CHAPTER 1
THE SCALEUP LANDSCAPE
SCALEUP INDICATORS FROM A NATIONAL AND LOCAL PERSPECTIVE:

Core to the ScaleUp Institute’s mandate is to work with others to grow and share the evidence available about scaling businesses in the UK. With accurate and timely analysis of more data, local communities and authorities, LEPs, regions, and stakeholders from the private and third sectors will be better able to target interventions that remove barriers to scaleup growth.

In 2014, the annual target was set to achieve one net additional scaleup per 100,000 population nationally. This is in line with targets deployed by those responsible for driving economic growth in other nations.

This year, in partnership with the ONS, the ScaleUp Institute gained access to broader datasets, allowing a more detailed analysis of three years of longitudinal scaleup data, both at a national level and at an in-depth local authority level against three elements of the OECD high-growth (scaleup) definition. These are:

- Scaleups growing by more than 20% per year by employee growth
- Scaleups growing by more than 20% per year by turnover growth
- Scaleups growing by more than 20% per year in both employees and turnover.

This allows us to understand more specifically where we need to target future resources and evaluate our current strategy.

We found that the number of scaleup businesses in the UK in 2013 was 26,985 and this rose to 31,440 in 2015. This means that as a country between 2013 and 2015, we doubled the target set, achieving two additional scaleups per 100,000 of population.

However, when differentiating between types of scaleup we see two very different patterns: there is an increase of 2.25 per 100,000 per year of those scaleups growing by turnover, but a small decrease in those scaleups growing their workforces. This shows there is little overlap between the two different types of scaleup businesses: just 20% of our companies are scaling both their workforce and their turnover at the same time.

THE IMPORTANCE OF THE LOCAL DYNAMIC

The national and regional pictures mask local variations. If we are to understand accurately what is occurring where and what more needs to be done, it is vital to get “beneath the bonnet” to examine the local dynamics at a granular level.

While industry dynamics are fluid and businesses often move in and out of scaleup status, it is most important to see a consistent trend appear and for that to move in the right direction – upwards.
NUMBER OF SCALEUPS
NATIONAL FIGURE DATA

Data utilised on this page is taken from the IDBR datasets 2013-2015. The confidentiality of all data held on the IDBR is protected by the National Statistics Code of Practice and associated Protocols and by specific legislation. In accordance with these requirements, data presented is rounded to prevent disclosure. Differences may exist in totals across tables due to disclosure methods used.
As laid out below in the chart Scaleup Growth 2013-15 (All LEPs), the vertical axis of the LEP/Country matrix shows a median figure of 44 scaleups per 100,000 population and the horizontal axis reveals a median increase of 2 scaleups per 100,000 of population.

When analysing the 38 English LEPs, Scotland, Wales and Northern Ireland, we identified the following 9 'scaleup cold spots' requiring particular attention:

1. Black Country
2. South East Midlands
3. Greater Birmingham and Solihull
4. Stoke-on-Trent and Staffordshire
5. Tees Valley
6. The Humber
7. North East
8. Liverpool City Region
9. Swindon & Wiltshire

A new tool is now available on the ScaleUp Institute website, enabling interrogation of this data across all local authorities, LEPs and regions of the United Kingdom. Please visit www.scaleupinstitute.org.uk for further details.
LOCAL AUTHORITY DATA ALLOWS MORE ACCURATE ANALYSIS OF SCALEUPS

At a local authority level, the disparity between ‘hot spots’ and ‘cold spots’ is stark and the chart Scaleup Growth for Turnover or Employment, 2013-15 (All LEPs) below shows that there is enormous intra-country and intra-LEP variation.

ScaleUp Growth for Turnover or Employment, 2013-15 (All LEPs)

Linhas show median figures for the UK, per measure

As shown in the vertical axis on the matrix above, the median number of employment scaleups per local authority is 16 and the median number of ‘turnover scaleups’ per capita is 34. As you can see from the horizontal axis, the median ‘employment Scaleup density’ did not increase between 2013 and 2015, but the median turnover scaleup density did increase between 2013 and 2015 at rate of 2.25 per 100,000 of population.
The density of scaleups per capita varies enormously – with the disparity between the top and bottom local authorities (excluding those in London) on a national basis is as much as 80 scaleups per 100,000. But it is not simply about disparities between regions, there are large differences within LEPs, within areas of Scotland, Ireland and Wales. This is illustrated by the figure below, which shows the variation within Scotland, where we have had to use a log scale in order to accommodate Clackmannanshire at the top right of the matrix.

**ScaleUp Growth for Turnover or Employment, 2013-15 (Scotland)**

Lines show median figures for the UK, per measure

The ScaleUp Institute, with ONS, will continue to analyse this data and provide a further update in December 2017 when the 2016 longitudinal datasets are made available. In the future, we hope this data is released on a much more frequent basis so that we can more readily respond and act on emerging rather than historic trends. Improved data access has been a key factor in discussions of the ScaleUp Taskforce and one of its major recommendations.
The ScaleUp Institute’s over-arching goal is to narrow local disparity over time and see the trend in movement of local areas progress upwards.

Monitoring scaleup indicators enables us to evaluate and roll out interventions that work and to roll back those interventions that do not work. Using a consistent framework allows us to compare like for like, enabling us to learn what works best in one area and establishing if it could be useful elsewhere. It also helps in prioritising where resources, investment and particular focus will be of value.

This ONS data also emphasises the importance of getting broader, more “real-time” information from sources such as HMRC. Our review, with Beauhurst, of “visible” scaleups from Companies House data to create the ScaleUp Index¹ – summarised overleaf – comes from those filing accounts. However, given reporting thresholds, many scaling businesses do not yet file such reports and are not ‘on the radar’, which limits effective, timely engagement. This remains a priority to address in our work with Government – see chapter 4.

¹www.scaleupinstitute.org.uk/scaleupindex/
**VISIBLE SCALEUP GROUPS**

Based on Companies House data excluding charitable and third sector scaleups and listed companies, which will be subject to separate analysis. Data Analysed by Beauhurst.

**METHODOLOGY**

9,225
visible scaling legal entities examined

5,369
legal entities excluded (charities, plcs, foreign HQ, duplicate subsidiaries)

3,856
unique scaleup businesses

**EQUITY INVESTMENT INTO VISIBLE SCALEUPS OVER TIME**

- **2011**: £625m
- **2012**: £751m
- **2013**: £694m
- **2014**: £1,383m
- **2015**: £1,060m
- **2016**: £838m

**TOP SECTORS BY NUMBER OF VISIBLE SCALEUPS**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property/Land Development</td>
<td>546</td>
</tr>
<tr>
<td>Distribution</td>
<td>283</td>
</tr>
<tr>
<td>Misc. Manufacturing &amp; Engineering</td>
<td>277</td>
</tr>
<tr>
<td>Builders</td>
<td>255</td>
</tr>
<tr>
<td>Food and Drink Processors</td>
<td>219</td>
</tr>
</tbody>
</table>

**TOP LEPS/REGIONS BY NUMBER OF VISIBLE SCALEUPS**

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>790</td>
</tr>
<tr>
<td>Scotland</td>
<td>229</td>
</tr>
<tr>
<td>South East</td>
<td>219</td>
</tr>
<tr>
<td>Greater Manchester</td>
<td>162</td>
</tr>
<tr>
<td>Leeds City Region</td>
<td>144</td>
</tr>
</tbody>
</table>

**TOP VISIBLE SCALEUPS BY EMPLOYEE COUNT**

<table>
<thead>
<tr>
<th>Company</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best-One</td>
<td>26k</td>
</tr>
<tr>
<td>2 Sisters Food Group</td>
<td>23k</td>
</tr>
<tr>
<td>Home Bargains</td>
<td>16k</td>
</tr>
<tr>
<td>Haven</td>
<td>14k</td>
</tr>
<tr>
<td>Edinburgh Woollen Mill</td>
<td>10k</td>
</tr>
</tbody>
</table>

**TOP VISIBLE SCALEUPS BY TURNOVER**

<table>
<thead>
<tr>
<th>Company</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenenergy</td>
<td>£13.7b</td>
</tr>
<tr>
<td>Palmer &amp; Harvey</td>
<td>£4.4b</td>
</tr>
<tr>
<td>CurrencyCloud</td>
<td>£4.2b</td>
</tr>
<tr>
<td>Best-One</td>
<td>£3.5b</td>
</tr>
<tr>
<td>2 Sisters Food Group</td>
<td>£3.1b</td>
</tr>
</tbody>
</table>
KEY FIGURES 01/11/2011 – 30/09/2017

- 3,856 number of visible scaleups
- £62m IUK grant funding
- 47% scaling 2+ years
- 214 visible scaleups MBO’d
- 623 visible scaleups using equity
- 17% scaling 3+ years

TOP EQUITY INVESTORS BY DEALS INTO VISIBLE SCALEUPS 01/11/2011 – 30/09/2017

- 55 BGF
- 21 Index Ventures
- 14 Eden Ventures
- 13 Notion Capital
- 12 Lloyds Development Capital
- 12 Woodford Investment Management

VISIBLE SCALEUPS IN LONDON BY LOCAL AUTHORITY

- Camden 82
- City of London 124
- Westminster 145

VISIBLE SCALEUPS IN BRITAIN BY LOCAL AUTHORITY

- Cheshire East 40
- Leeds 68
- Birmingham 50
- Bristol 40
2017 SCALEUP LEADERS’ VIEWS

343 SCALEUP BUSINESSES GENERATING £6BN IN TURNOVER AND ON AVERAGE £240,000 REVENUE PER EMPLOYEE demonstrating high productivity; huge ambition.

WANT MORE LOCALLY DELIVERED SOLUTIONS TO ADDRESS KEY BARRIERS and do not yet feel they are served well by ecosystem

HUNGRY TO EXPORT AND COLLABORATE MORE but raise flag of concern UK will be a more difficult place to grow in future.

This year’s survey was completed by 815 ambitious businesses (90% expected to grow in the next year which is above general business population), including 343 scaleups and 83 “aspiring” scaleups (grew by 20%+ last year and plan to do so again next year).

In the following pages we focus on the survey responses from the scaleup business leaders whose companies are generating £240,000 turnover per employee, which is more than double the UK average. They comprise a truly productive group. Given their significant growth aspirations and existing productivity, with their expectations to generate an additional £1.5bn in turnover in the coming 12 months, this is a group from whom we should listen and learn.

The 2017 ScaleUp survey provides a deep dive into the issues that the 343 scaleups see as vital to their continued growth and development. The key issues and barriers have remained consistent over time although access to markets is moving up in importance:

THE TOP CHALLENGES

1. Access to talent – whether that is the social and technical skills of their workforce, being able to recruit from overseas, or having the talent to win overseas business, scaleups continue to highlight their need to be able to attract the right skills and experience into their business as their single greatest challenge.
2. **Access to markets** – being able to access UK and international markets is the second most important factor for future growth. Many scaleups already do business with large corporates and/or Government but see the complex procurement processes and the time involved in bidding as key barriers to doing more. Scaleups are more international than other SMEs and keen to expand more overseas but continue to cite challenges in being able to access customers and partners. A key barrier is having the people/skills and connections to win the business.

3. **Building leadership capacity through local support** – scaleups highlight their need for greater connections to those who know what it is like to grow a business – whether this is staff, peer to peer networks or those who have also grown a business, mentors or non-exec directors. Local support from Growth Hubs and local leadership programmes, or from local business schools and universities, is preferred over help from large corporates or the private sector. When force-ranked, peer to peer networks are seen as the most vital support.

4. **Finance** – while scaleups use a wide variety of finance, four in ten do not feel they have the right amount of bank and equity finance in place for their needs. Around four in ten use or plan to use equity as a source of funding while a quarter have reservations about using it as a source of finance, citing lack of control and knowledge as hindering factors.

5. **Infrastructure**: remains an important factor to get right as a complement to a thriving scaleup ecosystem. When force-ranked this remains a challenge but slips behind finance.

The desire for better local engagement is a clear and striking trend with locally delivered programmes being deemed of greatest importance. This underlines the need for national programmes to have a strong anchor and delivery in the local community closest to the scaleup business.

Scaleups demonstrate continued growth and ambition – there is no resting on the laurels of scaleup growth, with the majority (77%) expecting to grow in the coming year. Over half expect turnover to grow at over 30%.

However, sentiment is fragile; almost half worry whether the UK will continue to be a good place to grow a business. 5 in 10 do not think they have the right business support across the private and public sector for their growth plans. It is therefore crucial we continue to move forward with our scaleup journey, remove the barriers and be relentless in responding to the needs of UK scaleups.
THE 2017 SCALEUP SURVEY AT A GLANCE

343 SCALEUP BUSINESSES GENERATING £6 BILLION IN TURNOVER. THEY ARE HIGHLY PRODUCTIVE AVERAGING £240,000 TURNOVER PER EMPLOYEE.

These scaleups came from across all regions, and sectors:

- Agriculture, Mining, & Forestry: 4%
- Manufacturing: 16%
- Construction: 2%
- Wholesale/Retail: 5%
- Transport: 2%
- Accommodation/Food: 3%
- Info & Communication: 18%
- Finance/Insurance: 3%
- Real Estate: 22%
- Professional, Scientific, & Tech: 3%
- Admin & Support Services: 4%
- Education: 4%
- Health/Social Work: 4%
- Arts: 3%
- Other Services: 7%

They remain ambitious:

- 77% expect to achieve 20%+ turnover growth in the coming year.
- 52% of scaleups expect to achieve 20%+ employee growth in the next year.

They are good corporate citizens. Three quarters (74%) offer opportunities to younger people through:

- Work experience: 55%
- Internships: 40%
- Apprenticeships: 38%

Three quarters (72%) employ staff from overseas: 69% from the EU, 43% from outside the EU.

They are international. Two thirds of scaleups (68%) are involved in international trade:

- Export: 61%
- Import: 35%
- Engaged in trade with the EU: 62%
- Engaged in trade outside the EU: 58%

Europe and North America are key current markets.

They have, or have aspirations to gain, large corporates and Government as clients:

- 6 in 10 scaleups (62%) sell into large corporates either directly or as part of a supply chain and 3 in 10 scaleups (29%) sell into local or national government.
- A quarter of those not currently selling into either large corporates or government have aspirations to do so.

343 SCALEUP BUSINESSES GENERATING £6 BILLION IN TURNOVER. THEY ARE HIGHLY PRODUCTIVE AVERAGING £240,000 TURNOVER PER EMPLOYEE.
LOOKING FORWARD: HIGH AMBITIONS TO GROW BUT CONCERN THE UK WILL BECOME HARDER TO SCALE IN WITH LIMITED SUPPORT AND BARRIERS TO BE ADDRESSED

The key factors that will allow Scaleups to continue to grow are:

- 90% Access to talent
- 82% Access to UK markets
- 65% Leadership development and training
- 64% Access to infrastructure / premises
- 56% Access to international markets
- 51% Access to right bank / equity finance

However, when asked to force rank their top 3 priorities, talent and markets remained in first and second place but bank/equity finance moved up to joint 3rd with leadership ahead of infrastructure.

The key sources of future help to grow are LOCAL:

- 56% Peer networks
- 44% Local universities and business schools
- 40% Local leadership development programmes

Scaleups would also like easier access to Government resources of:

- 45% Public sector funding for R&D and innovation
- 38% General business support from government
- 33% Growth Hubs
- 31% Innovate UK

Scaleups know they are doing well – 72% agree that they are outperforming their peers. But half feel there is little support for businesses like them (47%) and/or have concerns about whether the UK will continue to be a good place to do business (45%).

Key challenges

**TALENT**

Key future skills for scaleup employees are critical thinking (57%) and being service orientated (44%). 6 in 10 with overseas staff say it is vital they can continue to bring in this talent

**MARKETS**

Selling into both government and large corporates is made more complicated by complex procurement processes (49%), the time it takes to win a contract (37%) and being able to spot relevant contracts to bid for (32%)

**INTERNATIONAL MARKETS**

There is appetite to move more into India, Latin America and Africa. Key barriers to international trade are access to markets and partners overseas (41%) and having the staff with the right skills to win overseas sales (40%)

**LEADERSHIP**

Scaleups are looking for support from people who know what it is like to grow a business, whether as employees (52%), a network of peers (48%) or as non-exec directors (30%) and mentors (29%)

**FINANCE**

Three quarters of Scaleups are using external finance (75%). But 4 out of 10 do not feel they have the right finance in place for their business. A quarter (28%) are currently using equity finance and 13% plan to use it in the near future. The rest, (59%) cite a fear of losing control, thinking it is not a suitable form of finance, or not really knowing much about equity finance as their reasons for not using this funding

**INFRASTRUCTURE**

Infrastructure remains a critical component to get right for our fastest growing companies, particularly scaleup space. The infrastructure challenge is complimentary to other challenges. Scaleups are seeking much greater university support for space and R&D facilities.
BEING A SCALEUP

This was a survey predominantly completed by ambitious and growing businesses. Of the 815 who completed the survey, 76% had grown in the previous year (47% by 20% or more) while 90% expected to grow in the next 12 months (65% by 20% or more).

From these 815 businesses, 343 businesses were identified as scaleups:

- 157 had achieved 3 consecutive years of 20%+ turnover growth
- 38 had achieved 3 consecutive years of 20%+ employee growth
- 148 had done both.

This report focuses on the views and needs of the 343 businesses who have scaled. They continue to be ambitious: looking forward, eight out of ten expect to grow by 20% or more in the next 12 months. Crucially, more than half expect turnover to grow at over 30% and one in five expect to grow at over 50%. Half of scaleups expect to grow their employees by 20% or more in the next year.

When they reflect more broadly on how the business has grown, one in five (20%) say they have “grown dramatically year on year”. More commonly, scaleups have “grown steadily and consistently” year on year (38%) or have had periods of “good growth with periods of stability in between” (35%).

78% of scaleups expect to achieve 20%+ employee growth in the next year, compared to 52% expecting such growth in employees.

Future growth - turnover and employees

<table>
<thead>
<tr>
<th>Turnover</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 50%</td>
<td>21% 10%</td>
</tr>
<tr>
<td>More than 40%</td>
<td>8% 2%</td>
</tr>
<tr>
<td>More than 30%</td>
<td>21% 11%</td>
</tr>
<tr>
<td>More than 20%</td>
<td>28% 29%</td>
</tr>
<tr>
<td>More than 10%</td>
<td>13% 24%</td>
</tr>
<tr>
<td>Up to 10%</td>
<td>5% 12%</td>
</tr>
<tr>
<td>Not grow/prefer not to say</td>
<td>5% 11%</td>
</tr>
</tbody>
</table>
33% of scaleups who are planning to grow either turnover or employees are “very confident” of achieving their ambition and almost all of the rest (65%) are fairly confident.

They know that they are “highflyers”: 72% agree that they are outperforming their peers, and they are generally happy to be identified as fast-growing businesses – with two-thirds of those happy to be identified as such, saying that this should be on an opt-in basis.

**Scaleups are well established and often sizeable businesses:**

- The largest group, 41% have turnover between £1m and £10m (16% have turnover in excess of £25m)
- 59% of scaleups had been trading for 10 years or more

Scaleups are found across the UK, and broadly in line with the location of UK businesses overall:

**Scaleups can be found across the country**

<table>
<thead>
<tr>
<th>Location of scaleup businesses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>25%</td>
</tr>
<tr>
<td>South East</td>
<td>14%</td>
</tr>
<tr>
<td>South West</td>
<td>13%</td>
</tr>
<tr>
<td>East Anglia</td>
<td>7%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>5%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>7%</td>
</tr>
<tr>
<td>North West</td>
<td>9%</td>
</tr>
<tr>
<td>North East</td>
<td>6%</td>
</tr>
<tr>
<td>Yorks and Humber</td>
<td>4%</td>
</tr>
<tr>
<td>Wales</td>
<td>8%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1%</td>
</tr>
</tbody>
</table>
Scaleups are also found across a range of sectors, but half are found in three key sectors: “Professional, Scientific and Technical Activities” (22%), “Information and Communication” (18%) and “Manufacturing” (16%):

**Scaleups are represented in all sectors**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Scaleup Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agric/Mining</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16%</td>
</tr>
<tr>
<td>Construction</td>
<td>2%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>7%</td>
</tr>
<tr>
<td>Transport</td>
<td>2%</td>
</tr>
<tr>
<td>Accommodation/Food</td>
<td>3%</td>
</tr>
<tr>
<td>Info and Communication</td>
<td>18%</td>
</tr>
<tr>
<td>Finance/Insurance</td>
<td>3%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1%</td>
</tr>
<tr>
<td>Professional, Scientific and Tech</td>
<td>22%</td>
</tr>
<tr>
<td>Admin and support services</td>
<td>3%</td>
</tr>
<tr>
<td>Education</td>
<td>4%</td>
</tr>
<tr>
<td>Health/Social Work</td>
<td>4%</td>
</tr>
<tr>
<td>Arts</td>
<td>3%</td>
</tr>
<tr>
<td>Other Service</td>
<td>7%</td>
</tr>
</tbody>
</table>
TALENT AND SKILLS – THE VITAL INGREDIENT

Scaleups are good citizens offering work experience, apprenticeships and interns – but recruiting talent remains the biggest challenge.

Access to talent has always been a key issue for many scaleups. In 2017, 93% of scaleups said that access to talent was “vital” or “very important” to their business continuing to grow.

Scaleups employ a mix of graduates (83%), post-grads (59%) and school leavers (44%). In addition, three quarters of scaleups (76%) offer opportunities to younger people through work experience (56%), internships (41%) or apprenticeships (39%).

Eight out of ten scaleups who offer apprenticeships said that they brought benefits to the firm. Among those who do not currently offer apprenticeships, the key barriers related to finding suitable candidates (48% did not know where to get good candidates from; 38% did not have good enough links with universities or schools) and then having work for them to do (52% felt they didn’t have suitable work; 44% said they weren’t large enough with sufficient resources). Those who do not currently offer work experience identified very similar barriers.

This highlights the need for better engagement by schools and higher education with scaleups and further action at local level to offer opportunities such as those provided by the Careers and Enterprise Company².

Providing additional education to scaleups may help: one third of those not offering apprenticeships – and a similar proportion of those not offering work experience – said they needed a better idea of what was involved and a quarter would welcome tools and resources to help them.

A combination of social skills and tech remain key for school and graduate recruits, although social skills ranks top when force ranked.

Important skills for school leavers and graduates

<table>
<thead>
<tr>
<th>Skill</th>
<th>Number 1</th>
<th>Top 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social skills</td>
<td>33%</td>
<td>74%</td>
</tr>
<tr>
<td>Business skills</td>
<td>16%</td>
<td>70%</td>
</tr>
<tr>
<td>Management skills</td>
<td>15%</td>
<td>70%</td>
</tr>
<tr>
<td>Tech skills</td>
<td>35%</td>
<td>66%</td>
</tr>
<tr>
<td>Finance skills</td>
<td>1%</td>
<td>16%</td>
</tr>
</tbody>
</table>

¹ http://www.careersandenterprise.co.uk/

“Give students more exposure to the workplace during education and ensure they have experience of working in teams and how to deal with conflict when working with others.”
South East scaleup business leader

“Schools could more closely with employers, not just post-11 but from primary school.”
West Midlands scaleup business leader
Technical and social skills were most likely to be nominated as the top skills required by graduates and school leavers (a third of scaleups chose technical skills, 35% and a similar proportion chose social skills 33%). 74% of scaleups went on to include social skills in their “Top 3”, followed by business and management skills (both 70%), with technical skills slightly lower on 66%.

When scaleups with employees were asked about the importance of a range of future skills that employees are likely to need, they ranked:

**Critical thinking** – the ability to analyse a situation objectively and make a decision – as the key skill: 30% of scaleups nominated this as their top priority and 57% included it in their top three. This was followed by **service orientation** (anticipating, recognising and meeting others’ needs) which was named as one of the top three factors by 44% of scaleups.

Cognitive flexibility, problem solving and people management came joint third when force ranked.

**Recruiting from overseas continues to play an important role in scaleups:**

- Three quarters (74%) employ staff from overseas: 71% employ staff from the EU and 44% from outside the EU
- Six out of ten scaleups who employ overseas staff say that it is vital or very important for their business that they can continue to bring in talent from overseas (62% for EU staff and 57% for other overseas staff)
- 48% of those employing overseas staff say it is vital or very important for their business to be able to access a fast-track visa system when hiring from overseas
- A key outcome scaleups want from the Brexit negotiations is keeping swift and easy access to the talent and skills pool from Europe
CHAPTER 1 THE SCALEUP LANDSCAPE

LEADERSHIP

Building leadership capacity remains a priority issue for the majority of scaleups. In 2017, 65% of scaleups said that leadership development was “vital” or “very important” to their business continuing to grow with local access to talent and peers who have the experience of growing a business.

They want solutions delivered locally, including easier access to public sector funding for innovation and R&D, general business support and Growth Hubs.

Local engagement and delivery is what scaleups want most: Half of all scaleups included either “recruiting people with experience of growing a business” or “access to a network of peers who have grown a business” in their top three factors supporting growth. Bringing in this type of growth experience, attending local leadership courses or, crucially, getting support from the local public sector were all more likely to be in the top three than more “larger corporate” support or general support from the private sector (11%) or bringing in people with large corporate experience (18%).

Access to peer to peer networks is also the most likely form of support to be rated “vital” or “very important” to help scaleups grow their business further (56%), followed by support from local business schools and universities (44%) and local leadership development programmes (40%). Again, support from large corporates was less likely to be seen as vital or very important (26%).

Many scaleups are already using mentors: 61% of scaleups have a business mentor whose input they value. Those without a mentor typically either say they do not need a mentor (10% of all scaleups) or do not know where to find one (8% of all scaleups) – a knowledge gap we should be able to close with the right local solutions.

Recruiting people with experience of growing a business is key, as are non-exec directors and connection to a network of peers

Factors supporting growth - most popular mentions

- Recruit people with experience of growing a business: 30% of scaleups
- Access to network of peers who are growing/have grown: 16%
- Access to non-exec directors: 10%
- Access to mentoring: 8%
- Access to leadership courses: 8%
- Support from local public sector body eg LEP: 7%
- Top 3: 52%
- Second Most Popular: 48%
- Third Most Popular: 30%

“Constant access to experienced mentors as sounding boards is invaluable.”
East Anglia scaleup business leader
Scaleups were most likely to say that they would welcome easier access to public sector funding for R&D and innovation (45%) and/or general business support from Government (38%). One in three would like easier access to Growth Hubs or Innovate UK:

_Scaleups would like easier access to public sector funding for innovation and R&D, general business support and Growth Hubs_

Top 5 forms of support would like easier access to

<table>
<thead>
<tr>
<th>Support Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector funding for innovation and R&amp;D</td>
<td>45%</td>
</tr>
<tr>
<td>General business support from government</td>
<td>38%</td>
</tr>
<tr>
<td>Growth Hubs</td>
<td>33%</td>
</tr>
<tr>
<td>Innovate UK</td>
<td>31%</td>
</tr>
<tr>
<td>Procurement contracts</td>
<td>28%</td>
</tr>
</tbody>
</table>

The value that scaleups see in improving their access to a strong local ecosystem, including local sources of knowledge and expertise, to help them further their growth journey is apparent throughout responses.
Many scaleups already do business with government and large corporates and/or export. In 2017, access to international markets and UK market opportunities such as selling to large corporates or Government was the second most important factor for future growth, behind access to talent.

**LARGE CORPORATES AND GOVERNMENT**

Large corporates and government already play a role for scaleups. Three quarters of scaleups sell, or have aspirations to sell, to large corporates and government:

- Six in ten scaleups (62%) sell into large corporates either directly (57%) or as part of a supply chain (27%)
- Three in ten scaleups (29%) sell into local or national government either directly (25%) or as part of a supply chain (13%)
- A quarter of those not currently selling into either large corporates or government have aspirations to do so.

The key barriers to working more with either large corporates or government are the same; whether they relate primarily to the time and complexity of the procurement process.

### The procurement process and the time it takes to win a contract are the key barriers to working more with government or large corporates

<table>
<thead>
<tr>
<th>Key barriers to working more with Government and large corporates</th>
<th>Large Corporates</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>A complex procurement process</td>
<td>49%</td>
<td>48%</td>
</tr>
<tr>
<td>The time taken to win a contract</td>
<td>46%</td>
<td>37%</td>
</tr>
<tr>
<td>Finding out about opportunities to bid</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Finding contracts for the products/services you offer</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>The time taken to get paid</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

These are also the main barriers irrespective of whether the scaleups are currently selling to large corporates and government or not. Interestingly, government is doing slightly better than large corporates on ‘time taken to win a contract.’
CHAPTER 1  THE SCALEUP LANDSCAPE

TRADING INTERNATIONALLY

Most scaleups (68%) are involved in international trade: 61% export (54% to the EU and 53% outside the EU) while 35% import (27% from the EU and 28% from outside the EU).

Overall, 62% are involved in some trade to/from the EU and a similar proportion (58%) trade outside the EU.

Among scaleups who are not currently trading internationally, 21% plan to start doing so, 18% plan to start exporting and 6% to start importing. That would mean 75% of scaleups would be international businesses.

Those currently exporting are likely to be doing so in Europe (89%) and North America (72%). These are also key future markets among exporters and would-be exporters to increase exports and there is good appetite to go broader and more into Africa, Middle East and notably India which sees the biggest increase between current (23%) and future (41%) exporting.

Europe and North America are key markets but there is clear appetite to move to more diverse markets such as India and Latin America.

Markets for exporters and future exporters

- **Europe**: Current 89%, Future 82%
- **North America**: Current 72%, Future 75%
- **Other Asia**: Current 52%, Future 53%
- **Middle East**: Current 46%, Future 53%
- **Africa**: Current 28%, Future 34%
- **Latin America**: Current 25%, Future 36%
- **India**: Current 23%, Future 41%
Amongst those already exporting the main barriers to exporting more are “Having the people/talent to win overseas sales” (25%) or “Access to customers and partners overseas” (24%)

**Having access to customers and overseas partners as well as staff with the skills to do the deals are key barriers to exporting (more)**

<table>
<thead>
<tr>
<th>Key barriers to overseas trade</th>
<th>Scaleups</th>
<th>Scaleups who export</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to customers and partners overseas</td>
<td>41%</td>
<td>54%</td>
</tr>
<tr>
<td>Having the people and talent to win overseas sales</td>
<td>40%</td>
<td>53%</td>
</tr>
<tr>
<td>Not knowing how Brexit will unfold</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>Being seen as credible supplier</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>Language/cultural barriers</td>
<td>14%</td>
<td>20%</td>
</tr>
<tr>
<td>Exchange rate with sterling</td>
<td>12%</td>
<td>18%</td>
</tr>
<tr>
<td>Having the right finance in place</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Being invited on international trade missions</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Meeting quality standards</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Getting paid on time</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Too much competition overseas</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Having to offer long credit terms</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Not knowing how to go about exporting</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Not interested in exporting</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

“Many export initiatives focus on physical products. It would be good to see more about services.”  
London scaleup business leader

For the small group with aspirations to start exporting, access to customers and having the people to win the sales also come through as key. Those with no aspiration to export said they were not interested – rather than identifying any key barriers.
ACCESS TO FINANCE

Scaleups are likely to be using a range of forms of external finance and while access to finance was not seen as the key issue holding them back there is still a significant group – four out of ten – who do not feel they currently have the right finance in place for their business.

Three quarters of scaleups are using some form of external finance, with core bank finance (loans, overdrafts and credit cards) the most mentioned source (39%). A quarter of scaleups are using leasing, money from friends and family, or equity from a 3rd party investor.

While three quarters of scaleups use external finance, 4 in 10 say they do not have the right amount of finance in place for their needs

Types of external finance used

- Core finance (loans, od or credit card): 39%
- Leasing/HP: 27%
- Equity from 3rd party investor: 27%
- Friends and family/directors: 23%
- Invoice finance: 18%
- UK Govt funding: 15%
- Trade credit: 13%
- EU funding: 8%
- Something else: 5%
- No funding: 25%

“A more ambitious investment community would greatly assist in helping UK companies achieve their ambitions.”
London scaleup business leader

“It doesn’t seem possible to get serious funding, especially if you are not located in London or Manchester.”
Yorkshire and Humberside scaleup business leader
Those who do not use finance, or do not feel they have the right amount available to them, cite a reluctance to give up any control over their business (36%), a feeling that finance comes with too many terms and conditions (23%), and/or that they don’t have security to offer (23%). Education also has a role to play – 19% weren’t sure either what form of finance to apply for and/or which provider to apply to.

When asked more specifically about equity finance:

- 41% are either using equity finance currently (28%) or plan to do so in the near future (13%)
- 20% are reluctant to give up control of the business
- 17% don’t think it is suitable for their business
- Only a few either know nothing about this form of finance (7%) or wouldn’t know where to start with an application (4%).

A quarter are using equity finance now. The key barriers are the loss of control or a lack of suitability.

"Increase knowledge about access to capital."
London scaleup business leader

Scaleups in London and the South East are much more likely to be using equity finance (44%) than those based elsewhere (17%), who are more likely to be reluctant to give up control (23% v 15% of those in London and the South East) or feel it is not suitable for their business (21% v 10% of those in London and the South East).

This strongly suggests that there is much more work to do to drive up knowledge and understanding of growth capital.
LOOKING FORWARD

Looking forward the key factors for helping the business continue to grow and develop remain access to talent and access to markets, both UK and international, alongside leadership development. When combined, access to the right bank or equity finance (31%) is of equal importance as leadership development:

Having access to talent and markets is key to future success

<table>
<thead>
<tr>
<th>Important factors in business growing</th>
<th>In top 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to talent</td>
<td>73%</td>
</tr>
<tr>
<td>Access to UK markets and customers</td>
<td>39%</td>
</tr>
<tr>
<td>Access to international markets and customers</td>
<td>38%</td>
</tr>
<tr>
<td>Leadership development and training</td>
<td>30%</td>
</tr>
<tr>
<td>Access to the right bank finance for the business</td>
<td>20%</td>
</tr>
<tr>
<td>Access to private equity</td>
<td>16%</td>
</tr>
<tr>
<td>Access to larger corporates in supply chain</td>
<td>13%</td>
</tr>
<tr>
<td>Access to infrastructure</td>
<td>12%</td>
</tr>
<tr>
<td>Access to public sector support and R&amp;D funding</td>
<td>10%</td>
</tr>
<tr>
<td>Access to government procurement tenders</td>
<td>10%</td>
</tr>
<tr>
<td>Access to tax breaks</td>
<td>10%</td>
</tr>
<tr>
<td>Access to external advice</td>
<td>8%</td>
</tr>
</tbody>
</table>

Important factors in business growing

<table>
<thead>
<tr>
<th>Vital/very important</th>
<th>In Top 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to talent</td>
<td>90%</td>
</tr>
<tr>
<td>Access to UK markets</td>
<td>82%</td>
</tr>
<tr>
<td>Leadership development</td>
<td>65%</td>
</tr>
<tr>
<td>Access to infrastructure/premises</td>
<td>64%</td>
</tr>
<tr>
<td>Access to international markets</td>
<td>56%</td>
</tr>
<tr>
<td>Access to right bank/equity finance</td>
<td>51%</td>
</tr>
<tr>
<td>Access to tax breaks</td>
<td>47%</td>
</tr>
</tbody>
</table>
Attitudinally, scaleups are aware they are outperforming their peers (72% agree). They are also ambitious (just 27% feel it is not realistic to grow by 20% or more each year) but they acknowledge that this can’t always be planned for – half (49%) agree that it’s hard to plan for growth and you have to seize opportunities.

7 in 10 Scaleups feel they are outperforming their peers, but half feel they have little support and there are concerns for the future

Reflecting on the business environment, 47% feel there is little support for businesses like theirs, while almost as many (45%) worry whether the UK will be a good place to do business in future and 39% agree it is harder to grow a business now compared to the past.

There is some support (38%) for the view that most of the money and advice is in London and the South East – more so among those outside this area (45% agree) than those trading in London and the South East (28%).
ASPIRING SCALE UPS

This year’s survey identified 83 aspiring scaleups. They share many characteristics in common with scaleups more generally, but with a few key points of differentiation:

The key factors aspiring scaleups identify in taking them forward, as seen with scaleups, are “Access to talent”, together with access to UK and international markets. Finance emerges more as a theme for aspiring scaleups. They are more likely than scaleups to mention access to bank or equity finance as a key factor in future growth and more likely to cite not having the right finance in place as a barrier to overseas trade. While aspiring scaleups are likely to be using finance (80%) more of them have funds from friends, family and directors (40%) than is the case for scaleups (24%).

Aspiring scaleups are less likely to have 50+ employees (15% v 36% of scaleups). Like scaleups they are looking for social and management skills in employees, and looking ahead want staff with critical thinking skills, although they place a higher premium than scaleups on creativity.

Like scaleups they say business growth will be supported by employing staff who have grown a business before and through access to a network of peers who have grown a business, but they are more likely to be looking for non-executive directors with growth experience. For further support they are particularly looking for peer to peer support and local/regional government support.

Aspiring scaleups are as likely as scaleups to sell to government and large corporates and are also likely to export (78%).