-growth firms.**

Turning this vision into reality will also require simple, harmonised, and accessible standards tailored to startups and scaleups. The upcoming revision of the EU's Standardisation Regulation, expected in the first half of 2026, presents a key opportunity to help make the ecosystem more agile, competitive, and conducive to scaling.

CASE STUDY: EDFLEX

Building a European Learning Champion

Edflex is a fast-growing European edtech company that curates learning content for large corporations. With over 1.5 million users, 100+ employees, and €17 million raised, it is now firmly in the scale-up phase—focused on structure, impact at scale, and international growth.

Since launching in 2016, Edflex has expanded rapidly, with key milestones including its first VC rounds in 2021 and 2023, the launch of Edflex Prime, and the rollout of its AI-powered learning assistant, Edflex Copilot. The company now operates in France, Italy, and North America, with plans to deepen its presence in Germany, Spain, Benelux, and English-speaking markets.

Technology is central to Edflex's value proposition, from seamless LMS integration to generative AI. Yet its biggest growth challenge lies in Europe's fragmented market—where HR standards, procurement rules, and cultural differences vary widely.

Public tenders and compliance-heavy procurement processes remain key barriers. Edflex calls for a single European market for corporate learning: defined by interoperable standards, easier access to cross-border tenders, and sovereignty preferences that support EU-based solutions.

The company believes this isn't about protectionism, but about strategic autonomy—and enabling scaleups aligned with European values to compete on fairer terms.

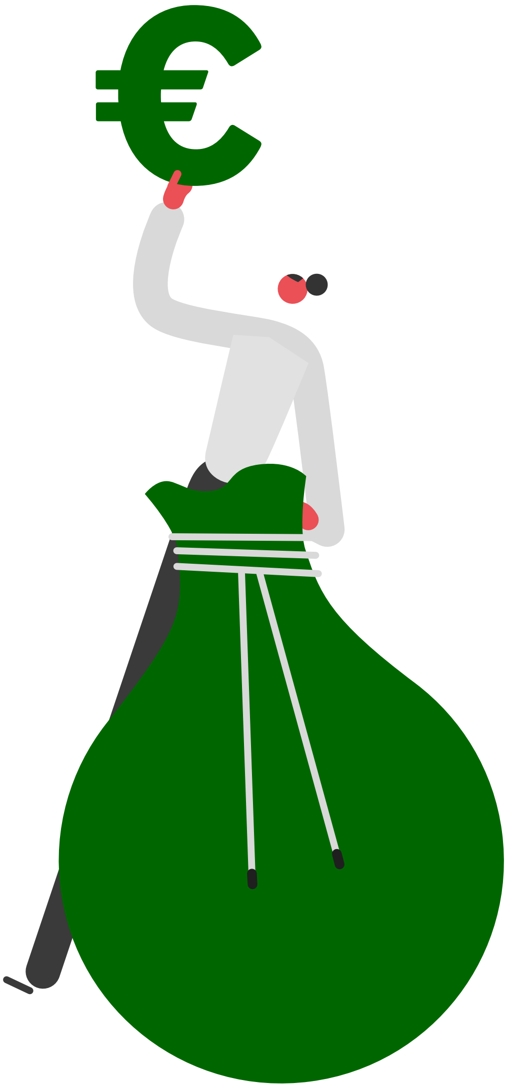
Policy Recommendations: Cross Border Trade

1. **Prioritise a digital-by-default approach in the upcoming "28th regime"** – harnessing digital tools such as e-invoicing to streamline transactions and reduce administrative burden.
2. **Use the OECD definition for startups and scaleups in the upcoming European Innovation Act** - to ensure regulatory alignment at the international level
3. **Prioritise automation in financial reporting, payroll, and compliance** to ease cross-border operations.

Critical Enabler
Access to Finance

Why it matters

Access to capital is a prerequisite for scale. From funding R&D and hiring, to expanding internationally and acquiring new technologies, scaleups require sustained financial investment to thrive. But Europe's capital markets are fragmented, conservative, and less mature than those in other global innovation hubs — placing European businesses at a structural disadvantage.



The state of play

Our research shows that **98% of scaleups have accessed external funding**, typically from a combination of venture capital, private equity, and other forms of equity finance. Many of these firms have successfully moved through funding rounds from seed to Series C and beyond. However, **next-gen scaleups face far greater difficulties** in moving from early-stage financing into growth capital.

A two-track funding ecosystem

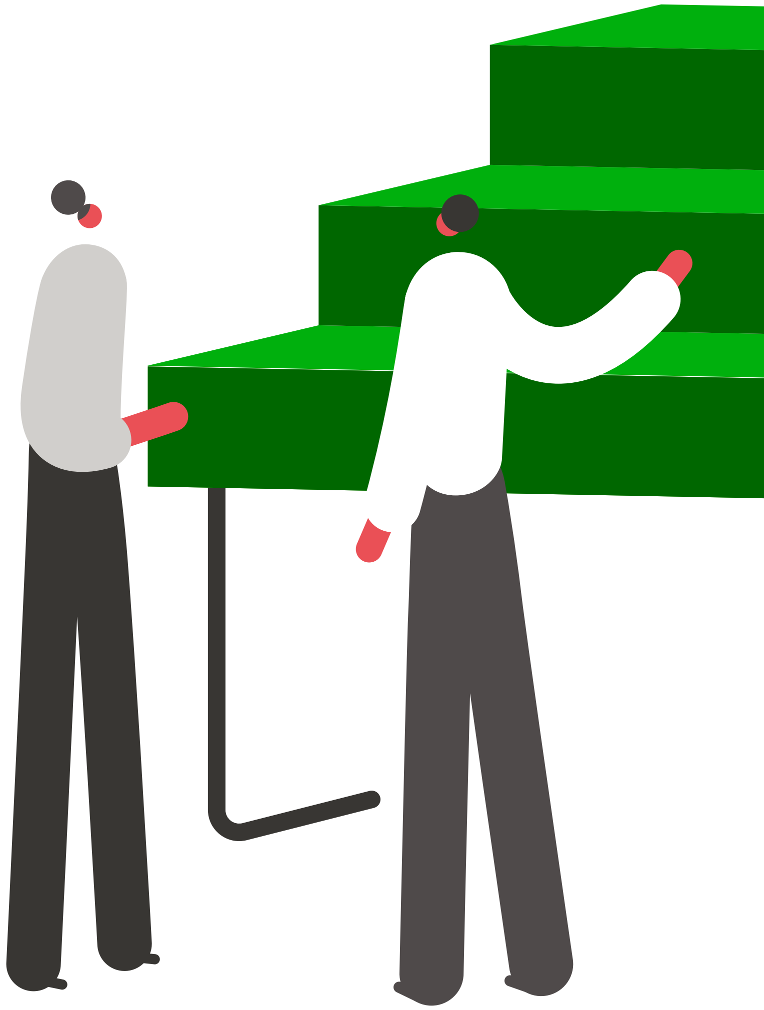
The data paints a picture of divergence. Scaleups tend to have stronger networks, more visibility with institutional investors, and clearer growth metrics. Next-gen firms — often earlier in their journey — report limited access to venture capital (VC), difficulty navigating grant systems, and a lack of clarity around investment readiness. **67% of next-gen scaleups report struggling to access equity funding, despite promising growth trajectories.**

These firms are falling into a "scale-up gap": too large or complex for seed funding, but too early-stage or risky for late-stage institutional capital. The risk is that many never reach their full potential.

Europe's structural funding challenge

The EU attracts just 5% of global VC flows, with a significant portion concentrated in a handful of Member States. Despite deep pools of household savings, much of this capital remains untapped for productive investment. The European funding ecosystem still lacks the scale and integration seen in US capital markets, with regulatory fragmentation, limited investor depth, and high risk aversion contributing to chronic underfunding of growth-stage businesses. To tackle this challenge, the European Commission's Savings and Investment Union aims to better align Europe's savings with investment needs. **As Mario Draghi has argued, mobilising an additional €750–800 billion annually by 2030 will be essential to ensuring Europe's long-term competitiveness.**

Public funding instruments, including EIC and EIB-backed vehicles, are essential but insufficient. The EU must do more to crowd in private capital, de-risk later-stage investments, and incentivise equity over debt. **The Startup and Scaleup Strategy puts forth encouraging actions in this regard, including the introduction in 2026 of the Scaleup Europe Fund - a large, market-based equity fund to finance late-stage deep tech companies - and additional measures to support cross-border angel investment.**



Funding that evolves with growth

Our analysis also shows that successful scaleups have relied on different funding sources at different stages of growth—from angel investors and accelerators to VC, PE, and institutional capital. Policies must reflect this evolution and support each phase accordingly.

Policy Recommendations: Access to Finance

1. **Expand the Trusted Investors Network** beyond deep tech to include more high-growth companies.
2. **Encourage Member States to implement tax incentives** for startups/scaleups that reinvest in digital capabilities.
3. **Establish a single EU financial centre** to attract investment with harmonised, competitive taxation.
4. **Increase access to equity funding and reduce business taxes**, particularly to support next-gen scaleups.

Critical Enabler
Access to Talent

Why it matters

No matter how innovative a business is, or how well-funded its roadmap, without the right talent, it cannot grow. The success of Europe's digital and green transitions hinges not just on technology or investment, but on people with the skills to deliver them. Startups and scaleups consistently identify talent shortages—particularly in digital, AI, and technical disciplines—as a core constraint on their ability to scale.

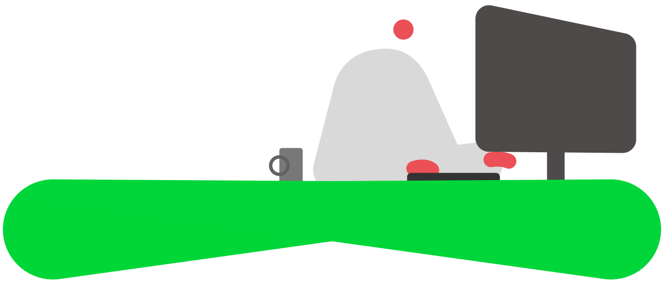
Europe's ability to compete globally in the innovation economy hinges on its capacity to skill, attract, and retain talent. The Union of Skills pinpoints the need to boost Europeans' entrepreneurial, financial, and investment skills – as the essential foundation of launching and scaling successful startups. And the **EU has ambitious Digital Decade goals that aim for 80% of adults having basic digital skills and at least 12 million ICT specialists by 2030.** While these targets remain ambitious, further work is needed to close the gap.

The Startup and Scaleup Strategy puts forth bold actions to attract and retain highly-skilled talent, but public-private partnerships must be recognised as key drivers of progress – particularly in areas such as AI, digital tech, and advanced STEM skills. By aligning education and training programs with industry needs, such partnerships directly contribute to the Digital Decade agenda and help ensure startups and scaleups have access to a skilled workforce capable of driving innovation and growth.

The state of play

Our survey reveals that **55% of scaleups and 48% of next-gen scaleups** cite access to skilled workers as a barrier to growth. These shortages are most acute in high-demand areas such as data science, AI engineering, cybersecurity, and cloud infrastructure.

While this is a continent-wide issue, the impact is disproportionately felt by high-growth firms, which need to scale rapidly, iterate quickly, and build globally competitive teams. Without enough skilled workers, startups delay product launches, forgo new markets, and struggle to adopt the very technologies that are essential to their competitiveness.



Mismatch between education and market needs

Despite Europe's world-class academic institutions, there remains a disconnect between what students are trained in and what startups and scaleups need. Many scaleups also struggle to compete with large corporations for top talent, and face challenges in onboarding international candidates due to visa complexity and mobility limitations.

University spin-outs—important engines of innovation—are not evenly distributed. Just **7% of European scaleups are spin-outs**, with significant variation between countries (e.g. 12% in Germany vs. 3% in Romania). This points to an untapped opportunity to more closely align higher education, R&D, and entrepreneurship.

AI and digital transformation amplify urgency

As digital transformation accelerates, the need for skills in AI, automation, and advanced IT systems will only grow. If Europe wants to lead on AI, it must not only fund the technology—it must train the people who can develop, deploy, and scale it responsibly.

CASE STUDY: agriBIOME

Using AI to Rethink Sustainable Livestock Farming

agriBIOME is a fast-scaling agri-tech company from Düsseldorf that aims to create healthier, more sustainable farming. The company is redefining livestock feed by breeding earthworms with unique microbiota. When fed to chicks and piglets, these improve gut health, reduce the need for medication, and ultimately support food systems that are better for animal welfare, sustainability, and human health.

Digital technology has been embedded in agriBIOME from the start. The company uses its own AI systems to maintain the worm microbiome, operate climate chambers, and support carbon-neutral, fully automated production. Sage software powers agriBIOME's ERP, production planning, and HR systems—creating a highly efficient, integrated platform that underpins international growth.

With its first US subsidiary already established, agriBIOME has ambitious expansion plans for other species and global markets. The company is now part of the Scale-up.NRW programme and has received support from the German federal and regional governments. It has also gained international traction -winning the Agri Food'ture Challenge in France and building partnerships in the UK, Hungary, Austria, and Denmark.

agriBIOME's mission-driven model shows how digital tools can scale breakthrough innovation in one of Europe's most vital sectors: agriculture.

Policy Recommendations: Access to Talent

To ensure a future-fit workforce that supports the scale-up ecosystem, we recommend:

1. **Promote public-private partnerships** to align training with industry needs.
2. **Dedicate EU Social Fund resources** to digital upskilling programs for all age groups.
3. **Invest in STEM education for girls and women,** including mentorship and apprenticeships, to close the gender gap in tech and scaleups.

Conclusion

This report echoes longstanding research vs insights from the OECD of the critical role that startups and scaleups play in shaping Europe's economic future. With an average **annual growth rate of 38%**, these businesses are already powering the continent's innovation, creating high-quality jobs, and driving both the green and digital transitions. They are among Europe's most dynamic engines of resilience and competitiveness.

But their continued success cannot be taken for granted. Despite their strong performance and ambition, **scaleups still face systemic barriers that risk slowing growth**, diluting competitiveness, or pushing talent and capital elsewhere.

At Sage, we are ready to step up. **Our technology helps millions of SMEs and scaleups across Europe to grow faster**, operate more efficiently, and remain compliant. Drawing on our long-standing experience supporting businesses at every stage of their journey - from startup to scale-up and beyond - we offer practical tools, data insights, and policy solutions to accelerate their success.

Unlocking the full potential of Europe's next generation of global champions will require targeted action in four critical areas:

1. Accelerating digital adoption

ensuring scaleups can access and implement tools like e-invoicing, ERP systems, and AI to drive productivity, reduce admin, and stay compliant.

2. Simplifying cross-border trade

by reducing regulatory fragmentation, harmonising rules, and building a digital-by-default Single Market that works for scaling firms.

3. Improving access to finance

by unlocking more equity investment, crowding in private capital, and aligning Europe's savings with the needs of high-growth businesses.

4. Expanding access to talent

through targeted investment in digital and AI-ready skills, ensuring scaleups have the workforce they need to succeed.

The tools to do this already exist—and so does the ambition. With the right frameworks and political will, Europe can become the best place in the world to start, scale, and sustain a business.

Sage stands ready to support that vision.

Member State Snapshots

While this report provides a European-level view of startups and scaleups, we recognise that policy, funding, digital infrastructure, and skills ecosystems vary significantly across Member States, shaping the opportunities and barriers that these companies face in each market. That's why we've included individual country snapshots of our core European markets highlighting key trends, national strengths, and distinct challenges. These profiles are designed to support more targeted engagement and help policymakers, investors, and business leaders understand how scale-up conditions differ across the region.

France

AI Integration Driving Exceptional Growth Among Scaleups

Germany

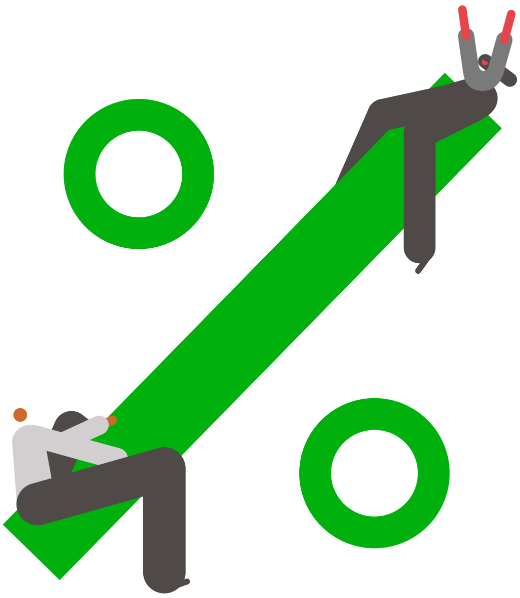
Industrial Strength, Digital Opportunity

Spain

Realising Digital Ambitions

France
AI Integration Driving Exceptional Growth Among Scaleups

France is well-positioned to drive Europe's next wave of digital innovation, supported by significant government engagement, robust digital adoption, and strong market confidence among scaleups. Driven by a proactive national strategy, particularly regarding artificial intelligence and technological investment, French startups outperform many of their European counterparts on several key indicators. French scaleups assert themselves as leaders in integrating digital technologies, notably artificial intelligence (AI), into their core activities.



Key Insights:

Revenue Growth: French scaleups recorded an average annual growth of 42% over three years, 4 points higher than the European average (38%).

- **Confidence in the Future:** 92% anticipate accelerated growth in 2025, compared to 87% at the European level.
- **AI Integration:** 31% of French scaleups have fully integrated AI into their operations, versus 24% across the EU.

Distinctive Strengths:

Exceptional growth within France's startup ecosystem.

- **Revenue Growth:** French scaleups report an impressive 42% three-year year-over-year revenue growth, exceeding the European average of 38% by 4 percentage points.
- **Growth Confidence:** 92% of French scaleups expect faster growth in 2025 compared to 87% of EU scaleups. French scaleups rate their confidence in continued scaling at 9.1/10 and 79% are very likely to keep their headquarters in France. The dynamism of French scaleups is further reflected by 84% expressing intentions to expand internationally, ten percentage points higher than their European neighbors.

AI, tech, and innovation leadership.

French companies are at the forefront of digital transformation and AI adoption:

- **AI Integration:** 31% of French scaleups report having fully integrated AI throughout their operations, compared to 24% of EU scaleups.

France

AI Integration Driving Exceptional Growth Among Scaleups

Barriers:

Despite their digital leadership, French scaleups face common European hurdles:

- **Funding Sources:** 76% secured equity from European investors, while only 12% accessed non-European equity (compared to 20% EU average)
- **Growth Barriers:** 67% cite access to finance as their primary growth barrier.
- **IPO Challenges:** 44% identify high costs of listing as the main deterrent to pursuing IPOs
- **Talent and Skills Shortage:** Reflecting broader European trends, French scaleups struggle to recruit qualified digital and AI talent, essential to sustaining rapid growth and innovation capacity.

Opportunities:

France's proactive political environment, exemplified by initiatives such as France 2030 dedicated to AI with €2.5 billion investments, and specific programs like IA-Cluster and IA-Booster, offer significant opportunities for startups and scaleups. This strategic positioning allows France to further strengthen its leadership within the European technology landscape.

Policy Recommendations:

1. **Improve Access to International Capital:** Develop interconnections between European financial centres (Paris-Milan-Frankfurt, etc.) to enable companies to raise large amounts of financing (in excess of €100 million) within the EU. Broaden and facilitate access to equity financing and mobilise institutional investors to support new-generation scaleups in their industrial and commercial scale-up phases, through a European TIBI initiative.
2. **Strengthen Single Market Integration:** Advocate at the European level for regulatory simplification and the creation of a more coherent, "digital by default" single market framework, removing administrative barriers to cross-border operations and supporting business growth across Europe.
3. **Expand Digital and AI Skills Training:** Prioritize public-private partnerships focused on digital and AI skills training aligned with business needs. Strengthening initiatives such as IA-Cluster could position France as a European leader in technological talent development, directly benefiting innovation and scale-up growth.
4. **Enhance Sector Diversity:** Only 18% of French scale-up leadership positions are held by women, compared to 21% in the rest of Europe. Measures must be implemented to improve women's access to digital careers, particularly leadership roles. Setting up a pledge charter for investment funds and public institutions, so that a percentage of their investments is devoted to companies applying diversity policies, particularly in favour of equal pay and parity in positions of responsibility.

Germany
Industrial Strength, Digital Opportunity

Germany's scale-up landscape is rooted in its industrial backbone, home to the Mittelstand and characterised by sectoral diversity, technical expertise, and robust public support. Its businesses lead in operational infrastructure and sustainability, but growth ambitions and digital intensity lag slightly behind EU peers. This reflects both the unique strengths and systemic frictions of Germany's economy: high precision, but slower momentum.

This creates a clear opportunity: to accelerate Germany's transformation from a tech-enabled manufacturing power to a fully digital scale-up economy.

- **Revenue growth:** German scaleups report 35% annual growth, just under the EU average of 38%.
- **AI adoption:** 55% of firms report some level of AI use.
- **Access to equity finance remains a challenge:** 66% cite it as an issue.
- **Digital talent access:** 53% are satisfied, the highest among surveyed countries.
- **ERP adoption:** 97% of firms use ERP, the highest in the EU.
- **Single Market confidence:** 74% see it as a growth driver, the top among the Big Five economies.

Key Insights:

Sectoral diversity: Only 33% identify as tech firms (EU's lowest), reflecting strong representation from manufacturing, logistics, and industrial services.

Tech-enabled: 89% cite digital technology as critical to operations, 5 points below the EU average of 94% but still strong. This indicates a much greater population of German scaleups bringing tech-enabled innovation to other sectors, compared to countries where 'pure' tech businesses are more common.

- **Sustainability embedded:** 37% have sustainability integrated into their model, 4 points above the EU average.

Distinctive Strengths:

Deep sectoral roots: Many scaleups originate from industrial sectors, not classic VC-backed tech. This gives Germany resilience and breadth—but also limits perceived 'tech sector' scale-up growth.

- **Public-private funding architecture:** Organisations like KfW, HTGF, and ZIM provide strong foundations, but can be seen as relatively slow and bureaucratic.
- **Talent pipelines work:** Germany's dual education system and technical training produce digital talent with depth.
- **Operational discipline:** ERP and compliance systems are widespread.
- **Sustainability leadership:** Scaleups are ahead of the curve in embedding ESG principles, but often lack the digital tooling to track and report them effectively.

Germany
Industrial Strength, Digital Opportunity

Barriers:

Conservative scaling mindset: German companies scale more slowly due to cultural risk aversion and sectoral constraints (e.g. regulated industries).

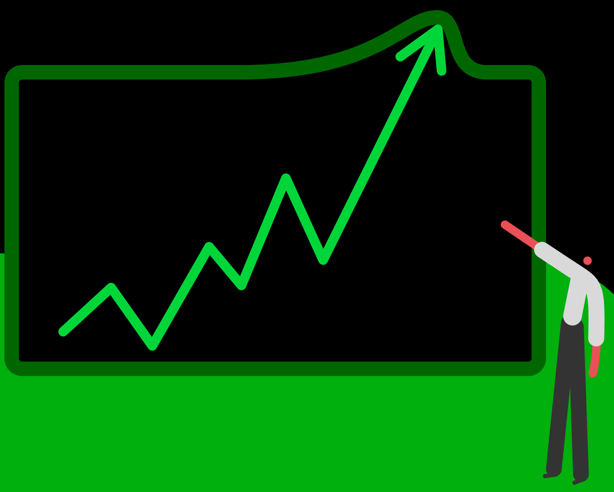
Fragmented digital uptake: While infrastructure is strong, sectors like manufacturing and transport lag in adopting AI, e-invoicing, and automation.

Regulatory complexity: German scaleups face national-level fragmentation and a relatively heavy compliance burden (e.g. Lieferkettengesetz, CSRD, VAT reforms).

Policy 'no man's land': Many scaleups fall between startup schemes and large enterprise support, receiving limited targeted help.

Opportunities:

Germany's strong infrastructure of public funding support, combined with excellent talent access and sectoral diversity, creates a foundation for sustainable growth. The measured approach to digital transformation may reflect the industrial composition of the scale-up ecosystem, but presents an opportunity to accelerate digital adoption while maintaining Germany's distinctive strengths.



Policy Recommendations:

1 Make public funding more accessible

- Create a centralised digital portal that unifies federal and state-level support.
- Simplify co-financing models to suit scaleups—not just startups or corporates.

2 Use e-invoicing as a digital catalyst

- Support Germany's B2B e-invoicing mandate under ViDA.
- Frame e-invoicing as a gateway to AI in finance, real-time payments, and automated compliance—not just a reporting tool.

3 Invest in tailored talent pipelines

- Evolve vocational and university partnerships to support AI, cloud, and ESG reporting capabilities.
- Build scale-up-specific workforce schemes aligned to sectoral needs (e.g. digital manufacturing, logistics tech).

4 Give scaleups a policy home

- Advocate for dedicated support within BMWK and BMF for mid-sized, high-growth digital companies.
- Develop a new industrial brief for "mittelgroße digitale Wachstumsunternehmen" to close the support gap.

5 Remove bottlenecks to EU market entry

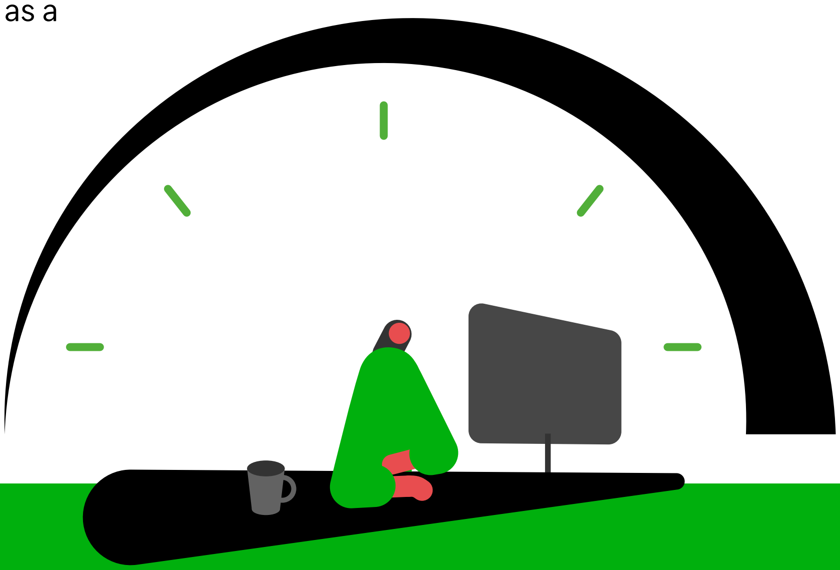
- Push for a "Single Digital Gateway for B2B Scaling": harmonised invoicing, taxation, and HR compliance across Member States.
- Ensure German export support schemes also serve digital service businesses, not just industrial exporters.

Spain
Realising Digital Ambitions

Spain's scale-up ecosystem demonstrates strong foundational elements, leading public funding, exceptional gender diversity, and robust sustainability integration, but faces execution gaps that prevent it from fully capitalising on the growth of Spanish scaleups. Addressing structural barriers around payments, talent access, and capital flows could unlock Spain's potential as a leading European scale-up hub.

Distinctive Strengths:

- **Public Funding and Private-Public Partnerships:** Spain leads in use of government grants at pre-seed stage (29% vs. 19% EU average).
- **Gender Diversity:** Female leadership among next-gen scaleups is highest in Spain (25%), 4 points above the EU average.



Key Insights:

- **Revenue growth:** Spanish scaleups recorded average annual growth of 36% over three years, 2 points below the European average (38%).
- **Funding challenges:** 71% cite equity funding access as a major barrier, 4 points higher than the EU average (67%).
- **Digital adoption:** 94% cite digital technology as critical to operations, matching the EU average.
- **AI integration:** 56% report some level of AI adoption, slightly above the 54% EU average.
- **Sustainability focus:** 35% have embedded sustainability in their business model, 2 points above the EU average (33%).

Spain
Realising Digital Ambitions

Barriers:

- **Late payments holding back scaleups:** 47% cite late payments as a critical barrier to growth, 10 points above the EU average—the highest in the EU.
- **Access to talent is a critical challenge:** Only 36% are satisfied with access to skilled talent, 13 points below the EU average.
- More needs doing to ensure frictionless and easy access to EU markets: Only 18% have expanded beyond the EU, compared to 26% EU-wide.

Opportunities:

Spain's combination of strong public support, exceptional diversity leadership, and sustainability focus creates a unique foundation for scale-up success. The country's measured approach to growth, while currently reflected in slightly lower revenue figures, positions Spanish companies well for sustainable, long-term expansion once structural barriers are addressed. With targeted interventions around payments, talent, and capital access, Spain could emerge as Europe's model for inclusive, sustainable scale-up growth.

Policy Recommendations:

1 Tackle the Late Payment Crisis

- Champion EU-wide enforcement of the Late Payment Directive with Spanish leadership
- Implement automated e-invoicing systems as standard practice to accelerate payment cycles

2 Build Strategic Talent Pipelines

- Expand digital skills programs through Spain's established university partnerships
- Create "Scale-Up Talent Visa" pathways to attract European and international digital talent
- Develop sector-specific training programs aligned with Spain's growing tech ecosystem

3 Leverage Public Funding Success for Private Capital

- Use Spain's grant leadership to create hybrid public-private investment vehicles
- Establish government-backed equity co-investment schemes to bridge funding gaps
- Create tax incentives for institutional investors supporting Spanish scaleups

4 Enable Frictionless EU Market Access

- Position Spain as a testbed for Single Market digitalisation initiatives
- Simplify cross-border expansion procedures through digital-first government services
- Create "Export Acceleration Zones" with streamlined regulatory processes