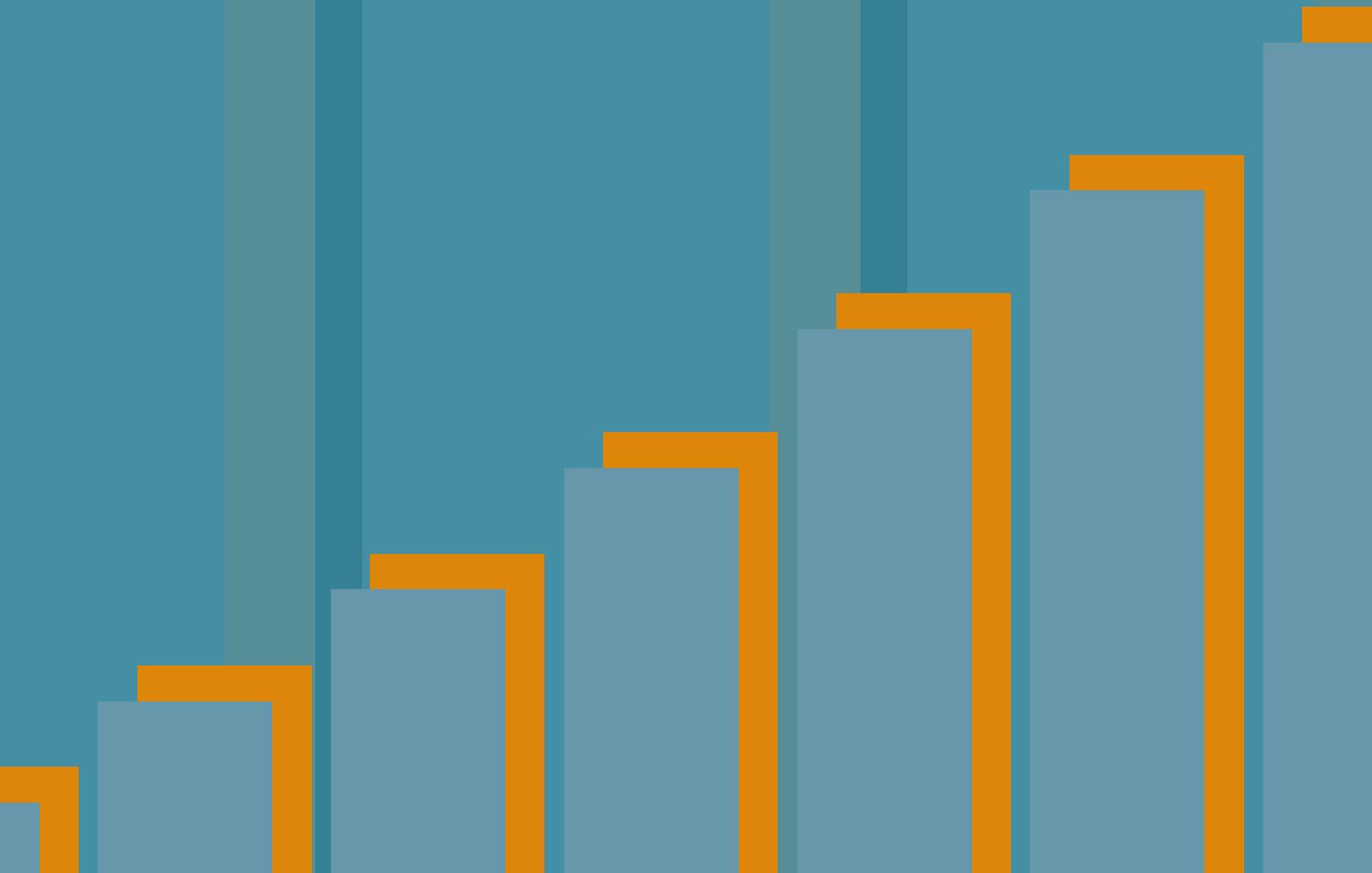


EXECUTIVE OVERVIEW





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Irene Graham

CEO, SCALEUP INSTITUTE

The ScaleUp Institute was established by the private sector at the end of 2015 to make the UK the best place in the world not just to start, but to scale a business by addressing the challenges faced in talent, leadership, markets, finance and infrastructure.

OUR CORE PURPOSE IS TO:

- Ensure scaleups¹ are a national priority embedded into the local fabric of the communities in which they operate, with solutions delivered across the private and public sector to break down the barriers they face.
- Educate on what is needed to create and foster a local ecosystem 'match fit' for scaling businesses at every stage of their growth journey, and to highlight well-evidenced impactful programmes and practices from which others can learn, emulate and improve.
- Enhance knowledge of scaleups through research, data, policy and analysis, to understand their needs, and understand which localities of the country have greatest requirement for private and public sector engagement, resources and investment to propel scaleup business growth.

Since establishment, the ScaleUp Institute has placed a key emphasis on working across the UK with corporates, financiers, educators, policy makers and local leaders to turn their attention to practical actions which can overcome the challenges faced by scaleups in their local communities.

In 2017 we have taken significant steps forward in our mission to turn theory and evidence into practicable outcomes that benefit scaleup leaders.

We have maintained the momentum of research and education, developing the route map for local ecosystems to come together to progress initiatives that help fast-growing businesses to flourish. Local leaders from the public and private sector have built on existing programmes, set projects in motion, or worked to develop more tailored initiatives for scaleup business leaders. Many of these were galvanised by the Scaleup Institute's education programme on "Driving Economic Growth through ScaleUp Ecosystems" supported by Goldman Sachs *10,000 Small Businesses* UK and Innovate UK. This has in turn led to inclusion of scaleups in local Strategic Economic Plans.

We have also worked closely with the Government on its emerging Industrial Strategy, and the key planks of action in 2017 of the ScaleUp Taskforce, Entrepreneurial, and Patient Capital Reviews. We welcome these developments and the heightened focus on scaleup business needs, including the leadership shown by the ministerial ScaleUp Champion Margot James MP, a successful entrepreneur and scaleup business leader

¹ An enterprise with average annual growth in employees or turnover greater than 20 per cent per annum over a three year period, and with more than 10 employees at the beginning of the period (OECD, 2014).

herself. We must now turn these into robust actions.

This Review draws on the thematic work of the ScaleUp Institute and the results of our latest survey of scaleup leaders to present a complete picture of the national landscape for scaleups. In addition, the ScaleUp Institute has collaborated with the Office of National Statistics (ONS) and, as a result, we use more comprehensive datasets, allowing us to examine in far more detail the relative scaleup performance of different geographic areas, as well as change over a three-year period. This data reinforces the importance of local action as the national picture masks significant local disparities that need to be addressed.

Our work across the year, including analysis of data findings and the views of our scaleup business leaders in 2017 reveals three fundamental themes: **People, Place and Productivity**.

OUR KEY CONCLUSIONS ARE:

- **Productivity is boosted by scaleups across all parts of the country and across sectors**

Evidence continues to show scaling businesses generate more productive jobs than the average – approximately £235,000 turnover per employee² – and provide employment opportunities across a varied spectrum from work experience, to apprenticeships, and from graduates to non-executive directorships.

ONS data for the years 2013 – 2015 indicates that the number of businesses that can be classified as scaleups in the UK has risen from 26,985 in 2013 to 31,440 in 2015. This is encouraging, with these businesses generating circa £900bn in turnover and circa 3-3.5 million in

jobs. When differentiating between types of scaleup we see two distinct patterns emerging: an increase in overall scaleups growing by turnover, and a small decrease in those scaleups growing by employees. Only 20% are growing against both measures³.

The **ScaleUp Index**⁴ researched with Beauhurst and Smith & Williamson, comprising Visible Scaleup Groups, alongside our **scaleup map**⁵, provide better detail of who these businesses are, the diverse sectors they are in and the communities in which they are flourishing. These datasets however, while increasing our understanding of scaleups also reinforce the need for more real time information to enable more effective private and public sector engagement to scaling businesses at every local level.

- **People and Place matter most:**

We know there are many ambitious scaleup leaders who want to scale more. They most need help on talent, access to markets and leadership.

People with the right skills remain their top priority and access to talent the greatest hindrance. Whether recruiting new employees, tapping into mentors / Non-Executive Directors, who have successfully grown businesses, building out leadership capacity, or seeking the skills needed to expand their global aspirations including international talent, people are top of mind in delivering rapid year-on-year growth.

Scaleup business leaders **most value locally-rooted resources** to foster their growth. They want **more local solutions tailored to their needs:** more peer-to-peer networks where they can meet their counterparts,

² This is based upon ONS data, extracted at a LEP level for scaleups in 2015. Our survey respondents reported an average annual turnover per employee of £240,000

³ Further data is expected shortly and we will update accordingly

⁴ <http://www.scaleupinstitute.org.uk/scale-up-businesses/>

⁵ <http://www.scaleupinstitute.org.uk/scale-up-businesses/>

easier access and deeper connections to local educators, university research facilities, and UK collaboration partners whether that be in local authorities, large corporates or Government. While scaleup leaders recognise that there are national Government initiatives, they want these delivered locally in a manner much easier to navigate.

Over half the scaleup businesses leaders in our 2017 survey perceive no relevant support existing for them – **we need to remedy this urgently.**

- **Innovation, investment and internationalism are integral:**

The majority of scaleups are already international and hungry to do more. While Europe and the USA remain core markets, they are

expanding to broader horizons in India, Middle East, Latin America, and Africa. However, they need greater assistance to connect with overseas buyers and to build the skills needed to negotiate internationally, understand market depth, and secure business opportunities.

Scaleups are twice as likely as peers to innovate⁷ and as such are keen to see better access to R&D innovation funding and growth finance options delivered locally, along with access to the infrastructure that supports their innovation drive. Finance and infrastructure remain vital components to scaleup success.

THE 5 KEY GAPS



THE TALENT AND SKILLS GAP

Finding employees to hire who have the skills they need



THE MARKETS GAP

Accessing customers other markets / home market



THE LEADERSHIP CAPACITY GAP

Building their leadership capability



THE FINANCE GAP

Accessing the right combinations of finance



THE INFRASTRUCTURE GAP

Navigating infrastructure

⁷ Whilst we fully recognise sample sizes at these levels are not statistically robust, we still think it important to share the reflections of those business leaders who completed the survey, on an aggregate basis, to give insight to their considerations.

AS AN ECOSYSTEM WE MUST:

- **Continue to act at a local level to overcome local disparities in a targeted manner** with greatest emphasis on converting scaleup ‘cold spots’ to ‘hot spots’ while we also ensure scaleup needs are top of mind in every local area and authority. The more granular ONS datasets demonstrate where the challenges are and where action needs to be taken. In 2018, the ScaleUp Institute will carry out further research using these datasets and others to get behind the figures and help focus action on local needs and local areas that most need attention.
- **Unleash the most up-to-date data** so that we can be ever more effective in our engagement with scaleup business leaders and harness our resources with more effect, impact and investment. In 2018 the ScaleUp Institute will be continuing our work with HMRC in using datasets to identify scaleups and trial different communication and information strategies with their leaders. These pilots will allow us to understand how to use data more effectively to boost productivity, and will allow us to explore the optimal models for a central opt-in or self-identification service.
- **Develop better local scaleup-centric approaches** for scaling businesses, using an account manager structure as a single point of contact for busy business leaders. We have seen such roles emerging following learnings taken from our 2016 education programme. Local Account Managers would curate relevant activities and helps scaleup business leaders to better navigate impactful private and public sector initiatives tailored to meet their needs. Denmark and Scotland provide good evidence of how to achieve this. In Denmark a successful program has proven that a national initiative matched with a local hub (growth house) close to the business with experts on tap is effective. Local communities in the UK should seek to build on this model and in 2018 the ScaleUp Institute will continue to monitor this progress.
- **Collaborate better and more effectively across markets** – large corporates, business schools and universities, alongside local authorities, have a crucial role in working with our scaling business leaders to foster talent and open up research and development facilities to increase access to markets and provide opportunities at home and abroad. Our public and private sector can be more transparent, refining processes and procurement procedures to make them more accessible for scaling businesses. The insights provided in the corporate collaboration checklist published in this report provide a better route map for large businesses seeking to improve engagement with scaleups in their customer and supply chain base. In 2018, we will continue to monitor progress and highlight best practice as a part of our ongoing work.
- **Deepen availability, understanding and connections to capital and local spaces, enabling scaleups to grow faster.** Finance and infrastructure remain important complements to scaleup leaders’ priority needs, with specific actions required to remove local disparities and to unlock further institutional investment. In 2018, the ScaleUp Institute will continue work with the British Business Bank and partners on growth capital, with an educational tool that will be launched next year and to monitor outcomes

from the recent *Financing Growth in Innovative Firms* consultation. Varieties of risk capital are key for scaling businesses and we must ensure the UK improves the reach and depth of these offerings.

It is imperative that the public and private sector – in every locality – respond to these findings and continue their scaleup focus.

OUR RECOMMENDATIONS FOR ACTION

In the UK, we have begun to move the dial towards creating the dynamic environment that our scaleups need to flourish. But it is clear our job is far from done and a redoubling of efforts towards scaling businesses is still very much necessary. Whilst the ScaleUp Institute recognises that progress is underway against many of the recommendations made in prior years, we must continue to drive forward. As such, we refresh and recommend a further set of actions below.

These recommendations are not a menu to choose from, but a comprehensive series of actions all actors can take to address the issues that hamper scaleup growth. Taken together, we are confident that we will be able to make the UK the most attractive ecosystem in the world for scaleups.

Throughout the rest of this report, we examine:

- **Chapter 1:** The national and local scaleup landscape, as regards numbers, sector and investment trends, including new data sources and what our scaleup leaders are telling us.
- **Chapter 2:** Impactful programmes that work in addressing the barriers faced by scaleups and insights for local leaders to incorporate into their own efforts
- **Chapter 3:** The progress made and lessons learned by ten local areas that participated in the 2016 Driving Economic Growth programme.
- **Chapter 4:** The policy recommendations of 2016, the work of the ScaleUp Taskforce, and what is needed in 2018 if we are to substantially break down barriers to scaling faster and more effectively.
- **Chapter 5:** A look forward to 2018 and the work that we need to support and promote to further grow scaleup businesses in the UK. This is followed by our “Local Scaleup Briefings” which draw together various sources to provide insight into the local picture. We share evidence on the numbers of scaleups in each LEP and region; the scaleup sectors and top 5 local scaleups growing in employees or turnover, including a local ‘snapshot’ of scaleup leaders’ views⁸, to help illustrate what locally most needs to be addressed.

IN SUMMARY

Scaleups are essential to a vibrant UK economy but we need to continue to step up our game if we are to surpass our international competitors and significantly climb up to the top in OECD ranking.

Whilst we have reason to be optimistic we cannot be complacent when barriers to scale still exist in many local areas and when scaling businesses are signalling concern that the UK may become a harder place to grow and view there to be a lack of resources towards their needs. We must decisively act now to redress this.

In 2018 the ScaleUp Institute will continue its mission to drive forward understanding, action and outcomes to ensure scaling business leaders are ‘top of mind’ in every local community.

We will specifically undertake more sector specific work, starting with social enterprises; more detailed education with and practical guidance to local areas in most need; continue to progress understanding of well evidenced impactful programmes (including more detailed mapping of the scaleup ‘support’ ecosystem with Innovate UK) and insights on what works. As a priority we will progress our work with Government to expand the timely availability of datasets to ensure better interventions, investment and alignment of resources tailored to scaling businesses requirements. Closer engagement with the education sector will also be a high priority with specific attention to employability and lifelong learning. Strong engagement across the national and local, public and private sectors will be maintained.

We look to all members of the ecosystem to join us in driving the scaleup agenda forward with pace and passion, to make the UK the best nation in which to scale a business.

 <p>SCALEUPS ARE PRODUCTIVE</p> <p>High levels of productivity are twice as common among scaleups. Scaleups are highly productive, averaging £235,000 turnover per employee.</p>	 <p>SCALEUPS CREATE JOBS</p> <p>Across all communities; having UK and international employees</p>
 <p>SCALEUPS ARE INNOVATIVE AND INTERNATIONAL</p> <p>Two-thirds of scaleups are involved in international trade. Scaleups are twice as likely as their peers to be trading internationally. Scaleups are twice as likely as their peers to have innovated in the past three years.</p>	 <p>SCALEUPS ARE ACROSS ALL SECTORS</p> <p>Scaleups span the economy: the majority of them operate in sectors outside of technology</p>
 <p>SCALEUPS ARE HIGH QUALITY</p> <p>Scaleups help create high-quality jobs with more satisfied employees.</p>	 <p>SCALEUPS ARE DIVERSE</p> <p>47% of all scaleups have at least one female director</p>
 <p>THEY ARE GOOD CORPORATE CITIZENS</p> <p>74% of scaleups offer opportunities to young people through work experience, internships or apprenticeships</p>	 <p>THEY PLAN TO GROW</p> <p>Most scaleups expect to grow again in the coming year. 77% expect to achieve 20%+ turnover growth. 52% expect to achieve 20%+ employee growth.</p>

Data drawn from 2017 ScaleUp Survey; ScaleUp Index 2017; ONS IDBR datasets 2013-2015

RECOMMENDATIONS FOR 2017

- 1** WE RECOMMEND THAT ‘SCALEUP STATUS’ IS OFFICIALLY RECOGNISED AS A FORMAL BUSINESS CLASSIFICATION and that national datasets are made available to allow local and national stakeholders to verify the ‘scaleup status’ of a business. If this data were to be released, it would answer the calls from stakeholders in local communities to develop a comprehensive picture of their local scaleup businesses. The development of a scaleup ‘kite mark’ should also be considered.
- 2** WE RECOMMEND THAT FUNDING FOR LOCAL COMMUNITIES SHOULD NOW BE TIED TO THE EFFECTIVE DEPLOYMENT OF SCALEUP INITIATIVES that close the scaleup gap and the results and impacts that they have on the number of scaleup businesses in their area.
- 3** WE RECOMMEND THAT THE DEPARTMENT FOR EDUCATION AND LOCAL ENTERPRISE PARTNERSHIPS USE THEIR CONVENING AND PROMOTIONAL POWER TO ENSURE THAT STUDENTS AT SCHOOLS, COLLEGES AND UNIVERSITIES COME INTO CONTACT WITH THE TOP 50 SCALEUP BUSINESS LEADERS within 20 miles of their establishment. We also recommend that an API to the National Pupils database (with suitable protections) is made available so that the impact of these interventions can be measured.
- 4** WE RECOMMEND THAT A ‘SCALEUP VISA’ BE MADE AVAILABLE in communities where there are 100 + scaleup companies to enable scaleup leaders to recruit staff they need to increase their capacity to grow. The Migration Advisory Committee should make the skills needs of scaling businesses a priority.
- 5** WE RECOMMEND THAT ALL LOCAL COMMUNITIES APPOINT A SCALEUP CHAMPION and develop an account management structure for scaleup businesses.
- 6** WE RECOMMEND THAT LOCAL STAKEHOLDERS SIGNPOST EFFECTIVE MENTORSHIP PROGRAMMES AND MATCHMAKING PROGRAMMES between peers and non-executive directors who have scaled businesses before.

Local and national educational institutions should prioritise the introduction of high-quality flexible courses designed to help scaleup leadership teams with their development needs. Better connections should also continue to be made between national programmes and local ecosystem leaders to encourage scaling business leaders to apply to courses with known impact. The Small Business Charter, and other such mechanisms, should integrate an assessment of ‘scaleup engagement’ into their performance analysis.

7

WE RECOMMEND THAT PUBLIC BODIES REVIEW AND REPORT ON THE PROCUREMENT PROCEDURES FOR SCALEUPS and improve the way opportunities are promoted to scaleup companies so that we see an increase in the extent to which Government procures from scaleups. This could also be achieved by significantly raising awareness of scaleup procurement champions. This should include the evolution of Contracts Finder to become a smart platform and depository of supplier opportunities from large companies that have contracts with Government; the development of ‘meet the buyer’ events and the development of more sandbox environments.

Any Government agencies that interact frequently with scaleups should introduce fast-track procedures for scaleups and report on these.

8

LARGE COMPANIES SHOULD REPORT ON THE LEVEL OF COLLABORATION AND PROCUREMENT THEY SOURCE FROM SCALEUP COMPANIES. Any procurement contracts with Government should require an increase in the amount of business undertaken with scaleups as part of the contracting process and provide an annual update.

9

WE RECOMMEND THAT CENTRAL GOVERNMENT SHOULD ALIGN A SIGNIFICANT PORTION OF ITS EXPORT ACTIVITIES AND RESOURCES TOWARDS SCALEUPS AND CREATE BESPOKE TRADE MISSIONS FOR SCALEUPS. All local areas should be encouraged to set up a local exchange programme for scaling businesses, such as that developed by the Mayoral ‘Go to Grow’ campaign in London.

10

GOVERNMENT AND INDUSTRY ENSURE PROGRESS IS MADE CLOSING THE FINANCE GAP. Growth finance to be included as core curriculum in all local scaleup leadership courses.

HIGHLIGHTS OF THE YEAR

JANUARY



Industrial Strategy Green Paper Published, referencing Scaleups and the ScaleUp Institute.

FEBRUARY

Growth Hub – network conference. The North East shares its scaleup vision.



Thames Valley Berkshire scale-up initiative Roundtable

MARCH

Scaleup Taskforce Launched by Ministerial ScaleUp Champion Margot James, MP & Sahar Hashemi at the London Stock Exchange, & steering committee meets for the first time.



Dr Ann Limb CBE, Chair of South East Midlands LEP, invites Scale Up Institute to speak at the Innovation, Collaboration, Acceleration Conference Milton Keynes

APRIL



ScaleUp Institute Response to the Industrial Strategy

MAY

Scaleups around the Country: North East Scaleup Conference and roundtable with local scaling businesses and hear from Thomas Hoegh and Sherry Coutu



Entrepreneurial Scotland's Summit hears from the ScaleUp Institute Sherry Coutu and Irene Graham

JUNE

London Tech Week celebrates fast growth firms, including hosting a trade delegation of the 20 strongest up-coming Indian Firms – the IE20 compiled by London and Partners.



ScaleUp Institute Presents to second Growth Hub Conference, and Swindon and Wiltshire shares its scaleup vision, and what they are doing to realise it.

JULY

A visit to the Chief Secretary to the Treasury

[\[https://medium.com/@hmtreasury/why-scale-up-businesses-are-rising-stars-of-british-productivity-76873ffaab5d\]](https://medium.com/@hmtreasury/why-scale-up-businesses-are-rising-stars-of-british-productivity-76873ffaab5d)



Launch of SME Finance Monitor – Scaleup Perspective



British Library Scaleup Summit

OCTOBER

Manchester growth hub – visiting with Ministerial Scaleup Champion Margot James and Chief Secretary to the Treasury Elizabeth Truss.



Sherry Coutu Highlights the importance of science parks

AUGUST

HM Treasury: “Financing Growth In Innovative Firms”

consultation launched, noting value of scaleups.



ScaleUp Survey 2017 launches to businesses across the country



ScaleUp Institute Board Member Reid Hoffman launches his Masters of Scale podcasts

NOVEMBER

Launch of the Scaleup Annual Review



SEPTEMBER

Export Roundtable with Department for International Trade, key ecosystem players and Scaleup Businesses.

Scaleup Institute Ambassador’s reception bringing together key individuals to update on continuing developments in the Scaleup Ecosystem.

Sector engagement – Manufacturing, banking, accountancy



The ScaleUp Institute live-streaming globally with Unreasonable Impact Forum

DECEMBER AND INTO 2018

- Data Piloting
- Sector analysis focus on Social Impact Scaleups
- Map Scaleup Support across the country with InnovateUK
- Next steps on Scaleup Taskforce
- Develop growth education tool with British Business Bank.



