

Entrepreneurship

How 'scale-up' business became the engine of job creation

Start-ups and high-growth ventures will be crucial in the pandemic economic recovery



Rebecca Harding, chief executive of Coriolis Technologies, transformed her company into an online service after it looked like it wouldn't survive the pandemic © Charlie Bibby/FT

Jonathan Moules 10 HOURS AGO

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Rebecca Harding chose the name Coriolis Technologies for her trade analytics business because of the word's link to the [Coriolis effect](#), a natural weather phenomenon that influences global trade routes. Last year another force of nature almost destroyed the company and forced Harding to change the direction of her venture.

“My business looked like it wouldn't survive. It was three years old and was dependent on one export client,” she says.

She decided to turn her company into one that solved the problem she had faced as a small-business owner: getting lines of credit to export. This meant turning Coriolis Technologies into an online service, enabling small and medium enterprises to prove that they are suitable for trade finance and providing a direct link to banks.

“I realised that entrepreneurs like me had a particular problem in accessing finance because we fell outside of the Covid financial remediations that the government had put in place — because our turnover was too small, we were lossmaking or because we were funded by equity,” she says. She built a digital platform which “aims to solve the SME onboarding problem with banks”. She got a small grant to get it going.

It transformed Coriolis Technologies from an endangered enterprise into a high-growth venture, with turnover expected to more than double from £550,000 to more than £1.3m in the current financial year. Harding, who is based in Eastbourne on the UK’s south coast, is also intending to expand her workforce from four people to a team of 20 during the same period.

Companies such as Coriolis Technologies will be important as the UK embarks on its [long road](#) to full economic recovery. UK output fell by 2.6 per cent in November compared with October, prompting analysts to warn of a possible double-dip recession. The prognosis in many countries is similar.

Entrepreneurs who create jobs generate a disproportionately large share of new employment. [Research](#) by the University of Maryland and the US Census Bureau in 2014 found that almost half of all new jobs in the US could be attributed to high-growth ventures, defined as a venture growing at more than 25 per cent a year. A further fifth of the total was attributed to start-ups — businesses under two-years old.

High-growth ventures are described by the researchers as “transformational”, in that they consciously plan to expand, as opposed to “subsistence” start-ups, which provide an income for the entrepreneur and only a few others, often family members.

High-growth companies in the UK turn over £1tn, 50 per cent of the country’s total SME annual turnover, according to a [2020 study](#) of Office for National Statistics data by the ScaleUp Institute, a UK not-for-profit company.

But how can governments encourage this kind of high-growth entrepreneurship? A common mistake is to focus on simply increasing the number of start-ups, says John Mullins, associate professor of management practice in marketing and entrepreneurship at London Business School.

Policy should instead be directed towards “scale-up” companies, many of which will already be trading but need to change their business model to find a more growth-oriented niche, Mullins says.

“Encouraging start-ups, given the churn that will inevitably occur among them, is the wrong place for government support,” he says. “A wiser course would be to support growth in companies that are ready to scale up. This could be accomplished via tax incentives or scale-up grants much like those that already support [research and development] in small companies, for example.”

Businesses do not have to be young to transform themselves from slow- to high-growth ventures. A 2020 [survey](#) of 645 high-growth companies by the ScaleUp Institute found that 51 per cent of these companies had been trading for 10 years or more.

This research also found that businesses increased the chances of becoming high-growth by operating close to other companies in the same sector. People develop the necessary specialist skills that enable these companies to thrive and all the businesses learn from observing their competitors.

Businesses can also get a boost from coaching programmes, such as the [10,000 small businesses](#) initiative founded by Goldman Sachs. These programmes provide mentoring support which can help develop growth strategies over the medium term, according to Irene Graham, ScaleUp’s chief executive.

“Sustaining high growth is about being able to constantly innovate, whether it is expanding into new lines, moving into new markets or starting new subsidiary businesses,” she says.

Ultimately, certain cultures are better at creating high-growth ventures, something noted by the annual academic survey, the [Global Entrepreneurship Monitor](#), which analyses early-stage business activity and why it occurs at different rates in different societies.

A country’s capacity to produce “scale ups”, as opposed to start-ups, is often a product of the education system, says Niels Bosma, an associate professor at Utrecht University who chairs the [Global Entrepreneurship Research Association](#), which organises the GEM study.

“[Entrepreneurial] ambition is formed at an early stage, but many education systems kill it,” Bosma says. “If you have an education system that fosters creativity, communication skills and critical thinking that will lead to more growth-oriented entrepreneurship because there will be more people who want to solve society’s problems.”

Government spending can also be used to encourage high-growth businesses. In the US, the federal government is [mandated by law](#) to include small businesses in the tenders for projects that involve innovation. “If you don’t aim for growth then you don’t achieve growth so you have to also create a culture where respect for achievement is nurtured,” Bosma adds.

Coriolis Technologies is Harding’s third start-up, which she believes gives her the experience necessary to create a bigger venture. But her personal determination has played a part too. “Like other entrepreneurs, I saw an opportunity and I knew who to go to in order to make it happen,” she says. “But I was also thinking that I have got mouths to feed — so I have just got to succeed.”

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