

SCALING BEYOND FRONTIERS

SCALEUP ANNUAL REVIEW 2022



HIGHLIGHTS

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ACKNOWLEDGEMENTS

Our thanks to our partners, supporters and contributors to this document.

Report design by NEO and StudioTM
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Published by the ScaleUp Institute
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The full ScaleUp Annual Review can be accessed at:
www.scaleupinstitute.org.uk/scaleup-review-2022/

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THE SCALEUP INSTITUTE'S CORE PURPOSE IS TO:

ENSURE scaleups 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.

ENGAGE as a national data observatory, providing insight on the scaleup ecosystem across the UK, disseminating and analysing the most recent data, ensuring scaleup businesses are on the map and providing benchmarks for the landscape each year to see where more can be done. Acting also as an international barometer and assessor.

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 which localities of the country have the greatest requirement for private and public sector engagement, resources and investment to propel scaleup business growth.

3 KEY PRINCIPLES GUIDE OUR WORK:

1

DATA AND EVIDENCE

Building upon what works: We will rigorously assess interventions and programmes based on data and evidence of measurable impact.

2

SEGMENTATION

Businesses are not homogeneous – scaling businesses must be treated as a separate segment with bespoke solutions.

3

CLIENT CENTRIC AND LOCAL

Scaleups value locally delivered solutions – even when a programme is national. In a growing company, time is a scarce commodity and community level engagement is essential, alongside active relationship management.

We believe these principles should be at the heart of efforts to overcome the challenges which scaleups have continually identified to their growth. We will continue to champion them.

KEVIN HOLLINRAKE MP
Parliamentary Under-Secretary of State
Department for Business, Energy and
Industrial Strategy



Over the past few years businesses have faced immense challenges: the Covid-19 pandemic, soaring energy costs as a result of the war in Ukraine and recent economic uncertainty. Yet despite these challenges, UK scaleups continue to thrive.

Scaleup businesses are critical for driving productivity, economic growth and innovation, and for creating jobs. As this report highlights, they make a significant contribution to the UK economy with 33,955 scaleups contributing more than £1.2 trillion in turnover and employing more than 3 million people. This means they account for more than 50 % of the turnover of all SMEs.

I am delighted therefore to support this report, as it rightly looks to celebrate the success of UK scaleups in adapting to these challenging circumstances, showing great resilience and entrepreneurship.

As a Government we are committed to working with key stakeholders, like the

Scaleup Institute, to better understand the challenges faced by businesses looking to scale, and to support them in overcoming these barriers to ensure they can continue to thrive.

We know, for example, that scaleups are highly innovative and international, and that accessing talent at the right time is crucial for their growth. That is why this year we introduced the High Potential Individual and Scaleup visa routes to help ensure businesses attract and retain high-skilled, globally mobile innovation talent. This will encourage those with valuable skills to come to the UK and enhance our already flourishing labour market.

We also understand that access to markets and the pace of finance are barriers scaling businesses face. To help address these issues the government is launching - through Innovate UK - an Innovation Hub to foster market connectivity, and is continuing to take action to unlock more private investment in scaleups through a number of British Business Bank initiatives, and regulatory changes to unlock new pools of institutional capital.

It's encouraging to see that scaleup activity and the scaleup pipeline is spreading across the UK, but we recognise that regional disparities remain. Tackling these differences and driving prosperity as part of levelling up left behind regions of the UK is a key priority for this government. A dedicated £4.8 billion Levelling Up Fund has been established to invest in infrastructure that improves everyday life across the UK. We also published the Levelling Up White Paper earlier this year which

unveiled our ambitious programme to reduce inequality and close the gap - in productivity, health, incomes, and opportunity - between much of the southeast and the rest of the country.

I am thankful for the work that the Scale up Institute and others are doing and, as we look ahead to 2023, the Government remains committed to working together to ensure we create a dynamic and vibrant business ecosystem for scale up businesses, so that they can continue to innovate, grow and create jobs.

IRENE GRAHAM CEO, ScaleUp Institute

This 2022 Scaleup Review is published as the global economy has entered a sustained period of instability and turbulence.

The world today faces an unprecedented set of challenges. We are still managing and adjusting to the effects of the Covid pandemic that has disrupted lives and supply chains, to the ongoing effects of climate change, and to conflict that has led to even greater global tension and pressure on resources and costs. It is against this maelstrom of world events that we take stock of the UK scaleup economy as we head into 2023.

When we set out on our scaleup mission with the establishment of the ScaleUp Institute in 2015, we wanted to make sure the public, private and education sectors recognised the scaleup segment of our UK business community as being crucial to the UK economy and our future sustainability.

In these challenging times our scaleup economy is increasingly vital to current and future UK prosperity.

In 2022 we have made further progress on that journey. Critical initiatives such as the scaleup visa have been implemented but more than ever as we head into uncertain and austere times, we need an ecosystem that continues to collaborate and engage to support our scaling enterprises - our most ambitious, innovative businesses - who have the power to keep generating much-needed economic growth and high-skilled jobs.

Scaleup businesses are the proven engine of the UK economy.

The most up-to-date ONS figures show the scaleup economy across the UK managed to sustain itself and even grow slightly in 2020 despite the impact of Covid. At the end of 2020, there were 33,955 scaleups - an increase of 26% since the ScaleUp Institute started to assess the landscape in 2015. These ambitious scaling businesses remain the UK growth stars, generating £1.2trn

to the UK economy. They are also major employers, employing over 3 million people. They represent 50% of the total SME turnover output despite making up less than 0.6% of the SME population and just 13% of the UK's 250,000 businesses with 10 to 250 employees. Of equal importance is the fact that we are maintaining a robust pipeline of high potential scaling businesses - those growing between 15% to 20% - which now comprises 16,700 companies contributing £410bn annually to the UK economy.

Encouragingly, in our new **ScaleUp Index** we have seen a 13% increase in 'visible' scaleups - those breaking through the £10m turnover level or with assets of more than £5.1m. That means there are **8,457** visible scaleups with **336 listed on AIM** and a **30%** rise in female founded scaleups. Among these visible scaleups, 58% scaled more than twice and 31% scaled three times or more.

The ScaleUp Index also consistently reinforces the importance of the core Government Agencies of Innovate UK and the Development Banks. Grants to scaleups by Innovate UK of £318m, which have leveraged £4.5bn of private sector money - a 14x multiplier - highlight the 'kitemark' effect that it has in crowding in private sector backers to scaling businesses. The British Business Bank has backed 79 investment firms, 62 of which have invested in one or more visible scaleups since 2011.

These are all positive signs but we cannot afford to ignore a concerning slowdown in the pace of scaleup growth looming in the background and international dynamics.

The overall number of scaleups remains slightly down from the high of 35,510 in 2017. Only 19 local areas across the UK are sustaining scaleup growth rates of greater than 1 per 100,000 of population in successive years - down from 23 in 2019. Although, when the **number of scaleups is combined with the pipeline of scaling businesses** this moves to **31** areas who are sustaining scaleup growth rates of greater than 1 per 100,000 of population. **This reinforces the need to convert high potential pipeline 'scalars' to full-blown scaleups.** Notable scaleup clusters outside of London include Leeds, Buckinghamshire,

Birmingham, Bristol, Cardiff, Glasgow and Edinburgh; but stubborn regional disparities continue such as in Black Country, Coventry & Warwickshire, Leicester and Leicestershire, and Tees Valley.

We cannot be complacent: we need to continue to double down and keep the pace and focus on our scaleup initiatives. We need to share knowledge, build clusters and leverage what works across communities. We need to continue to break down silos and build scaleup identities. We must increase the engagement of UK funds with UK scaleups. We must nurture our scaling pipeline to break through into scaleups and our scaleups to break through into becoming global leaders.

As we head into 2023, the confidence of our scaleup leaders is also fragile but they remain going for growth.

The 2022 ScaleUp Institute's survey covers 338 scaleups from across all sectors and geographies of the UK generating some £2.5bn in revenues and employing over 12,400 individuals. These scaleup leaders represent a group of business leaders who are diverse, highly innovative, international, productive, and with a strong social focus. **More than 50% say they are either a social business, operate in the green economy or are ESG compliant.** Nine out of

ten have been involved in innovative activities in the last three years and eight in ten have introduced a new or improved product, service or process in the same period. The majority continue to adopt new technologies and ways of working, with four in ten expecting to use AI, big data, and the Internet of Things in the future.

However, not unexpectedly, scaleup CEOs voiced their critical concerns about macro-economic factors impacting their growth; seven in ten are concerned about **increasing costs**; five in ten worry about the **energy crisis**, the **legacy of Brexit**, **supply chain delays** and **geopolitical uncertainty**.

Most concerning is a decline in their belief that the UK is a good place to scale a business. This critical indicator is at its **lowest ever ebb**: six in ten scaleup CEOs say it is harder to grow a business in the UK now than in the past - up from four in ten in 2021. Half the respondents - up from 38% in 2021 - worry about whether the UK will be a good location for a business in a few years' time.

Yet **despite all of these concerns and headwinds**, the overwhelming majority - **nine in 10** - still expect to grow in 2023: eight in ten expect to grow in turnover and seven in ten expect to increase their workforce, **with one in five expecting to grow more than 50%.**

This is a testament to the resilience, focus and ambitious mindset of our scaleup leaders.

This resilience emphasises the fact that all of us in the scaleup ecosystem – both private and public sector, from larger companies to financiers, from academics to local authorities – must redouble our efforts to remove the barriers and friction to scaling and make their growth trajectory much easier.

Nurturing and retaining these innovative, export-led companies in the UK and enabling their scaleup development is vital in the current economic context. These businesses are central to our local communities, future job opportunities and the levelling up agenda across the UK.

Scaleup CEOs are clear that significant pain points and barriers to scale further remain in **Access to Markets**, whether trying to sell into the domestic private or public sectors or expanding internationally; three quarters of our scaleup CEOs see this as their most significant challenge and a rising issue. It is followed closely by **Access to Talent** and then **Access to Growth Capital**. Easier **Access to R&D, including the surrounding infrastructure** such as **Innovate UK, remains pivotal** to the support that scaleups want from the public sector and this needs to be even **easier to access**. **Leadership development** also remains a priority for a significant proportion of scaleups but overall there is a sense that advances in scaleup initiatives are tackling this challenge.

Scaleup CEOs continue to view **local hubs** as a **key enabler** of their ability to access the raft of national resources that the public and private sector have to offer. They are clear that **enterprise agencies and growth hubs** have value. They also want further improvement in engagement from financiers, advisors and universities. **The majority want to be known and relationship managed:** seven

in ten would like a single point of contact to act as a relationship manager for them and the majority want data that they supply to the Government to be used to identify them to fast-track them through to appropriate public and private sector resources.

When we probe further we observe that the international and innovation focus of our scaleups - **traits that are predictors of scaleup growth** - continues at pace. The majority of scaleups **export and want to export further**. They are looking globally - to Australasia, the Middle East, China and India - but still need much better help to find **overseas partners and customers and the talent to support their international drive**. They want the **private and public sector to provide more tailored scaleup trade missions; better introductions to overseas buyers; and dedicated relationship management**, with end to end support that is better joined up.

Scaleups want to **triple** their ability to **sell into** the public sector and **double their collaboration** with Government; **three in 10 want to enhance their ability to work with corporates**. However, there is still too much friction in the system with complex and protracted processes which are difficult to navigate, and a lack of clarity about opportunities available to bid on. They are very clear on how we can do better; these are simple solutions, including **account management and meet the buyer events**, which we should act on.

From a **talent perspective**, scaleups remain significant employees of both international and homegrown **talent**. They welcome the introduction of the scaleup visa and they also want to help foster our domestic talent. They are leaders in opening doors to young people; 74% offer opportunities to young people – twice the rate of other firms. They want to have more opportunities to fund

apprenticeships and to join up better with the education system. Resoundingly, they want more **employee encounters and better careers advice with businesses like theirs, including enhanced funding for apprenticeships/work placements and more teaching of entrepreneurship**, alongside the **better progression of digital technology and social skills training**.

As high **adopters of new technology** - not surprisingly, when we assess some of the key roles they are now seeking to fill - a good range of their requirements are in digital and engineering skill sets. But equally, there is a critical need for sales and business development, and marketing and brand expertise, particularly in their leadership teams. In their future hires they are predominantly seeking people with **resilience and flexibility** alongside excellent capabilities in **decision making and emotional intelligence**. They believe hybrid working is here to stay and are focused on team development as well as recognising their need to evolve their talent and board plans. **Four in ten want more help in accessing non-executive director networks**.

Turning to **growth capital**, scaleups remain much heavier users of finance - across its multitude of forms - than their SME counterparts. **VCs and Angels are key sources of equity provision**, highlighting the importance of these asset classes in the escalator of finance to enable scaleup success. However, 5 in 10 remain of the view that they **do not have sufficient capital** to meet their current growth trajectory, and a similar number still **perceive much of the funding resides in London and the South-East**; the work that is currently being done to address regional disparities remains absolutely necessary and requires continued focus.

In recent weeks **there has been much discussion about tax**. From the scaleup CEO's point of view, the taxation system in the UK is a key plank to enable the scaling up of their ventures: EIS, SEIS, R&D tax reliefs, and Capital Allowances have all played **important roles** in supporting their investment opportunities. These need to remain in place - and be consistent - to ensure we encourage, and give confidence, to our scaleups to invest and grow in the future. How we raise awareness of these schemes and make them - particularly for R&D - as broad and as easy to access as possible is a key task from our scaleup leaders.

In the eight years the ScaleUp Institute has been on its mission, our scaleup CEOs have been consistent on their needs. Today, their signals are loud and clear: despite the turbulent conditions ahead they are **pushing ahead on growth, innovation and internationalisation** but we have still not done enough as an ecosystem to remove their barriers to scale.

Removing these barriers to further growth should be a **Primary Directive** for the private and public sectors at both local and national levels. We need to continue the focus on scaleup initiatives encouraging local clusters, getting skilled talent and capital into the regions and building scaleup identity, as our research into the *Drivers of Local Growth* highlights. We cannot afford to leave any area behind.

The policy agenda we set out when the ScaleUp Institute was established in 2015 remains as powerfully relevant today: the public, private and education sectors must continue to recognise the scaleup segment of our UK business community as distinctive and work with these innovators with global aspirations to support their further growth.

Whilst there is much still to be done, we have made significant progress. Not least, the term 'scaleup' is now widely understood both here and internationally, and public and private sector players are recognising the significant contribution scaling businesses are making to the UK economy. We have seen clear impact from segmenting services for businesses in to the categories of 'startup,' 'scaleup,' and 'stay ahead', and we are pleased that this is being more widely adopted by Government and the private sector.

In the past 12 months we have welcomed movement on a number of our scaleup recommendations, including:

- The **Scaleup Visa** is now in place, and we will continue our work with the Government to make sure it develops and delivers to scaleups' evolving needs.
- The **Government Export, Digital and Innovation strategies** are implementing and enhancing their focus on scaleups and high potential scaling firms.
- More work has been undertaken on closing the **growth capital gap** - crucially the movements being undertaken to unlock institutional capital with the planned regulatory reforms that would provide the option for defined contribution schemes to remove performance-based fees from the pensions regulatory charge cap, alongside the **Solvency II and Listings Reviews**, coupled with the expansion of the **British Business Bank** and the development of the Long-term Investment for Technology & Science fund (**LIFTS**). All these move forward several long-term recommendations of the ScaleUp Institute.
- The **expansion of existing initiatives**, such as the British Business Bank Regional Angel Programme and Regional Funds, is welcome as we ensure

a robust continuum of finance at every level, as well as sector-specific initiatives such as the Fintech Strategy, **Create Growth Programme** and **Life Sciences Taskforce**. Alongside the commitment to Innovate UK as a key interlocutor between the private sector and innovative scaleup economy, including development of three new Innovation Accelerators in Glasgow, West Midlands and Greater Manchester.

- The **Levelling Up White Paper** should have a significant role in ensuring the right ingredients for scaleup growth exist across the country by building up local skills, finance, and clusters: the white paper includes the expansion of Institutes of Technology and the establishment of a new National Academy. It must build out on what is working and not let proven local initiatives fail because of the retrenchment of European funding.
- Proposals to **reform procurement** offer opportunities which will improve transparency and improve access to public contracts for scaleups are welcome - but currently insufficient. It is crucial that public procurement policy is better used to support R&D-focused firms, such as those already engaging with government-sponsored 'sandbox' initiatives or wider innovation activity.

Private sector actors are also continuing to develop targeted scaleup interventions including the development and expansion of national high growth teams; hubs; skills and finance initiatives, with emphasis on diversity and net-zero. A range of **universities and business schools** continue their focus on high potential scaling firms. We now have **65 case studies** of exemplar practice either endorsed or as 'ones to watch', with many expanding and new ones joining endorsed status,

such as Stevenage Bioscience Catalyst, Scaleup Scotland, Aston Programme for Small Business Growth, Lazaridis Scale-Up Program and Innovate UK EDGE scaleup programme. Financiers continue to prove their scaleup credentials such as Archangels, Cambridge Angels, Newable Ventures (London Business Angels) and Development Bank of Wales, and **many initiatives continue to be embedded locally** such as ScaleUp North East - although there is concern over future sustainable funding given 1 in 10 have been ERDF backed.

Whilst a more scaleup supportive ecosystem is developing – much of which follows on from the ScaleUp Institute’s nationwide education delivered through our *Driving Economic Growth through Scaleup Ecosystems* course - we cannot afford for it to go backwards given the headwinds and funding challenges ahead.

In the current economic climate, the ecosystem is under great pressure as it is called on to deal with competing priorities. If the UK is to compete successfully with competitor economies, it is vital that we maintain a clear focus on enabling scaleup businesses to grow and flourish.

As we head into 2023 the scaleup challenges ahead remain clear and consistent, and we’ve identified clear priorities to match them.

AS AN ECOSYSTEM WE MUST:

- Continue to **use the data** available, including HMRC data sets (tax and National Insurance data) to allow better engagement with the scaleup community and fast-tracking of relevant solutions to scaleup leaders, including in the implementation of the ScaleUp Visa process. Data use should also be expanded to include focused messaging on exports, innovation and finance, as well as be evolved to include private sector support. We

also want to see progress on identifying how government datasets can be shared more effectively across departments; if necessary this should include legislative change. In 2022 we will continue our work with Government and HMRC in this area.

- Crack the **Markets Access** issue. Too much is still fragmented, unclear, clunky, complex and uncoordinated. There are simple things we can do to correct that, such as being more organised and developing **scaleup relationship managers and high growth teams, meet the buyer events and scaleup ‘desks’** situated within overseas embassies/innovation agencies and banks. We can use data much better to pinpoint our scaling firms and connect them swiftly to relevant resources. We can be more like our US counterparts in **leveraging public procurement and R&D investment** into innovative scaleup firms by using the Government spending power at local and national level as anchor clients and being more effective in the deployment of the **SBRI**. We can ensure **corporates** who want to do more with scaleups learn from their peers that do it well.
- Progress our **talent pipeline** by working more collaboratively with our education system, improving alignment with scaleup needs and connections with scaleup leaders through internships, work placements, apprenticeships and job opportunities. These connections can be fostered through expansion of existing platforms and impactful initiatives such as those endorsed by the ScaleUp Institute which include **Founders4Schools** and **Careers Enterprise Company**, as we seek to bring more entrepreneurship to schools.
- Continue to focus on **digital and tech skills shortages**. There is good work being undertaken in this area but we must see the ‘siloed’ actions being more collaborative. The **Digital Skills Council** has a key role to play here alongside private sector initiatives such as **FutureDotNow** and the existing initiatives endorsed by the ScaleUp Institute including **Google Digital Garage** and **Barclays Life Skills**.
- Maintain the momentum to close the leadership needs of our scaleup businesses; **peer to peer groups** and **mentoring** remain important and need to continue, as well as the development of greater connections to **non-executive directors** who can add value to a scaleup’s board. In 2023 the ScaleUp Institute will work with the collective ecosystem to develop a **Non-Executive Director hub** in a private sector collaboration which will bring together leading players.
- Implement at pace the concerted effort being made by the Government and regulators to alleviate regulatory barriers to institutional investment to our scaleup economy. This is imperative as we witness the current slowdown and tightening of scaleup investment - with only **12% investment in equities in 2018 versus 73% in 1999** - and ongoing regional, diversity and sectoral disparities.
- Enable and ensure that the private sector works together closer than ever to step up and provide new solutions and collaborations to foster larger pools of growth capital. Initiatives such as the Capital Markets Industry Taskforce led by the London Stock Exchange Group has a vital role here, along with the continued work of the Bank of England on the

productive finance and net-zero agenda.

- **Consider the permanency of the British Business Bank and Innovate UK to the UK economy.** Now is the time to drive certainty into the ecosystem and give confidence to investment by giving greater permanent status to these institutions for the long term, mirroring international counterparts. They both have a proven and critical positive impact in fostering our larger scaleups.
- **Ensure consistency of tax initiatives to boost confidence to invest; maintain and promote existing initiatives to close the growth capital knowledge gap and connectivity asymmetries.** This is work that the ScaleUp Institute will continue to do with the British Business Bank and finance partners.
- **Strengthen our ecosystem structure that supports growth, particularly developing locally situated clusters and hubs.** From work we have assessed in Denmark and our own quantitative analysis of local growth drivers, the ScaleUp Institute has seen the evidence of how these can make a real difference to enabling scaleups.
- **Leverage and expand the clusters and hubs that are working well** and other initiatives which we have endorsed that are having impact. The ScaleUp Institute has a **range of exemplars** and endorsed case studies such as ScaleUp North East, ScaleUp Scotland, Alderley Park; Babraham Research Campus and Stevenage Bioscience Catalyst **that can be fostered, replicated and leveraged.**
- Take the opportunity in the new **investment zones** to foster

greater investor and scaleup connectivity. In rolling these out we must be joined up and crowding in, not duplicating or bifurcating.

- **Ensure no gaps in scaleup solutions emerge from the ending of European funding.** In 2023 the UK must ensure the continued funding of those initiatives that work well and have impact, as well as resolving our engagement in Horizon Europe or finding a suitable alternative through UKRI and Innovate UK. UKRI should use its convening power to leverage ever greater connectivity between academics and scaleups.

Continuing to develop a robust and agile ecosystem that is flexible enough to support scaleup growth remains vital. The building up of local, regional and national tailored, segmented and relationship-managed scaleup solutions is essential if we are to deliver to our full scaleup potential.

The **ScaleUp Institute will continue to play its part** in fostering this. In 2022 we have been pleased to engage in a number of initiatives that take our ecosystem in this direction, including the launch of the scaleup visa. Together with Innovate UK EDGE in 2022 we **expanded the peer-to-peer regional groups** for scaling businesses to now include the Innovate UK Loan portfolio with further expansion planned in 2023. The **networks have been described as “akin to therapy sessions”** where leaders can share issues and concerns, as well as “refresh” from stepping away from the business, with scaleup leaders reporting that the sessions help them make decisions faster, build up their confidence in their decision-making, as well as their leadership capacity and people management skills. We have continued to work with the British Business Bank organising in-person masterclasses around

the regions on raising scaleup capital. More than 700 delegates have attended 12 roundtables and 12 education sessions since we began this programme in 2021. In September 2022 we worked with our partner BGF to bring scaleup leaders together from across the UK for a series of ScaleUp Week sessions, which sought to unlock potential, accelerate growth and deliver impact.

Our role in raising awareness of the impact of scaleups and sharing the evidence remains a clear priority. In 2022 we launched several Indexes which spotlighted and celebrated scaleups in the creative, green economy, and fintech sectors, as well as female founded and Northern-based scaleup businesses, alongside family owned ones.

We continue to provide evidence on key policy issues affecting scaleups, both at home and abroad, contributing to Government consultations, and initiatives such as the Life Sciences Scaleup Taskforce, Fintech Strategy Review, and programmes such as the

Create Growth Programme which is expanding into new territories, including the further roll-out of our **Invest in Creative Toolkit which has now engaged over 270 investors.** We have also published papers such as the *Levelling Up Through Digital, Computing and Technology Skills* document which highlights three critical priorities for resolving the UK digital skills gap and supported our scaleups in their international drive with collaborations in Canada, Europe, the Nordics and Singapore.

In 2023 the **ScaleUp Institute will continue to be a ScaleUp Academy and Observatory** for the ecosystem. In the first quarter, with Innovate UK, we will **bring together our innovation and economic development leaders in further workshops** to share ways to evolve the local innovation and scaleup ecosystem including learnings and good practice from around the UK and internationally.

We will turn our attention to making access to NEDs easier, working with the collective ecosystem to develop a **Non-Executive Director hub** in a public/private sector collaboration that will bring together leading players. We will also continue our drive with the British Business Bank and finance colleagues at BGF, finnCap, Silicon Valley Bank, Scaleup Capital, the London Stock Exchange and partners from the wider banking sector to close the scaleup finance gap and information asymmetries on growth capital.

Our 2022 review findings send a clear message that we must not let our determined focus on scaleups slip. The economy needs these ambitious businesses to flourish and the ecosystem must redouble its efforts to support them. We have travelled far on the scaleup journey; now is not the time to put on the brakes.

IN SUMMARY

The world economy is facing huge challenges. Having just emerged from the pandemic, we are confronted by challenges to supply chains brought on by geopolitical conflict and tension. As we focus on rebuilding and growing it is imperative that we support ambitious, scaling businesses to benefit from their innovation and ambition. Action remains imperative as many of our international competitors are seeing the opportunities of a scaleup economy. Confidence is very fragile, with optimism on the UK being a good place to scale in future at an all time low. We still have not done enough as an ecosystem to remove their barriers to growth.

As we lay out our policy imperatives for 2023, we must focus on maintaining the momentum:

- Leverage and build on what works to create, at scale, long term sustainable interventions, deployed at local level.
- Champion the case of our scaleups and growth sectors, aligning the right people and making available the best funding resources.
- Build clusters and hubs – at a local level – connecting our scaleup communities to the talent, finance and markets that they need to propel their growth.
- Build a robust continuum of finance and joined-up scaleup solutions across markets, talent and growth capital.
- Segment our business population, identifying scaleups at a local level and ensuring that programmes are tailored for their needs, building upon the distinction of ‘start up’, ‘scaleup’, and ‘stay ahead.’
- Develop cluster maps, relationship management and high growth teams to support scaleup growth.

If we are to see ambitious companies growing across sectors, geographies and boundaries - and by doing so advance our international competitiveness - we must act collectively and champion the cause of our scaleups, engage with them to support their routes to markets, innovation and talent, and ensure all our resources are aligned to their needs and enable their Scaling Beyond Frontiers.

ENGAGE : ACT NOW.



EVIDENCE AND CASE STUDIES

2022 HIGHLIGHTS OF THE YEAR

DECEMBER-MAY



Hosted by The University of Manchester and The Alliance Manchester Business School - Irene presented on the future of scaling businesses at the Scale-Up Forum: Annual Review 2021



Evidence given to the Treasury Committee Inquiry: Jobs, growth, and productivity after coronavirus.



Raising Scaleup Capital Regional Masterclasses with the British Business Bank in
a. South West
b. North East, Yorkshire, Humber and the Tees Valley
c. Wales
d. East and South East Midlands



SCALING UP SECTORS - DEEP DIVES AND INDICES: Invest in Creative - Building investor capacity in creative sectors through Music Panel Discussion and Games Deep Dives.



Creative Coalition 2022 and launch of the Creative ScaleUp Index



Family Scaleups Index



Celebrating Small Biz Saturday



Launch of the Northern Index to coincide with the Goldman Sachs 10,000 Small Businesses UK event at the Blackpool Tower.



International Women's Day 2022 - the Female Founder Index



Launch of the Female Founder Index



NEW INSIGHTS REPORT Levelling Up Through Digital Skills Report and Roundtable



Launch of new insights paper "Levelling up through digital, computing and technology skills" with South Central IOT.



Finding and funding the North's fast growing firms - Invest in North



Hexagon Sixth Sense Challenge Event. Irene joined a panel of expert judges to hear pitches from 13 passionate and ambitious innovators.



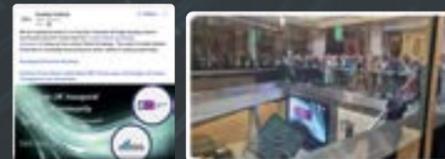
Innovate UK Loans CEO Portfolio event - sharing scaling success stories and launching new peer groups for scaleup leaders



Go big or go home panel discussion at Bio Integrates conference. The Government's Industrial Strategy and commitment to life science funding relies on companies scaling their science in the UK. How do you scale up in a fragmented ecosystem?



Evidence submitted to Department for Work & Pensions, Facilitating investment in illiquid assets by defined contribution pension schemes



Innovate UK ScaleUp Programme Alumni Community launch and market close at the London Stock Exchange - deepdives into scaleup finance and marketing with enhanced peer interaction



Celebrating our Scaleup Stories

JUNE - NOVEMBER



NatWest 'Seeing is believing' session



The Montreal Group CEO Gathering - sharing scaling insight with leaders of global development banks at Canada House



UK Finance - scaleup deepdive with the UK banking industry



UK Finance outreach visit, hosted by Renishaw - discussing scaling up in Wales with UK Finance and leading businesses.



Business Worcestershire Conference "Shaping Our Future" - Irene presented a deepdive into Worcestershire and the West Midlands for local scaleup leaders



Scaling up Peer Networks - recruitment begins in phase two the Scaleup Peer Groups with Innovate UK EDGE.



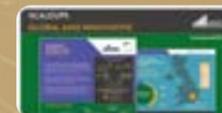
Marking the launch of the Scaleup Visa, a key SU1 ask of Government, built on the evidence and insights provided over the years, our commentary on the launch was featured across the media including Business Standard, Business Desk and City AM. Irene Graham said of the Scaleup Visa "The ScaleUp Institute welcomes the launch of the Scale-up visa. This is something we have recommended since our inception and should provide a much-needed fast track service to enable local growth companies to access the talent they need more quickly."



Scaleup Week 2022 - from Tuesday 20th September - Thursday 22nd September, BGF and the ScaleUp Institute bought together scaleup leaders from all across the UK to unlock potential, accelerate growth, and deliver impact.



Labour Party conference panel discussion on Addressing Britain's Startup and Scaleup Opportunities with Jonathan Reynolds MP, Shadow SoS for BEIS, entrepreneur Tom Adeyoola, and Paul Thwaite, Chief Executive Officer of NatWest's Commercial & Institutional Enterprise



New scaleup indexes and insights on the Green Economy; Building inclusive workforces; and, Innovation & Internationalisation.



Regional Raising ScaleUp Capital Events with the British Business Bank
a. South East
b. Wales
c. Scotland
d. South West



European Scaleups Workshop in Brussels, organised by Nordic Innovation, Erasmus Centre for Entrepreneurship (Erasmus University Rotterdam) and Vlerick Business School (Brussels, Belgium) - joining 60 thought-leaders gathered from research, policy, industry and the public sector in the topic of scaleups in Europe.



ScaleUp Institute Response HM Treasury's Solvency II call for evidence



ScaleUp Evidence submitted to the Treasury Select Committee: Inquiry on the UK Venture Capital Market

LOOKING FORWARD

Over the coming weeks and months we are excited to be sharing scaleup insights with Innovate UK and innovation agencies from across Europe in Brussels at the closing summit of the UK's Presidency of TAFITIE; to discuss the latest on scaling up investment in UK lifesciences at the Life Science Investor Roadshow; and in 2023, be launching our next local scaleup and innovation ecosystem education masterclasses to Drive Local Economic Growth.



Spotlight on Scaleup Stories

A GUIDE TO SCALEUPS

Our ambition is that the UK becomes the most fertile ground for businesses, not only to start up but to scale up and grow.



SCALEUPS ARE PRODUCTIVE

Scaleups are more productive than their peers, generating an average of £373,000 turnover per employee.



SCALEUPS ARE INNOVATIVE

8 in 10 scaleups have introduced or improved a product/service/process in the last three years, twice the rate of large firms, and they are significant adopters of new technologies.



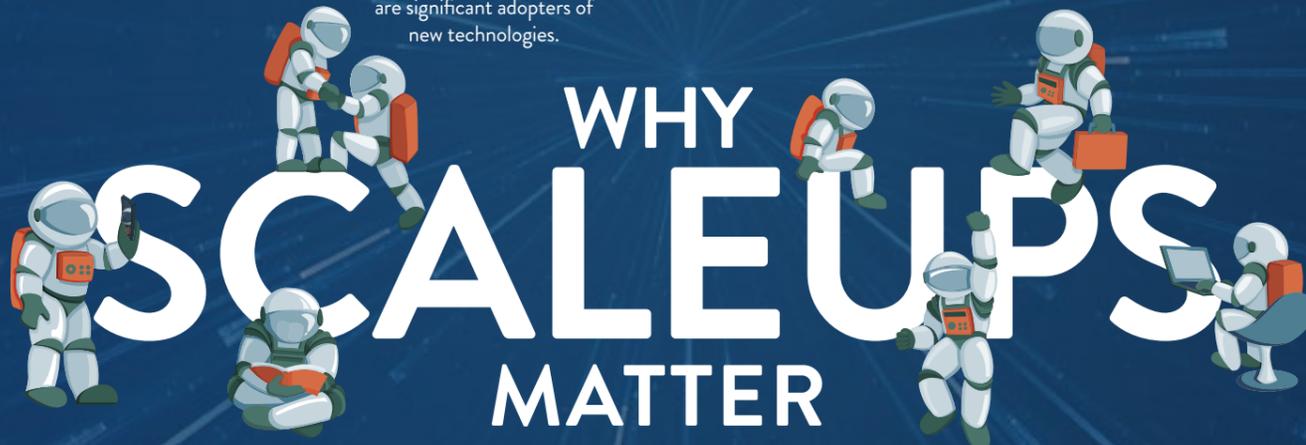
SCALEUPS ARE INTERNATIONAL

Half of scaleups are involved in international trade, in a range of markets across the world. They are looking to expand further internationally.



SCALEUPS ARE ACROSS ALL SECTORS

Scaleups span the economy: the majority of them operate in sectors outside of technology.



SCALEUPS CREATE HIGH QUALITY JOBS

Scaleups help create high-quality jobs with more satisfied employees – employing 3.1m workers.



SCALEUPS ARE DIVERSE

40% of all scaleups have at least one female director



SCALEUPS ARE GOOD CORPORATE CITIZENS

Over half describe themselves as being a social business, operating in the green economy or meeting ESG goals. 74% of scaleups offer opportunities to young people through work experience, internships or apprenticeships. They offer apprenticeships at twice the rate of typical firms.



THEY PLAN TO GROW

9 out of 10 scaleups expect to grow again in the coming year. 2 in 10 expect to achieve 50%+ growth in either turnover or employment.

SCALEUPS IN THE UK

33,955

SCALEUPS

26%
SINCE 2013

28,240

TURNOVER

OUTSTRIPING GDP GROWTH BY
23%

12,090

EMPLOYEES

42%
MORE PRODUCTIVE ON AVERAGE

6,375

SCALING BOTH

SCALEUPS GENERATE

£1.2TRN

50% of UK SME economy, despite representing less than 1% of UK companies



EMPLOYED
3.1M
PEOPLE



HAD AN AVERAGE TURNOVER PER EMPLOYEE OF
£373K

THE SCALING PIPELINE

16,700

The total number of businesses growing between 15-19.99% in 2020.

1.4m

People employed by scaling businesses in 2020.

£410bn

The total amount of turnover generated by scaling businesses.

Source: ONS IDBR 2010-2020 for total scaleup turnover, ONS Business Population Estimates 2020 for total SME turnover

ANALYSING

SCALEUPS AND SCALING BUSINESSES ARE IN EVERY REGION AND NATION OF THE UK

● TOTAL SCALEUPS
● TOTAL SCALING PIPELINES

THE UK HAS:
33,955
SCALEUPS
16,700
SCALING BUSINESSES

Whilst the ScaleUp activity and pipeline spreads across the UK there remains **regional disparities** which we continue to need to tackle.

We must not leave any area behind!



SCALEUP AND SCALING PIPELINE GROWTH RATES

SCALEUPS



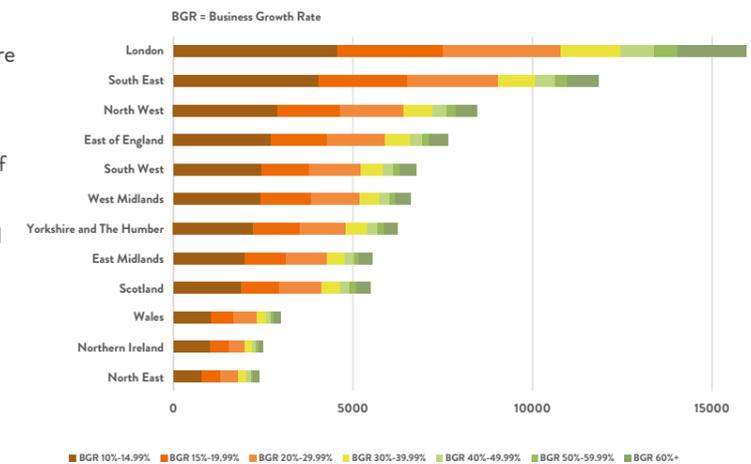
SCALING PIPELINE



DISTRIBUTION OF SCALEUPS AND PIPELINE BUSINESSES BY GROWTH RATE

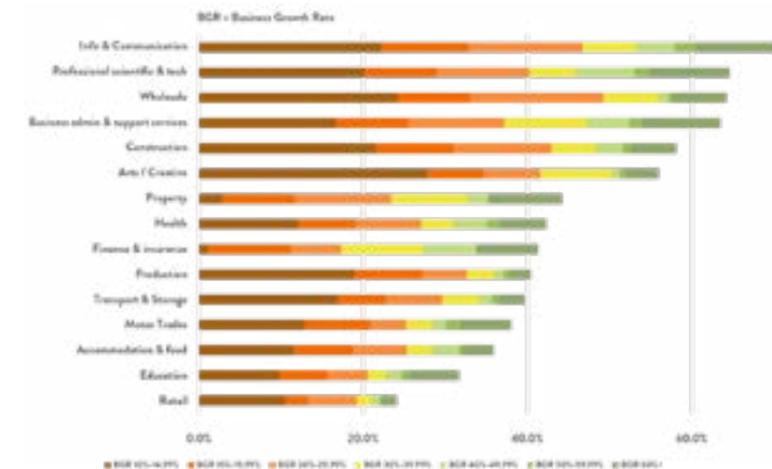
When looking at overall numbers of businesses growing (turnover and/or employment) by more than 10% we are able to see with greater clarity the disparities that exist across the UK:

- London and the South East have the greatest number of scaleups and pipeline businesses.
- Most parts of England after London and South East and Scotland have a similar growth rate distribution.
- However, Wales, Northern Ireland and North East England are lagging behind the rest of the UK.

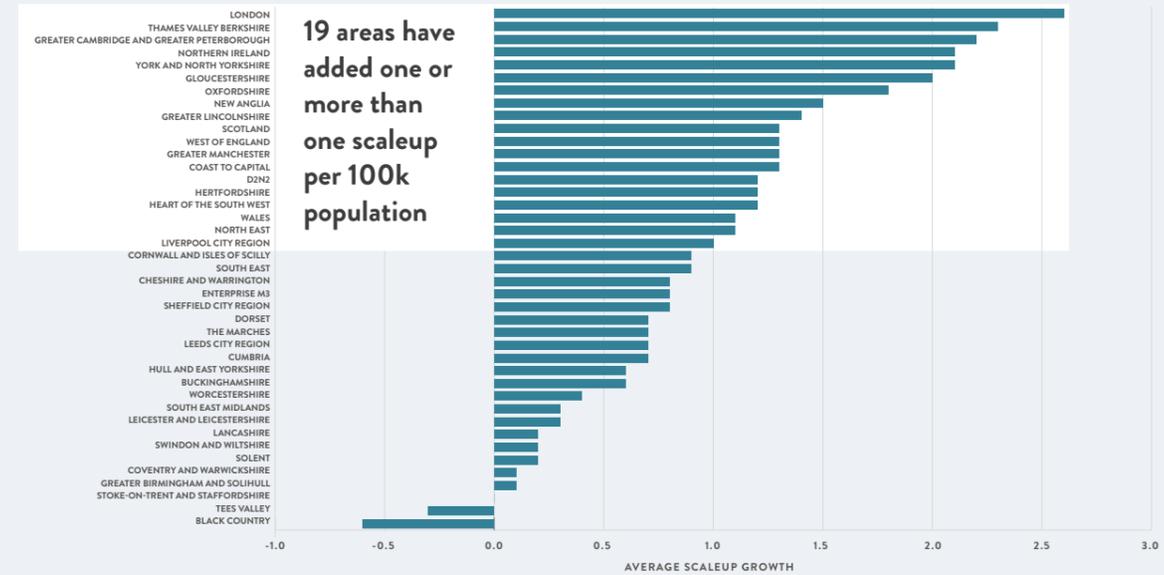


SECTORAL CONTRIBUTION TO TURNOVER

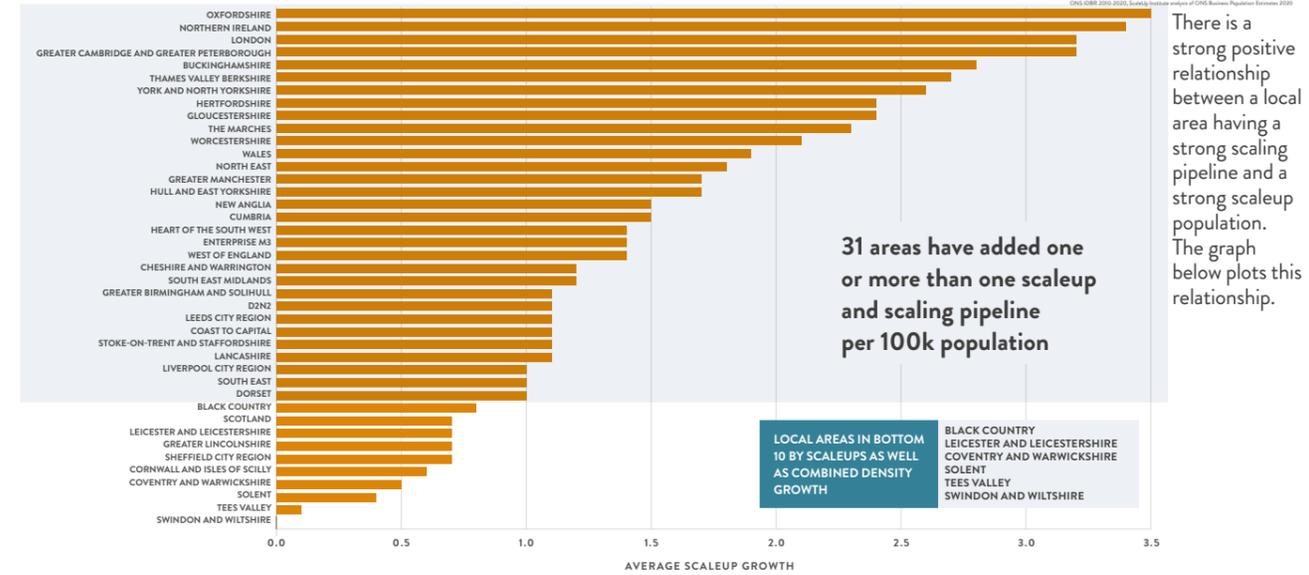
Scaling and scaleup businesses in 6 sectors - Info & Communication; Professional scientific & tech; Wholesale; Business admin & support services; Construction; and Arts / Creative - contribute more than 50% of the total turnover generated by all UK businesses in these sectors with more than 10 employees in 2017 (when these businesses started their current scaling period of 3 years growth).



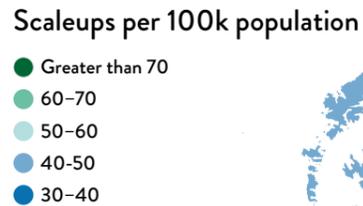
GROWTH ACROSS LOCAL AREAS CHANGES IN SCALEUP DENSITY



GROWTH ACROSS LOCAL AREAS WHEN COMBINING CHANGE IN SCALEUP AND PIPELINE DENSITY THE FOLLOWING PICTURE EMERGES



DENSITY OF SCALEUPS PER 100K POPULATION, BY LEP/DEVOLVED NATION



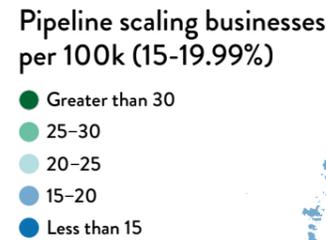
AREAS WITH THE HIGHEST SCALEUP DENSITY:

- OXFORDSHIRE
- THAMES VALLEY BERKSHIRE
- OXFORDSHIRE
- CAMBRIDGE & PETERBOROUGH
- ENTERPRISE M3
- GLOUCESTERSHIRE
- BUCKINGHAMSHIRE
- CHESHIRE AND WARRINGTON
- WEST OF ENGLAND
- HERTFORDSHIRE

AVERAGE ANNUAL CHANGE IN SCALEUPS PER 100K POP, BY LEP/DEVOLVED NATION



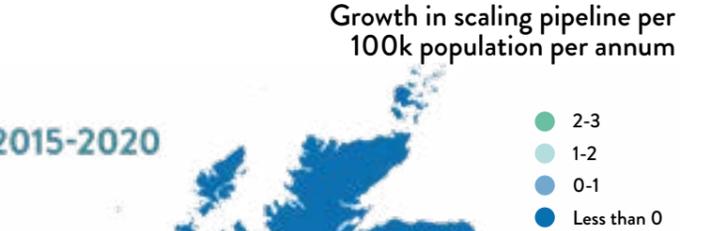
DENSITY OF SCALING PIPELINE PER 100K POPULATION, BY LEP/DEVOLVED NATION



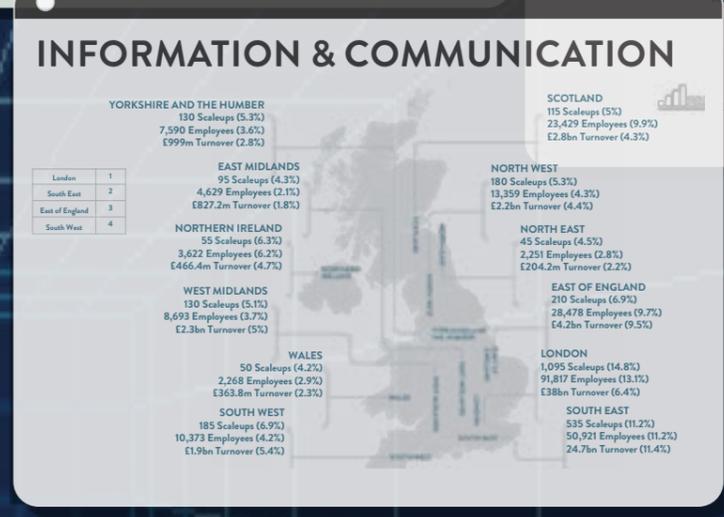
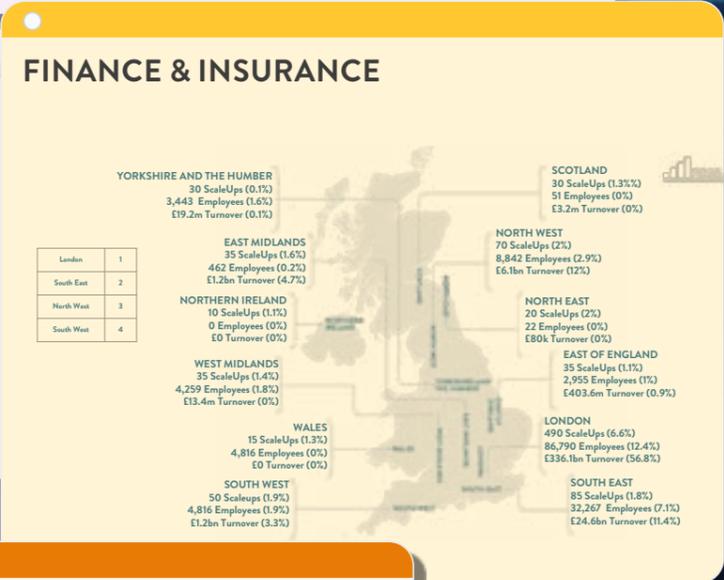
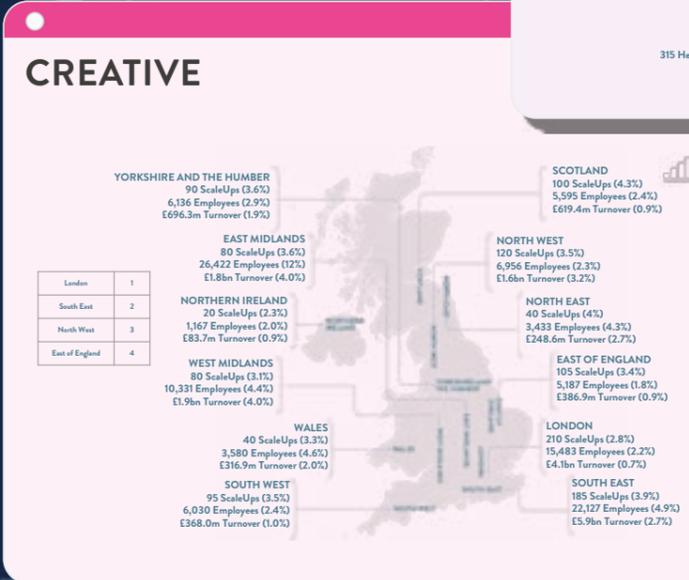
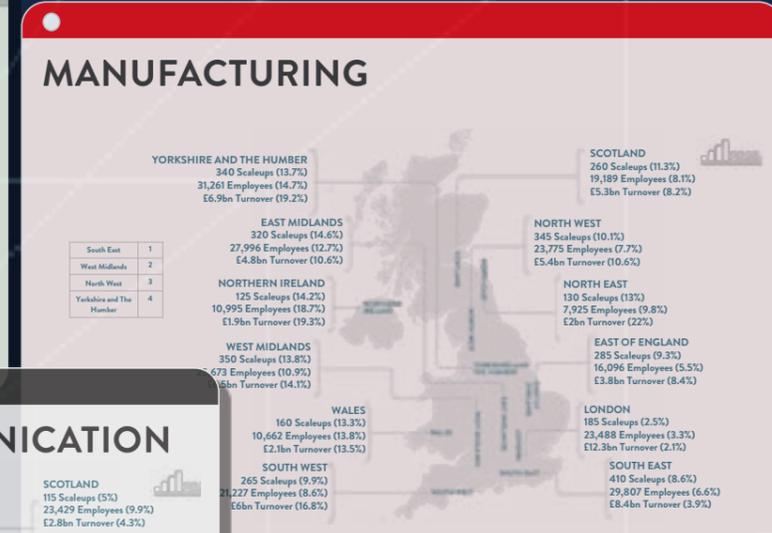
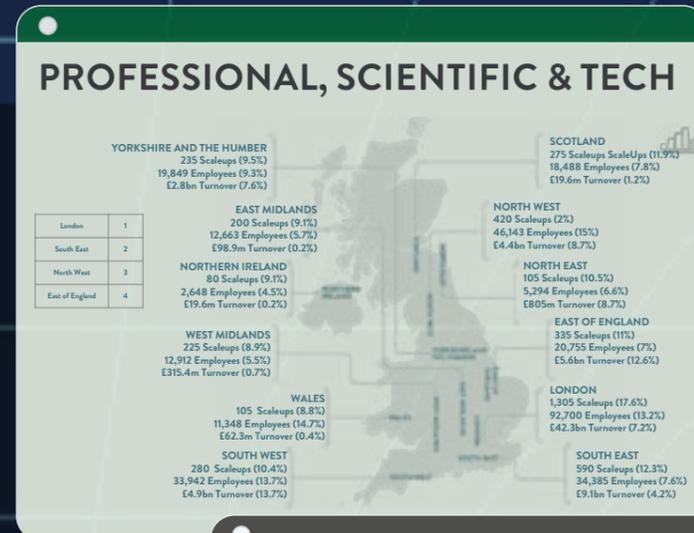
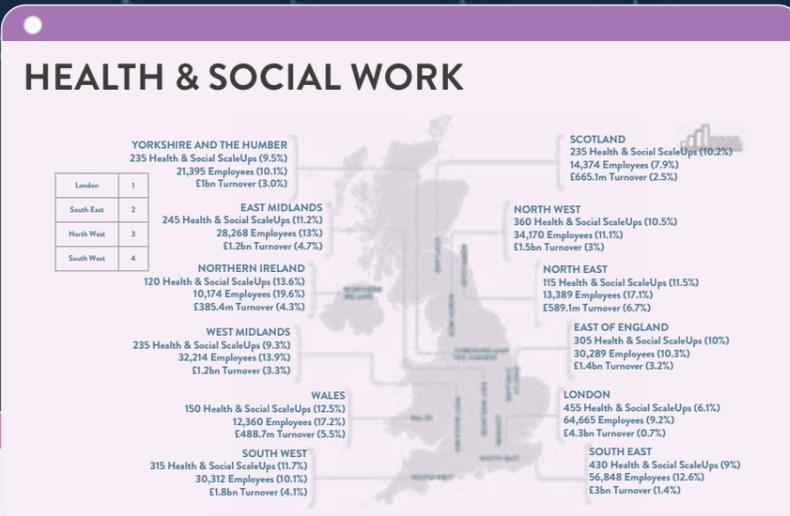
AREAS WITH THE HIGHEST SCALING PIPELINE DENSITY:

- OXFORDSHIRE
- ENTERPRISE M3
- LONDON
- HERTFORDSHIRE
- THAMES VALLEY BERKSHIRE
- BUCKINGHAMSHIRE
- CAMBRIDGE & PETERBOROUGH
- GLOUCESTERSHIRE
- YORK & NORTH YORKSHIRE
- NORTHERN IRELAND

AVERAGE ANNUAL CHANGE IN SCALING PIPELINE PER 100K POP, BY LEP/DEVOLVED NATION



ENERGISING SCALEUP SECTOR CLUSTERS



DRIVERS OF LOCAL GROWTH

8 FACTORS ASSESSED

- Access to skilled talent
- Clusters and hubs
- Access to equity
- Lending
- Large firms
- Start-up density
- Start-up survival rate
- Public transport

3 FACTORS THAT MADE A DIFFERENCE

- Access to skilled talent
- Clusters and hubs
- Access to equity

QUALITATIVE FACTORS

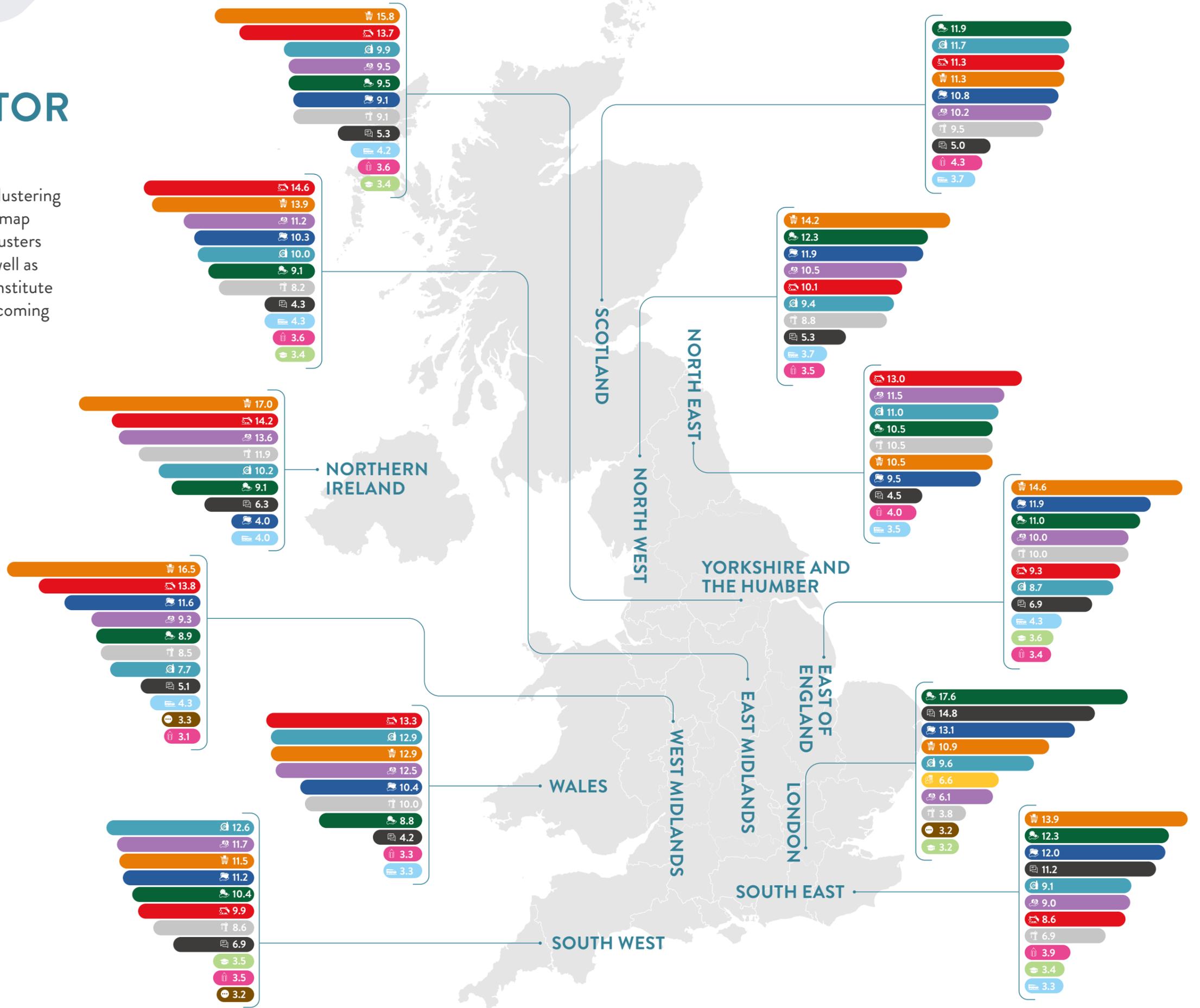
- Knowledge sharing
- Peer networks
- Local supply chains
- NEDs
- Active university engagement
- Training
- R&D collaboration
- Scaleup-graduate interaction
- Local collaboration
- Collective ecosystem
- Cooperation
- Ambition an identity

REGIONAL SCALEUP SECTOR CLUSTERS

Our research has identified sectoral clustering as a driver of scaleup growth. On this map we identify the established regional clusters (>10%) of scaleups across the UK as well as those emerging (>3%). The ScaleUp Institute will continue to refine this analysis in coming months and across 2023.

KEY

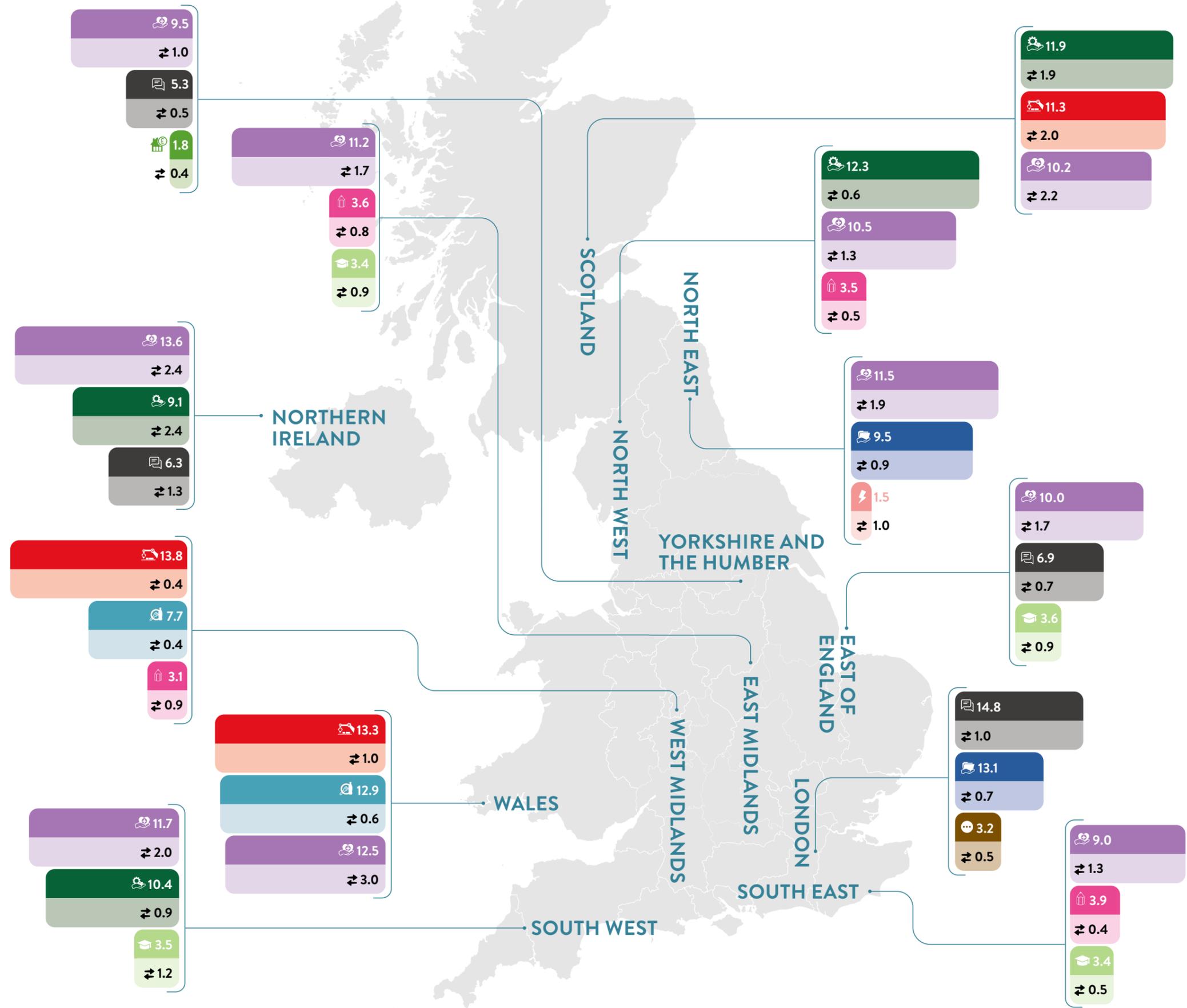
-  Accommodation/Food
-  Construction
-  Admin & Support Services
-  Creative/Arts
-  Education
-  Finance/Insurance
-  Energy
-  Health/Social Work
-  Info & Communication
-  Manufacturing
-  Professional, Scientific & Tech
-  Transport
-  Wholesale/Retail
-  Real Estate
-  Other Service



SECTORS WITH THE LARGEST PROPORTIONAL GROWTH PER REGION

KEY

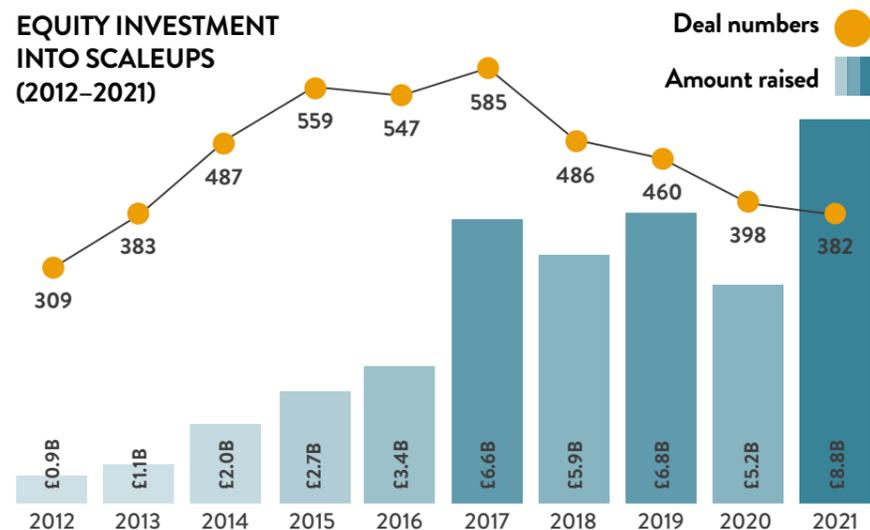
- Change in SU cluster proportion
- Accommodation/Food
- Admin & Support Services
- Creative/Arts
- Education
- Energy
- Health/Social Work
- Info & Communication
- Manufacturing
- Professional, Scientific & Tech
- Real Estate
- Other Service



SCALEUP COMPANIES 2022: SUMMARY



EQUITY INVESTMENT INTO SCALEUPS (2012-2021)



67,319
visible scaling legal entities examined

8,457
visible scaleup companies

2,951
pipeline scaleups

TOP VISIBLE SCALEUPS BY TURNOVER

EG group	£15.7bn
Greenenergy	£11.5bn
Anglo platinum marketing	£5.8bn
Pension insurance corporation PLC	£5.1bn
ED&F man	£5.1bn

TOP VISIBLE SCALEUPS BY EMPLOYEE COUNT

OCS	64.4k
EG group	44.8k
2 sisters food group	19.8k
The staffing group	18.5k
City and county healthcare group	13.9k

TOP-LEVEL SECTORS BY NUMBER OF VISIBLE SCALEUPS

Business and professional services	3,823
Business banking/financial services	2,070
Built environment and infrastructure	1,296
Technology/IP-based businesses	1,231
Retail	943

TOP AREAS/NATIONS BY NUMBER OF VISIBLE SCALEUPS (2022)

London	2,345
Scotland	477
South East	437
Greater Manchester	332
Leeds City region	286

TOP INVESTORS INTO VISIBLE SCALEUPS (2012-2021) BY NUMBER

BGF growth capital	128
Crowdcube	76
Seedrs	60
Balderton Capital	58
Octopus Ventures	54

TOP INVESTORS INTO VISIBLE SCALEUPS (2012-2021) BY VALUE

Softbank vision fund	£2.69b
Accel	£1.28b
Digital Sky technologies	£1.27b
Insight partners	£1.27b
Index ventures	£808m

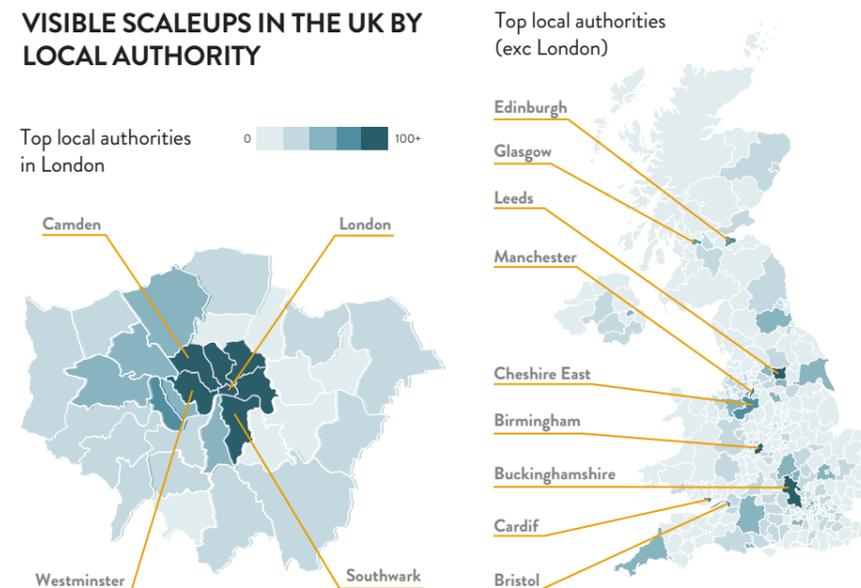
13%
INCREASE
BREAKING THROUGH THE
£10.2M
BARRIER IN 2022

VISIBLE SCALEUP GROUPS

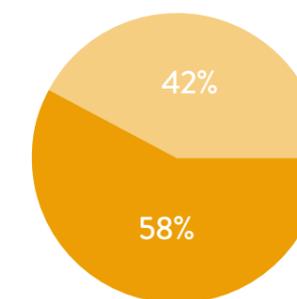
THE SCALEUP INDEX 2022

Based on Companies House data this shows a 13% increase in the number of scaleups breaking through the £10.2m barrier in 2022

VISIBLE SCALEUPS IN THE UK BY LOCAL AUTHORITY



SCALEUPS SCALE MORE THAN ONCE
58% have scaled 2 or more times, with 42% of these going through 3 or more scaling periods



number of AIM scaleup companies	336	people employed by visible scaleup companies	1.75m	total value of deals with participations by business angel(s) 2012-2021	£3.29b
visible scaleup companies with grant funding	506	total IUK grant funding received by scaleups 2012-2021	£318m	total equity into IUK backed scaleups	£4,51b
visible scaleups with a female founder	639	total value of deals with participations by angel networks 2012-2021	£365m	total equity investment into visible scaleups 2012-2021	£43.5b
visible scaleup companies with equity funding	1,581	total number of equity deals into visible scaleups 2012-2021	4,596	total turnover by visible scaleups	£332b
pipeline scaleup companies	2,951	visible scaleup companies	8,457		

Data Analysed by Beauhurst
Beauhurst

£1.2trn

The total amount of turnover generated by scaleups, up from £1.1trn in 2019. This combined turnover of all SMEs is £2.3trn.

42%

more productive on average

£34.3m

The average turnover of a scaleup compared to £32.6m in 2019.

92

The average number of employees in a scaleup, compared to 96 in 2019.

THE SCALING PIPELINE

16,700

The total number of businesses growing between 15-19.99% in 2020.

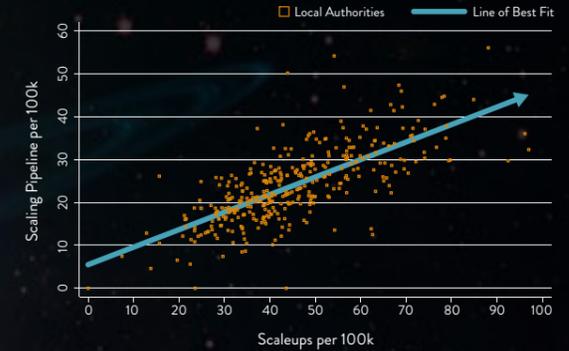
1.4m

People employed by scaling businesses in 2020.

£410bn

The total amount of turnover generated by scaling businesses.

SCALEUP DENSITY VS SCALING PIPELINE DENSITY BY LOCAL AUTHORITY DISTRICT



33,955

The total number of scaleups in the UK.

THE SCALEUP GALAXY

3.1m

People employed by scaleups in 2020, across all sectors and local areas of the UK economy.

GREATER CAMBRIDGE & GREATER PETERBOROUGH, LONDON, GLOUCESTERSHIRE, SCOTLAND, LEICESTER & LEICESTERSHIRE

The five LEPS and Devolved Nations which have seen the highest scaleup growth relative to their population in 2017-2020.

HEALTH/SOCIAL WORK, EDUCATION, AND CREATIVE/ARTS

The three sectors which have seen the highest growth in scaleups since 2019.

TOP LOCAL AUTHORITIES: ORKNEY ISLANDS, ROSSENDALE, AND ABERDEEN CITY

saw the fastest scaleup growth outside of London and the South East.

26%

The increase in the total number of scaleups from 2013. This compares to 3% GDP growth over the same period. There were 6,970 more scaleups in the UK in 2020 compared to 2013.

VISIBLE SCALEUPS

8,457

visible scaleups,

2,951

in the pipeline

2022 SCALEUP SURVEY AT A GLANCE

338

ScaleUp business generating

£2.5bn

turnover and seeking to grow this to £3bn in 2023

£201k

turnover per employee

THEY REMAIN AMBITIOUS DESPITE SIGNIFICANT HEADWINDS

9 IN 10

scaleups expect to grow their turnover and/or employee headcount in 2022

5 IN 10

say they are out-performing their peers

1 IN 5

expect growth over 50%

8 IN 10

scaleups expect to grow turnover

7 IN 10

expect to grow employment

These scaleups came from across all regions and sectors. They vary considerably in age, and many are long established businesses.



MACROECONOMIC FACTORS AFFECTING SCALEUPS

SCALEUPS ARE MOST APPREHENSIVE OF INCREASING COSTS ALONGSIDE OTHER CONCERNS AROUND THE ENERGY CRISIS AND LOWER CONSUMER CONFIDENCE.



AND, THEY ARE LESS CONFIDENT COMPARED TO 2021



THEY ARE HIGHLY INNOVATIVE AND INTERNATIONAL

9 IN 10 SCALEUPS HAVE BEEN INVOLVED IN SOME INNOVATIVE ACTIVITY IN THE LAST 3 YEARS



THEY ARE GOOD CORPORATE CITIZENS



75% SCALEUPS SELL PRIMARILY TO OTHER BUSINESSES (B2B) WITH

25% SELLING DIRECT TO CONSUMERS (B2C) THE CLIENT BASE OF B2B SCALEUPS IS MAINLY CORPORATE

LOOKING FORWARD

High ambitions continue but scaleups are concerned it will become harder to scale in the UK with limited support and barriers to be addressed

SCALEUPS TOP BARRIERS TO FURTHER GROWTH

WHEN FORCED RANKED THE FOLLOWING CHALLENGES APPEAR IN THEIR TOP 3 TO OVERCOME



LOCAL ACCESS TO RESOURCES TO FACILITATE GROWTH IS VITAL.

KEY ENABLERS ARE:



7 IN 10

would like a single point of contact to act as a relationship manager for them.

Scaleups are happy to be identified on a public record, with 8 in 10 stating that their scaleup status should be shared, with 5 in 10 stating this should be on an opt-in basis.

SCALEUPS WOULD LIKE EASIER LOCAL ACCESS TO:



SCALEUP MARKETS

DOUBLE AND TRIPLE UP

Scaleups are seeking to **TRIPLE** their ability to sell into Government and **DOUBLE** the collaboration with Government. **3 in 10** are also seeking to work more with large corporates.

The system has too much friction in it which needs addressing:

6 in 10 cite complex procurement processes as a key issue with Government and **5 in 10** with corporates
5 in 10 state the time it takes to win a contract and finding opportunities to bid for as barriers to working both with Government and corporates

When exporting **4 in 10** scaleups are seeking support through:

- > More tailored scaleup export trade mission.
- > Better introductions to buyers overseas.
- > A single point of contact in DIT, UK and overseas

To make access easier across the public and private sector:

7 in 10 want access to key decision makers and a dedicated account manager
6 in 10 want more "Meet the buyer" style events
5 in 10 are seeking Showcase opportunities



SCALEUP PEOPLE, TALENT & LEADERSHIP

KEY FUTURE SKILLS SOUGHT BY SCALEUPS:

8 in 10 rate **People management**; and, **Resilience & flexibility** as key traits needed now and **7 in 10** are focussed on **Judgement & decision making**; **Cognitive Flexibility**; and, **Emotional intelligence**.

8 in 10 are both increasing investment in training & reskilling and planning to increase focus on 'employee experience' (eg how they train and retain staff, and the non financial rewards in the company such as health memberships; social activities; food choices; negotiated discounts)

71%

of scaleups either have a board or plan to create one.

At a senior level critical skills needs are around **Sales & Business Development**; and, **Brand Building & Comms**.



SCALEUP FINANCE

82%
scaleups use external finance

However, **5 in 10** scaleups using finance do not think they have the right amount / type of funding in place to support their growth ambitions

And, **5 in 10** feel that most of the money and business advice is provided in London / the South East

6 in 10 scaleups think that the current UK corporation tax rate is **internationally competitive**

7 in 10 have used or plan to use at least one of **R&D Reliefs, Capital Allowances or EIS/SEIS schemes** however there is a desire for a greater commitment from Government to continue them, an increase in the amounts that can be claimed, and making the schemes easier to understand and apply for.

The Markets Perspective



COLLABORATION INTERNATIONALISATION PROCUREMENT

75%

PRIMARILY SELL TO OTHER BUSINESSES OR GOVERNMENT (B2B)



25%

SELL DIRECT TO CONSUMERS (B2C)



WHAT WOULD HELP



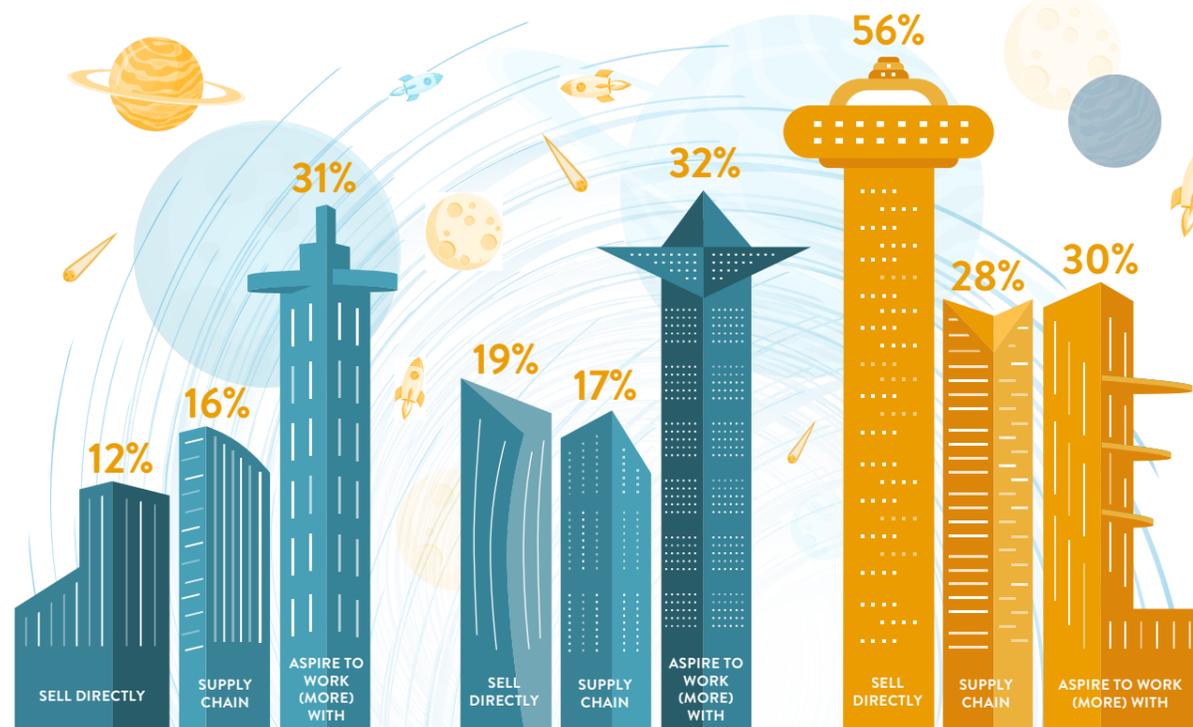
ACCESS TO KEY DECISION MAKERS



"MEET THE BUYER" STYLE EVENTS



SHOWCASE OPPORTUNITIES



NATIONAL GOVERNMENT

LOCAL GOVERNMENT

LARGE CORPORATES



WE NEED TO BREAK DOWN BARRIERS TO EXPORTING



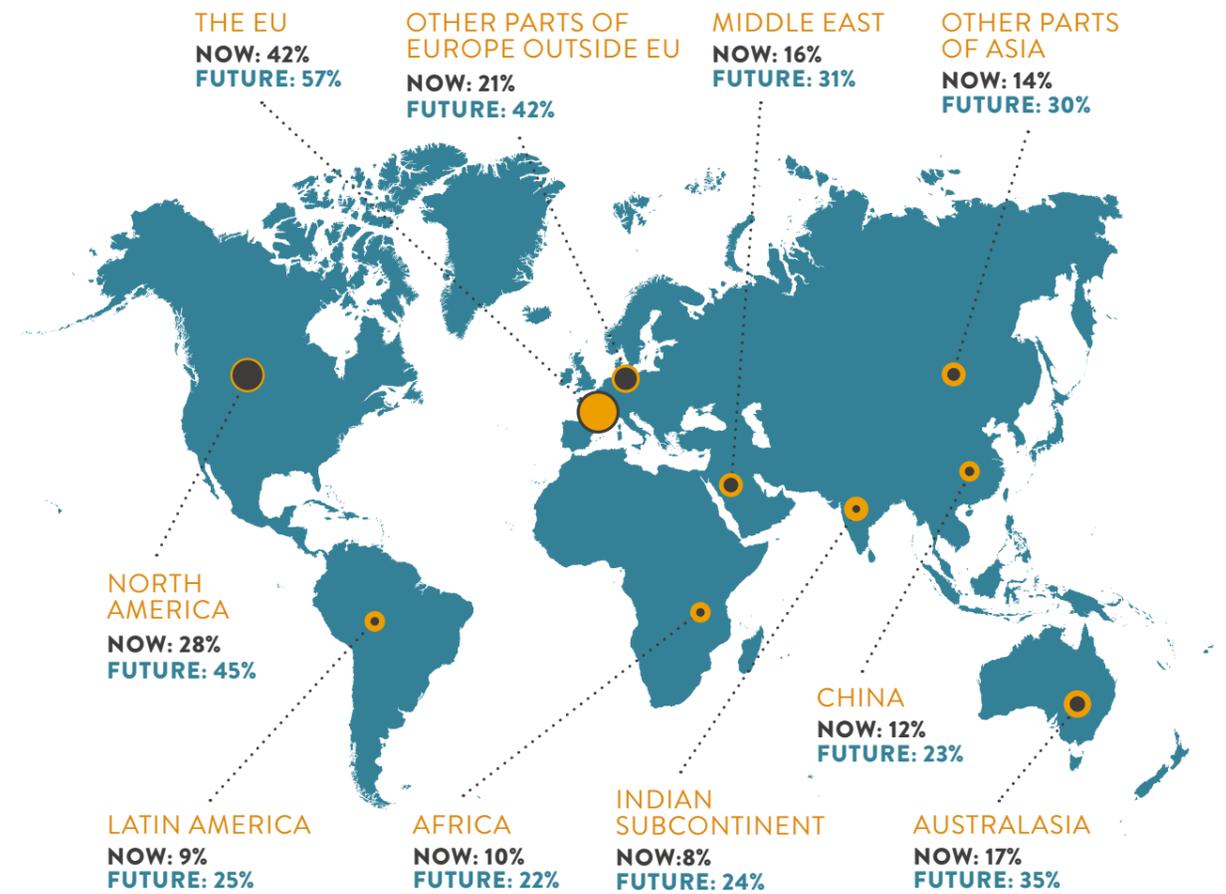
6 IN 10

LOOKING TO FUTRE EXPORT MARKETS



5 IN 10

CURRENTLY EXPORT



BARRIERS FOR B2B SCALEUPS



Complex procurement process



Time taken to win a contract



Finding out about opportunities to bid

BARRIERS FOR B2C SCALEUPS



Costs associated with advertising costs



Brand awareness



Identifying/targeting new customers

KEY BARRIERS TO OVERSEAS TRADE

4 in 10

Finding local support / partners in overseas markets

3 in 10

Uncertainty due to current world events

Not having the people/talent to win overseas sales

MOST VALUED SUPPORT

4 in 10

Better introductions to buyers overseas

Single point of contact in DIT, UK and overseas

More tailored scaleup export trade missions

SCALEUP PUBLIC PROCUREMENT

Based on visible scaleups from Companies House data, excluding charitable and third sector scaleups and listed companies.
Data analysed by ScaleUp Institute using Tussell database, based on the period January - December 2021.

Access to markets is frequently noted as being one of the key barriers to scaleup growth. While scaleups are champions of growth, innovation and high productivity, more needs to be done to unlock the potential of the procurement market - scaleups responding to the ScaleUp Survey in 2022 want to triple the amount they are doing with government. Opportunities remain to learn lessons from international examples of how governments can utilise public procurement to foster scaleup growth, such as the US. The UK should follow these examples to close the scaleup gap and further build upon the improvements made in recent years.

The number of visible scaleups that have won public procurement contracts has increased by 81% since our first Procurement Index in 2018. The value of these contracts is 3 times higher, while their volume has increased by 82% over the same period.

720 visible Scaleups won...

...2,577 contracts and appear in..

...457 frameworks issued by the wider public sector worth...

£3.2bn

While... **25,999** SMEs received government contracts in 2021,

Up 63.5% from 15,893 in 2018

Winning 46,628 contracts

Up from 34,082 in 2018

Showing an increasing trend in purchasing that we will track to further understand how public procurement is being used and seek to identify more scaleups among this community.

£1.3bn
2021 CENTRAL GOVERNMENT PROCUREMENT CONTRACT VALUE

£593m
LOCAL GOVERNMENT PROCUREMENT CONTRACT VALUE

TOTAL TURNOVER **£23.5bn**
TOTAL INVESTMENT **£3.7bn**

NO. OF JOBS **192K**
TOTAL EXPORTS **£590m**

THE TOTAL NUMBER OF CONTRACTS VISIBLE SCALEUPS WON IN 2021 HAS INCREASED SIGNIFICANTLY FROM 2020 (C.60%)

Most Public Procurement contracts issued to scaleups in 2021 were in the construction sector (27%), following the trends from past few years

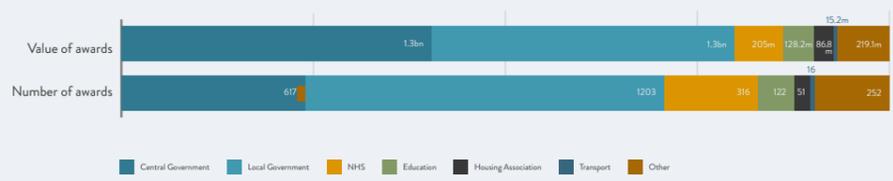


Most common contract sectors to scaleups remain consistent since 2018:
CONSTRUCTION
HEALTH & SOCIAL SERVICES
IT & TELECOMS
BUSINESS & FINANCIAL SERVICES

19% of contracts in 2021 were awarded for **HEALTH & SOCIAL SERVICES** making it the second biggest sector, surpassing **IT & TELECOMS** and **BUSINESS & FINANCIAL SERVICES**

BUYERS

In 2021, Local Government buyers issued the most contracts - 47% of all the awards issued to visible scaleups. The total value of awards issued were equal for Local Government and Central Government buyers - £1.3bn



SNAPSHOT: PUBLIC PROCUREMENT FROM VISIBLE SCALEUPS IN 2022

The first half of 2022 shows a steady increase in visible scaleups winning awards accounting for:

CENTRAL GOVERNMENT
£689m
value of contracts to visible scaleups

LOCAL GOVERNMENT
£199m
value of contracts to visible scaleups

TOP BUYERS

TOP BUYERS BY VALUE OF AWARDS

BUYER NAME	CONTRACTING AUTHORITY	TOTAL AWARD VALUE	NUMBER OF AWARDS TO VISIBLE SCALEUPS
London Borough of Harrow	Local Government	691m	4
Department for Work & Pensions	Central Government	504.9m	31
The Education Authority - Northern Ireland	Central Government	111.2m	5
HM Revenue & Customs	Central Government	100.4m	23
Department for Education	Central Government	76.6m	33
Home Office	Central Government	71.5m	29
NHS Digital	Central Government	64.5m	12
NHS South, Central and West CSU	NHS	63.4m	5
Crown Commercial Service	Central Government	59.4m	3
Ministry of Defence	Central Government	44.5m	45

TOP BUYERS BY NUMBER OF AWARDS

BUYER NAME	CONTRACTING AUTHORITY	TOTAL AWARD VALUE	NUMBER OF AWARDS TO VISIBLE SCALEUPS
Bristol City Council	Local Government	4.9m	227
Cumbria County Council	Local Government	2.8m	119
NHS Midlands & Lancashire CSU	NHS	12.9m	96
London Borough of Waltham Forest	Local Government	5.9m	90
Department of Health and Social Care	Central Government	41.4m	57
Ministry of Defence	Central Government	44.5m	45
Cardiff County Council	Local Government	150.7K	45
Department for Education	Central Government	76.6m	33
London Borough of Haringey	Local Government	3.2m	32
Department for Work & Pensions	Central Government	504.9m	31

BIGGEST BUYERS

LONDON BOROUGH OF HARROW AND DEPARTMENT FOR WORK & PENSION AWARDED CONTRACTS WORTH OVER £1.1BN 2X THE COMBINED VALUE OF REST OF THE TOP 10 AWARDS

BRISTOL CITY COUNCIL AND CUMBRIA COUNTY COUNCIL THE 2 LOCAL COUNCILS AWARDED ALMOST 350 CONTRACTS TO VISIBLE SCALEUPS - HALF OF THE CONTRACTS ISSUED BY ALL TOP 10 BUYERS

10 OUT OF 12 LOCAL CONTRACTING AUTHORITIES BUY LOCALLY

SCALEUP REGION	East Midlands	East Of England	London	North East	North West	Northern Ireland	Scotland	South East	South West	Wales	West Midlands	Yorkshire And The Humber
East Midlands	32	10	14	4	5	0	6	17	13	0	6	25
East Of England	6	54	66	5	14	0	1	21	42	7	12	13
London	19	32	277	15	34	0	13	50	36	10	16	16
North East	6	3	10	65	14	0	5	14	7	2	11	10
North West	9	5	31	5	209	1	14	12	15	4	77	34
Northern Ireland	0	1	0	1	0	9	11	1	0	0	0	2
Scotland	1	7	6	1	19	0	96	6	2	2	1	4
South East	23	35	53	8	43	0	9	62	34	5	18	23
South West	6	17	10	1	2	0	3	5	87	3	33	7
Wales	0	2	3	2	1	0	2	1	18	83	1	0
West Midlands	10	14	26	3	21	0	4	10	192	8	41	13
Yorkshire And The Humber	11	2	14	18	20	1	10	9	10	4	32	99

Only South West and West Midlands contracting authorities issued the majority of their contracts to scaleups outside their local area. Devolved Nations, London, North East and North West contracting authorities awarded more than half of their procurement contracts with scaleups to those based locally.

TOP CONTRACTS AWARDED TO VISIBLE SCALEUPS

SCALEUP	DESCRIPTION	REGION	CONTRACTING AUTHORITY	CONTRACT TITLE(S)	SECTOR	VALUE
Wates	Provides a range of construction and maintenance services.	South East	London Borough of Harrow	Harrow Strategic Development Partnership	CONSTRUCTION	£690m* AUG
Seetec	Seetec provides recruitment services, IT consultancy and skills training programmes to public and commercial sectors.	East of England	Department for Work & Pensions	Restart Scheme	EDUCATION AND TRAINING SERVICES	£322.4m MAR
Chc Group	CHC delivers building engineering services and facilities management.	Northern Ireland	The Education Authority - Northern Ireland	Planned and Responsive Maintenance and Minor Works	CONSTRUCTION	£55.3m MAY
Castlerock Recruitment Group	Castlerock Recruitment Group is a healthcare recruitment business that provides permanent and temporary staff to clients that include the Ministry of Defence (MOD), NHS, HM Prisons and private sector companies.	North West	Crown Commercial Service	Provision of Medical Staff Bank for The Defence Medical Service	FINANCIAL AND BUSINESS SERVICES	£48.7m NOV
Opencast Software	Opencast Software develops software systems for organisations as well as providing technology consultancy and recruitment services.	North West	HM Revenue & Customs	Digital Delivery Centre support for new HMRC services	IT AND TELECOMS	£40m NOV
Synertec	Synertec develops data and document management software for organisations, local government and businesses.	South West	NHS South, Central and West CSU	Provision of Hybrid Mail Services	FINANCIAL AND BUSINESS SERVICES	£37.5m SEP
Reef Group	Reef Group designs and develops regeneration schemes in urban areas.	London	London Borough of Newham	Residential Agreement for Lease	CONSTRUCTION	£35m NOV
Causeway Geotech	Provides a range of ground investigation services to the construction industry.	Northern Ireland	Dumfries & Galloway Council	Stranraer Marina Ground Investigation	CONSTRUCTION	£35m JUN
Felix O'hare & Company	Offers services as a construction contractor such as design and facilities management.	Northern Ireland	Central Procurement Directorate	Northern Ireland Fire and Rescue Service - Learning and Development Centre	CONSTRUCTION	£31.8m DEC

5 of the top 10 awards were in the **CONSTRUCTION** SECTOR worth a total of **£747mn** and 3 were in the **FINANCIAL AND BUSINESS SERVICES**.

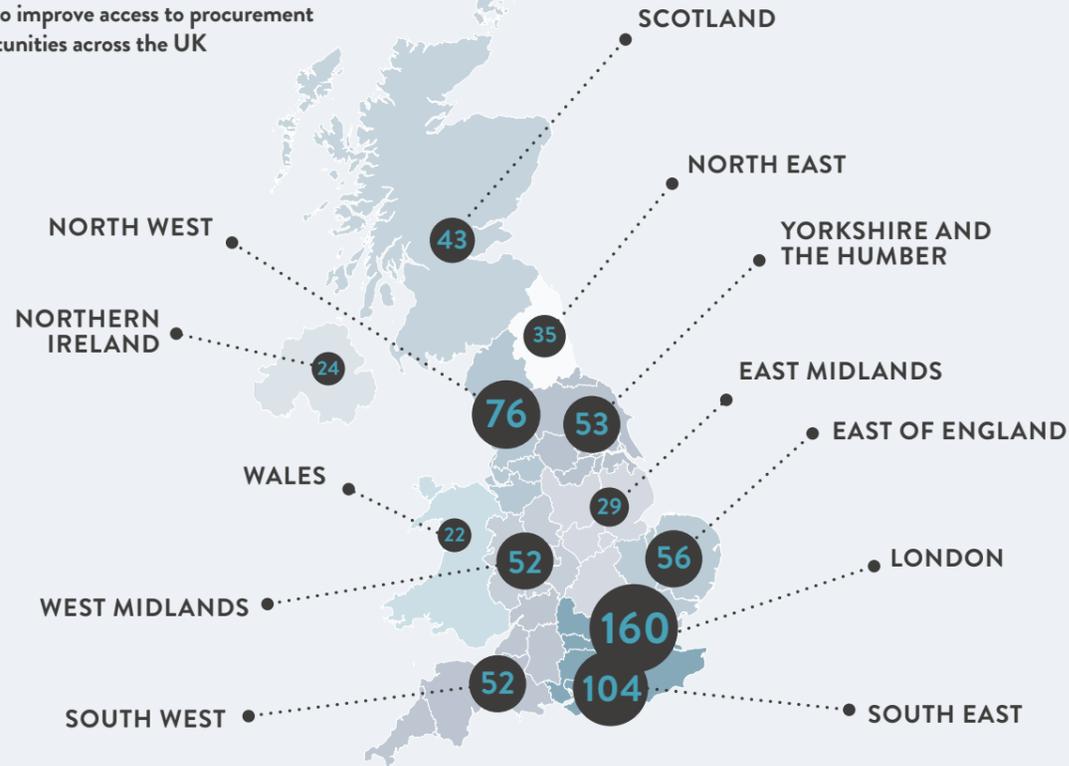
THE BIGGEST CONTRACT IS ISSUED TO **WATES GROUP** which is a strategic development partnership with the London Borough of Harrow - the total award value is **£690m** for a multi-year development project spread across the council.

8 out of 10 of the top awards were issued to scaleups **OUTSIDE LONDON AND THE SOUTH EAST**

CASTLEROCK RECRUITMENT GROUP was also awarded one of the top 10 contracts in 2020

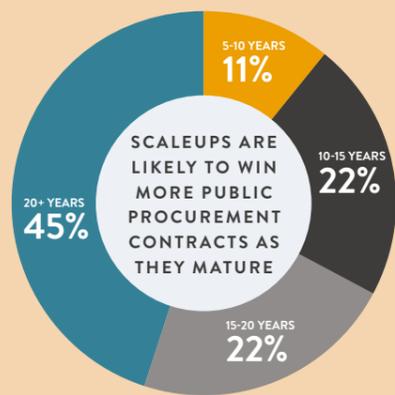
*ANALYTICAL NOTE: analysis considers the Gross Development Value of the project, £690m, confirmed in official Harrow Council papers, however it is notable that the contract notice published on Contracts Finder indicates a potential value up to £2.5bn over the next 25 years.

6 out of 10 scaleups winning public procurement contracts in 2021 were located outside of London and the South East, however more needs to be done to improve access to procurement opportunities across the UK

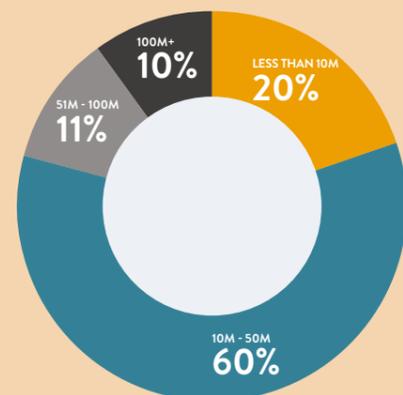


TOP REGIONS OUTSIDE LONDON

<p>BY TURNOVER</p> <p>South East</p> <p>£3.7bn</p>	<p>BY EMPLOYMENT</p> <p>East of England</p> <p>25,356</p>	<p>BY FUNDING RAISED</p> <p>South East</p> <p>£374mn</p>	<p>BY GRANTS WON</p> <p>South East</p> <p>£68.7m</p>	<p>BY EXPORTS</p> <p>North West</p> <p>£121m</p>
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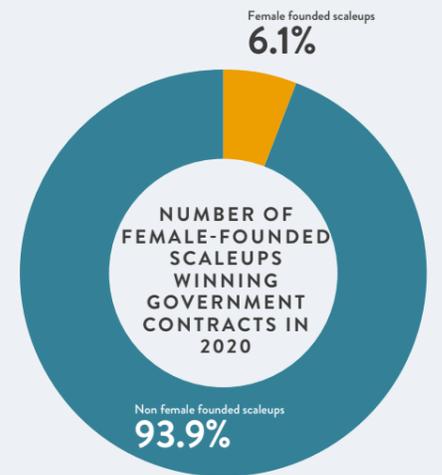


7 in 10 contracts awarded to scaleups aged more than 15 years old



6 in 10 scaleups awarded procurement contracts in 2021 had turnover between £10m - £50m

25 FEMALE FOUNDED SCALEUPS WON 54 AWARDS AND APPEARED ON 26 FRAMEWORKS WORTH **£25.4m**



FEMALE FOUNDER INDEX SCALEUPS WITH TOTAL AWARD VALUE MORE THAN £1M

SCALEUP	TOTAL VALUE OF AWARDS WON	TOTAL NUMBER OF AWARDS WON	SECTOR
Q5	5.8m	8	MANAGEMENT CONSULTANCY
Tiski	5.1m	4	INFORMATION TECHNOLOGY
Polystar Plastics	4.2m	1	MANUFACTURING
Answer Digital	1.9m	4	TECHNOLOGY CONSULTANCY
Create Fertility	1.5m	1	HEALTHCARE SERVICES

FEMALE FOUNDER INDEX SCALEUPS WINNING HIGHEST NUMBER OF AWARDS

SCALEUP	TOTAL VALUE OF AWARDS WON	TOTAL NUMBER OF AWARDS WON	SECTOR
Q5	5.8m	8	MANAGEMENT CONSULTANCY
Costello Medical	284.8k	8	PROFESSIONAL SCIENTIFIC AND TECH
Board Intelligence	519.1k	7	SOFTWARE DEVELOPMENT
Tiski	5.1m	4	INFORMATION TECHNOLOGY
Answer Digital	1.9m	4	TECHNOLOGY CONSULTANCY

Central Government

WAS THE TOP BUYER BY NUMBER AND VALUE OF PUBLIC CONTRACTS AWARDED TO FEMALE FOUNDER INDEX SCALEUPS.



THE GLOBAL ORGANISATIONAL DEVELOPMENT CONSULTANCY

Q5 of which Sharon Rice-Oxley is a founder and partner, is the top company by both contract value and number of contracts won.



PUBLIC PROCUREMENT & NET ZERO

IN 2021, **6** SCALEUPS WERE AWARDED **26** VALUED AT **£21.6mn** WHICH DIRECTLY REFERENCED NET ZERO. THESE CONTRACTS CAME FROM A VARIETY OF SECTORS, INCLUDING:



DECARBONISATION AND ENERGY EFFICIENT HOUSING



DATA GOVERNANCE FOR EMISSIONS REPORTING



CLIMATE RISK ASSESSMENT TECHNOLOGY



RENEWABLE ENERGY RESEARCH

CITY ENERGY WAS AWARDED THE 2 BIGGEST CONTRACTS - WORTH **£13mn** to support the delivery of Green Homes grant by the West of England Combined Authority

F P HURLEY & SONS, AN ELECTRICAL ENGINEERING SCALEUP, won the most (**7**) awards, to provide decarbonised heat generation in buildings

LOCAL GOVERNMENT BUYERS ISSUED THE MOST GREEN ECONOMY CONTRACTS - **15 contracts worth £18.9mn.**

THE NUMBER OF VISIBLE SCALEUPS THAT WON NET ZERO CONTRACTS IN 2021, **INCREASED BY 2X** COMPARED TO 2020



THE TALENT, SKILLS AND LEADERSHIP PERSPECTIVE

BUILDING LEADERSHIP CAPACITY

Scaleup leaders continue to seek opportunities to upskill their current top teams, however they are reporting a number of skills gaps as shown below.

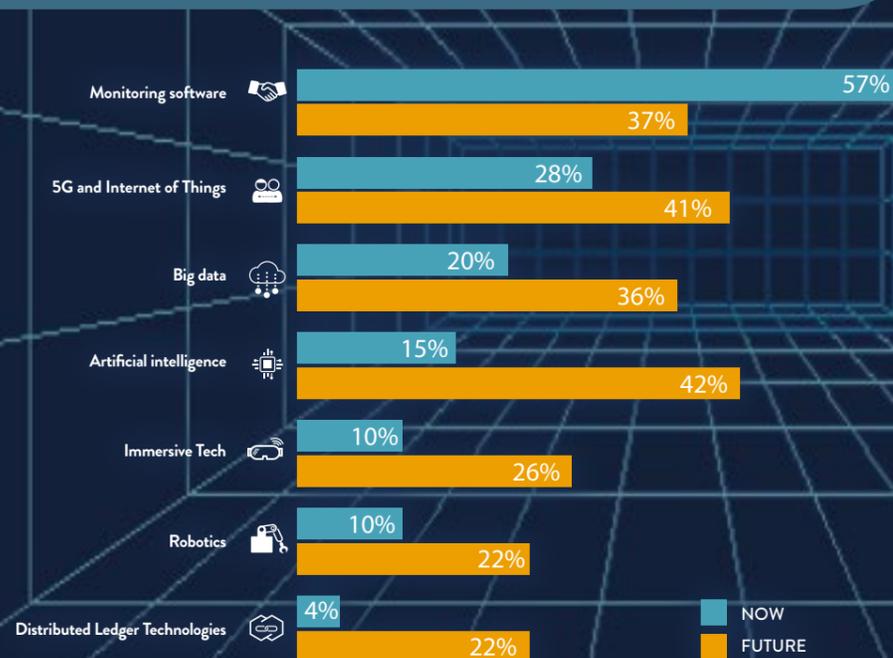
6 in 10 are also focussed on upskilling their middle management teams. 4 in 10 are keen to augment their top teams with individuals who have experience of growing a business but they are also keen to promote internally with 5 in 10 stating that this will be an important factor in their future growth.

59% of scaleups responding have a formal board (or governance structure) in place. And 4 in 10 are keen to access networks of non-executive directors to support their ongoing growth.

29% do not have a board and have no plans at present to establish one.

BOARD/SENIOR MANAGEMENT SKILLS DESIRED BY SCALEUPS	
Sales / Business Development	59%
Brand building / marketing / communications	47%
Strategy development	43%
Finance / Fundraising	36%
Innovation / product development	33%
HR / Talent / Culture Management	27%
Compliance	13%
Risk Management	10%

Scaleups continue to remain at the forefront of tech adoption. Software to monitor their activities and/or productivity is most commonly used while they are seeking to leverage 5G and Internet of Things, big data and AI to a greater extent in the future.



TOP SKILLS

MOST IMPORTANT SKILLS FOR GRADUATES AND SCHOOL LEAVERS



KEY FUTURE SKILLS

MOST IMPORTANT SKILLS FOR THE FUTURE WORKFORCE



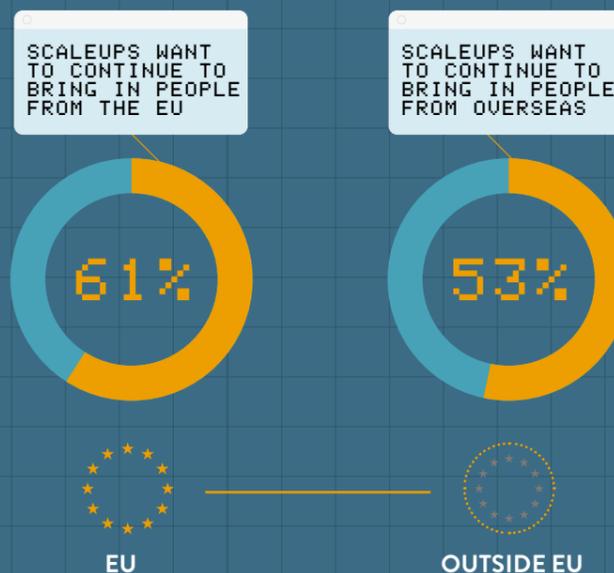
FROM THE WORLD ECONOMIC FORUM



THE EDUCATION SYSTEM HAS A CRITICAL ROLE TO PLAY NOT ONLY IN EQUIPPING YOUNG PEOPLE WITH THE SKILLS THEY NEED FOR THE FUTURE BUT ALSO IN GUIDING CAREER CHOICES AND SUPPORTING SCALEUPS DEVELOP THE SKILLS OF THEIR CURRENT WORKFORCE.



Talent: Scaleups are significant UK employers with access to international talent also key. 1 in 4 scaleups (23%) say that a quarter or more of their staff come from outside the UK.



4 in 10 FAST TRACK VISA IS VERY IMPORTANT/VITAL

FIND OUT MORE ONLINE: ScaleUp Visa, International Talent

SCALEUPS WANT BETTER ACCESS TO



DEVELOPING THE SKILLS OF THE SENIOR TEAM IS A CRITICAL PART OF OUR SCALEUPS GROWTH STRATEGY



TRAINING FOR STAFF IS SUPPORTED BY:

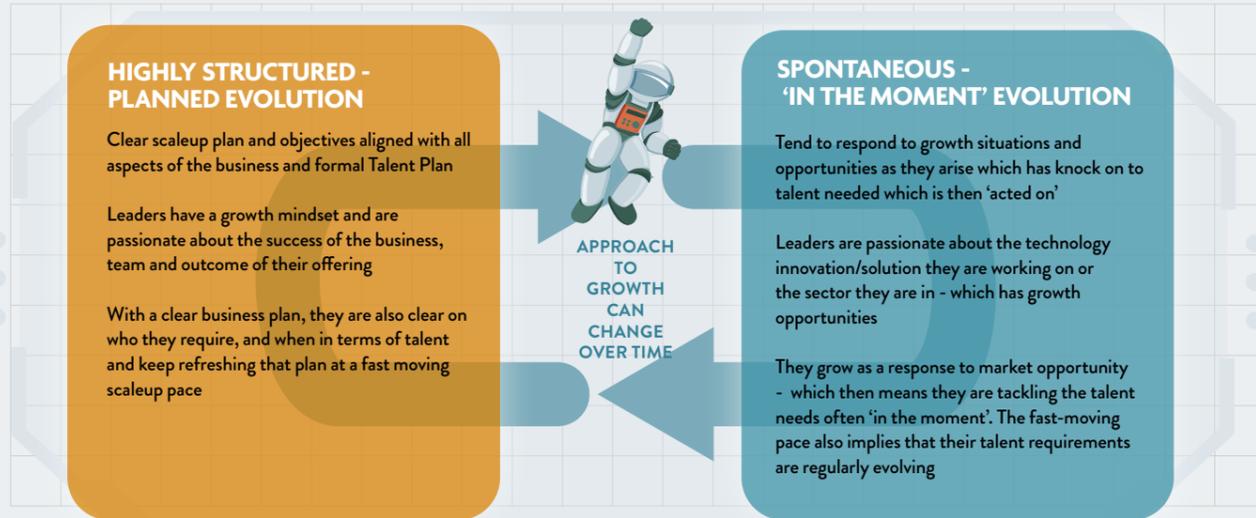
- 82% IN-HOUSE TRAINING
- 58% MENTORS
- 54% OFF-THE-SHELF ONLINE COURSES
- 50% PRIVATE LEADERSHIP/SKILLS COURSES
- 42% COACHES
- 42% FE COLLEGES
- 37% INDEPENDENT CONSULTANTS
- 27% UNIVERSITIES

TALENT DEEPODIVE



SCALEUP PERSONAS

In 2022 the ScaleUp Institute conducted new research which revealed a significant emerging theme of the underlying 'Persona' of a scaleup business and how this influences their approach to talent: those that are highly proactive tend to be very formalised from the 'getgo' in terms of their talent needs, plans and structures for their future growth strategy, whereas others growing more organically manage opportunities & talent as the opportunity arises.



THE KEY DRIVERS OF TALENT DEVELOPMENT IN SCALEUPS

Scaleup Growth is being enabled via one or more of the following key elements.



INNOVATION

Operating in a completely new space offers almost limitless opportunity, although it also presents challenges both with regards to securing adequate funding and finding people with the right skills, or at least the willingness and aptitude to develop the necessary skills.



A COMPELLING BUSINESS MIX

Creating a unique proposition for their target market(s) and/or offering a comprehensive blend of skills and service that makes scaling firms attractive, comes with the need for multidisciplinary individuals which can be harder to source.



SECTOR SPECIALISM

There is virtue in becoming the 'go to' expert. However, specialism in a highly competitive market also means that retention strategies become as important as recruitment access and brand awareness.



OPPORTUNITIES BROUGHT ABOUT BY ENVIRONMENTAL FACTORS

For example Regulation and Digital Transformation Drives talent requirements in responding to these challenges and a need to adapt to ways of working, including business structures and skills portfolios.



EXTERNAL INVESTMENT

Investors providing smart and patient capital can open doors to pools of talent (especially at senior levels), new markets and opportunities as well as strategic support. They can also be drivers of talent changes e.g. Boards.



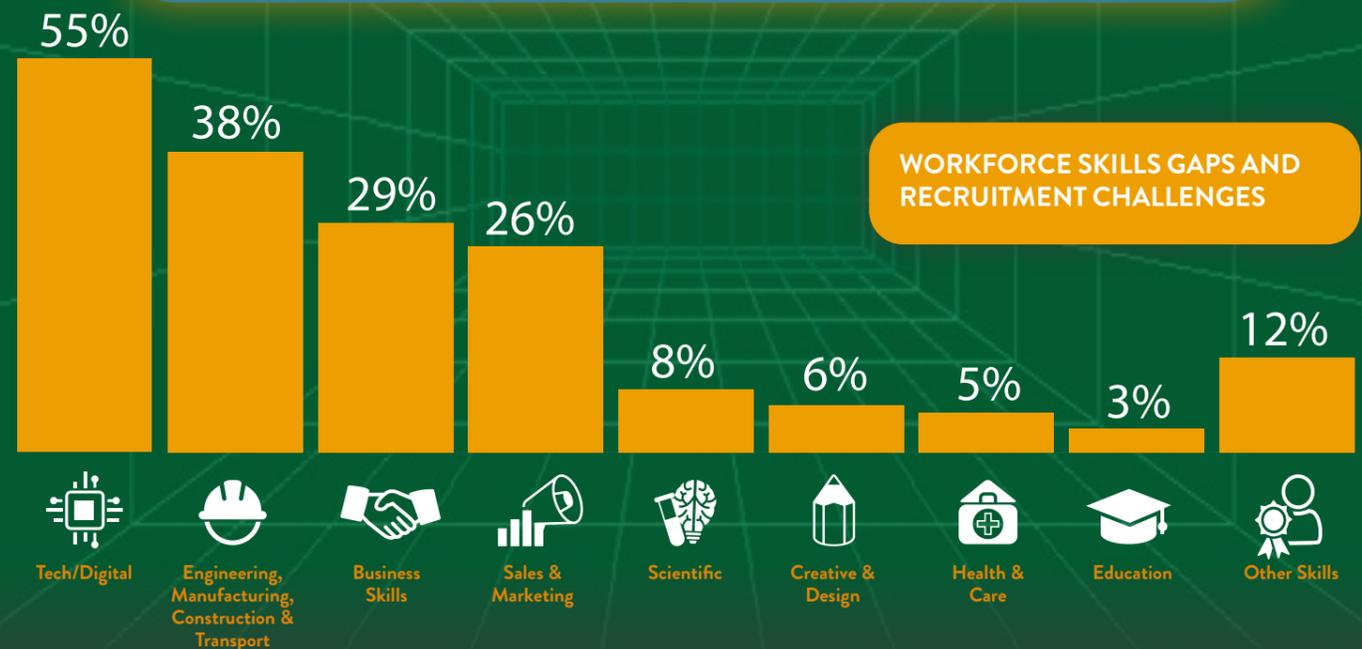
PACE OF GROWTH

As growth accelerates leaders think more about the future, long term plans and strategies. This often includes the need to bring in a new senior team member or NED with fresh ideas.

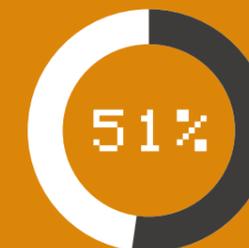
SKILLS GAPS

80%

scaleups are currently finding it a challenge to recruit the right people either for a specific role or who have specific skills



TO FILL SKILLS GAPS



SCALEUPS ARE LOOKING TO RECRUIT OVERSEAS



SCALEUPS ARE INCREASING OR PLANNING TO INCREASE FOCUS ON 'EMPLOYEE EXPERIENCE'



IMPORTANT DIGITAL, COMPUTING AND TECHNICAL SKILL SETS FOR BUSINESS GROWTH

- 64% GENERAL DIGITAL LITERACY
- 60% DIGITAL MARKETING, SOCIAL MEDIA, ETC
- 49% DATA ANALYTICS (INCL. USE OF BIG DATA)
- 43% CODING / PROGRAMMING / DEVELOPMENT
- 41% CYBER SECURITY
- 41% USER EXPERIENCE (UX)
- 34% AI / MACHINE LEARNING / ROBOTICS
- 31% DATA VISUALISATION

SCALING BEYOND FRONTIERS IN PEER GROUPS

Innovate UK EDGE and ScaleUp Institute peer groups for the leaders of innovative, scaling businesses continue to go from strength to strength, with over 140 businesses benefitting from a confidential, supportive, yet challenging, forum to get new ideas, resolve critical issues and share best practice.

Having added businesses from Innovative UK's Loans Portfolio, more companies than ever are getting access to fresh perspectives from peers from diverse industries, backgrounds and with different ways of looking at challenges and opportunities.

The main benefits identified include making better decisions quicker; building leadership capability and confidence; and group emotional and wellbeing support.



PEER TO PEER IMPACT

NETWORKS HELP LEADERS:

- Make decisions quicker
- Gain confidence in their decision-making ability
- Build leadership capacity
- Share issues and concerns
- Learn people management skills

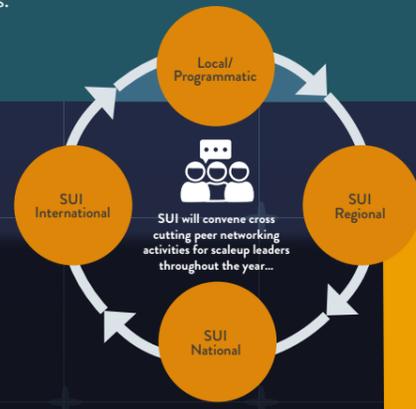


PEER TO PEER: COMMUNITY OF SUCCESS



KEY ELEMENTS OF EFFECTIVE SCALEUP PEER NETWORKS

- PARTICIPANTS SHOULD ALWAYS DRIVE THE AGENDA FOR DISCUSSION.**
Not the sponsors of the network or those who organise or facilitate the meetings.
- EFFECTIVE CURATION REALLY MATTERS.**
Enabling members to share different experiences and expertise at appropriate events and forums can optimise peer learning.
- HAVE A MIX.**
Peer networks work well as both cross-sector and sector-specific groups. Trust between individual members is built more effectively and quickly if they are not commercial competitors.
- INCLUDE SCALEUPS AT DIFFERENT STAGES OF BUSINESS GROWTH.**
Scaleup leaders learn more effectively from peers who have encountered similar issues to their own, particularly if recently.
- DISCUSSIONS MUST BE CONFIDENTIAL.**
Effective peer groups discuss their plans, strategy, finance, and people in an open and frank environment.
- MAKE EACH MEMBER ACCOUNTABLE TO THE GROUP.**
Scaleup peer networks should report on their progress to one another, testing plans and assumptions with time bounded measurable goals.



Enhancing international connectivity for a selective group of UK scaleups with peers in key global markets

Bringing together scaleup peers from every part of the UK more broadly and with sectoral focus at key national events like the ScaleUp Annual Review

Joining up scaleup leaders at a regional level from various local & programme solutions in cross cutting peer networks

Local, private and education peer activities provided by a range of ecosystem players as part of programmes

- TALENT & SKILLS**
 - Attracting and retaining talent - more than just 'recruitment' but how the businesses can set themselves up as a 'destination for talent' and how to respond to a challenging talent marketplace
 - Creating a culture of scaling up
 - Talent mapping
 - Onboarding talent overseas (dealing with different culture/legal requirement)
 - Reward structures (responding to market conditions)
- ACCESS TO FINANCE**
 - Accessing different forms of growth capital, different types of investors
 - Working capital for growth
 - Planning exit
- INNOVATION**
 - Accessing grants and funding - how to make successful applications
 - Implementing new technologies / ways of working
- PEOPLE MANAGEMENT**
 - Building wellbeing & resilience in teams
 - Managing conflict
 - Restructuring for growth
 - Performance Management
 - Incentivisation
- BUILDING LEADERSHIP CAPACITY**
 - Developing soft skills, e.g. communication, influencing
 - Building out top teams
 - Succession planning
 - Accessing NEDs and building a board
 - Managing board configuration, CEO/Chair dynamics
- MACRO ECONOMIC TRENDS**
 - Dealing with Shortages and increasing costs
 - Managing Economic headwinds
- INFRASTRUCTURE**
 - Managing Relocation
- ACCESS TO MARKETS**
 - Building sales and markets, defining a strategy
 - Setting up a sales team, developing metrics, etc.
 - Managing supply chains
 - Accessing international markets
 - Working with large corporates and navigating procurement

OVER 140 BUSINESSES ENGAGED SO FAR

25% Female participants

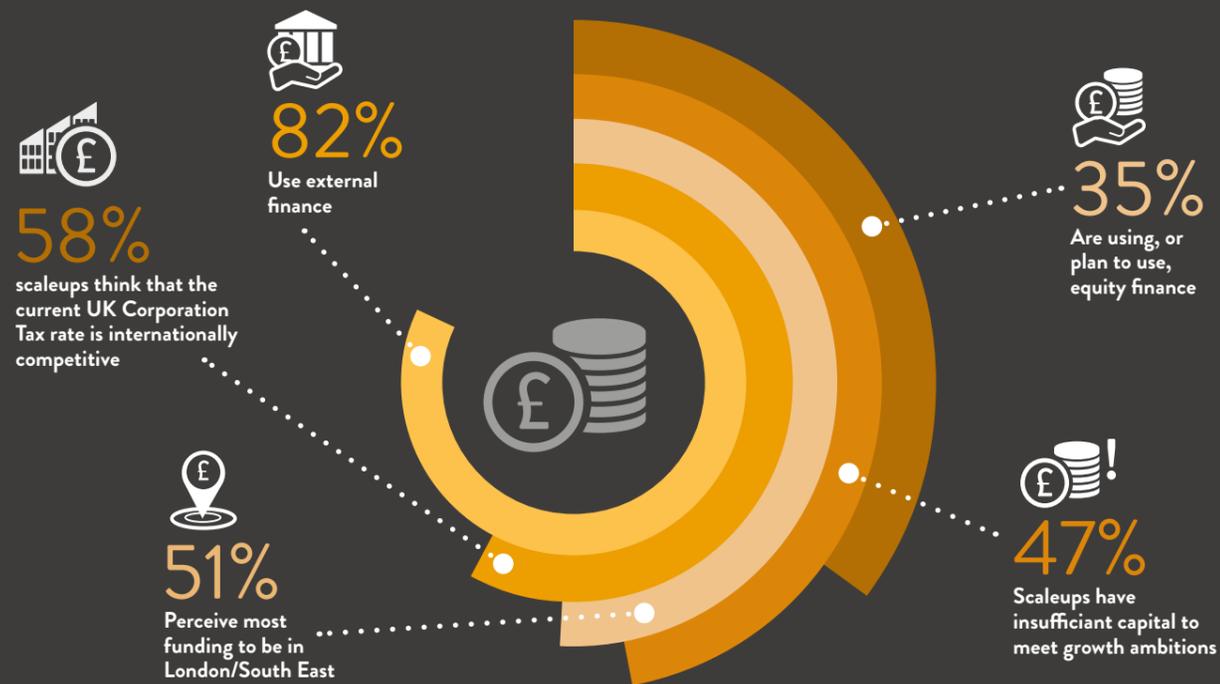
10% BAME participants

96% rate group meetings as excellent

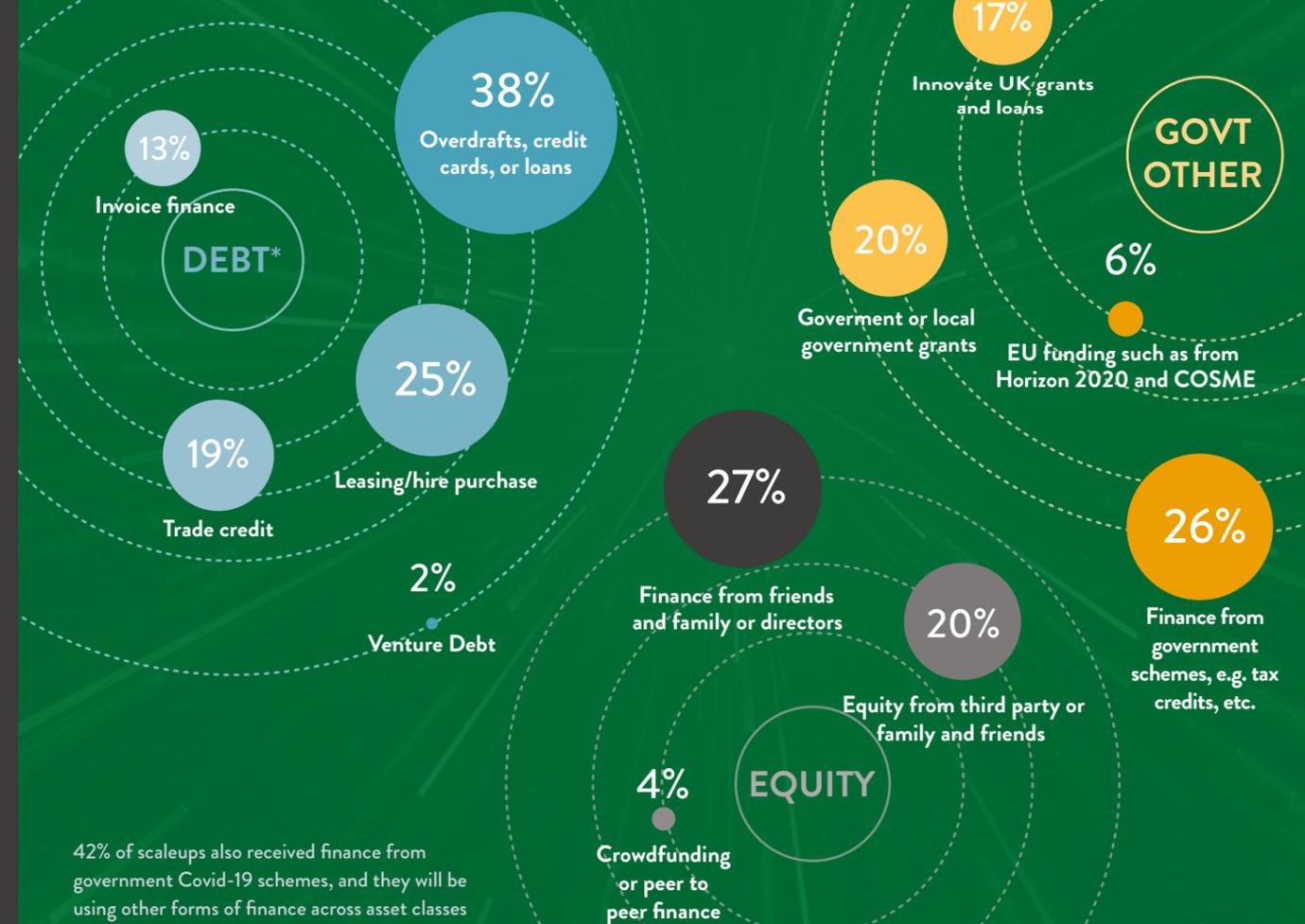
77% frequently apply group learnings in their business

9.4/10 on average recommend Innovate UK EDGE peer group

The Finance Perspective



SOURCES OF FINANCE



BARRIERS TO FINANCE

SUITABILITY OF THE DEAL

31%



UNSURE ABOUT WHAT TO DO

27%

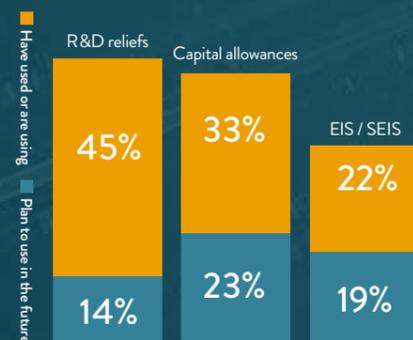


INVESTOR FIT

24%



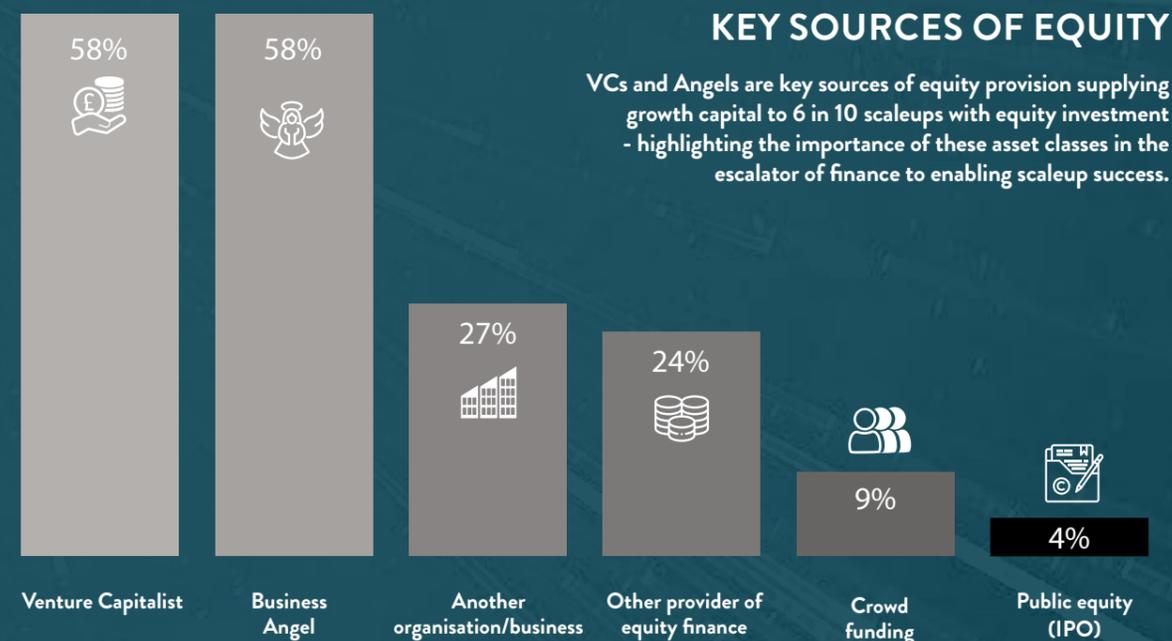
TAX SCHEMES



	R&D reliefs	Capital allowances	EIS / SEIS
Expanding the range of things we are able to claim for	68%	58%	49%
Commitment from Government to continue offering these schemes beyond current time periods	66%	59%	58%
Increasing value of any allowance we are able to claim for	65%	54%	47%
Making schemes easier to understand/apply for	59%	57%	57%
Increased awareness of such schemes	55%	55%	55%
If it was recommended to me by someone I trust (e.g. accountant, lawyer, etc)	51%	50%	46%

KEY SOURCES OF EQUITY

VCs and Angels are key sources of equity provision supplying growth capital to 6 in 10 scaleups with equity investment - highlighting the importance of these asset classes in the escalator of finance to enabling scaleup success.



ENERGISING THROUGH THE FINANCE CONTINUUM

ADDRESSING THE GROWTH CAPITAL GAP



SCALEUP INSIGHTS

FIND OUT MORE ONLINE: **Growth Capital insights**

FUTURE OF GROWTH CAPITAL RECOMMENDATIONS

- 1 Create a 'National Blueprint for Growth'
- 2 Accelerate the unlocking of Institutional and Corporate Funding
- 3 Expand and build upon the British Business Bank and our Devolved Nation Development entities, and Regional Funds
- 4 Expand the role and scale of Innovate UK
- 5 Create a Future Opportunity Fund



INCREASING INVESTOR GROWTH ECONOMY KNOWLEDGE IS KEY

ENERGISING THROUGH EDUCATION BRITISH BUSINESS BANK REGIONAL ROUNDTABLES



12x roundtables

12x education session

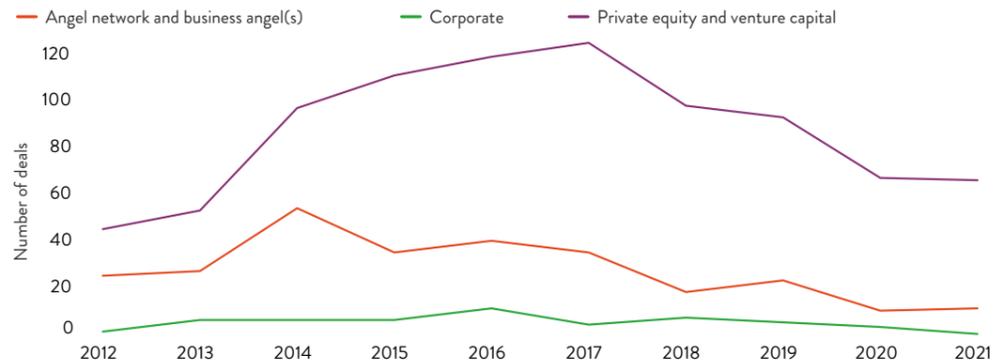
700+ attending delegates

CAPITAL

GROWTH



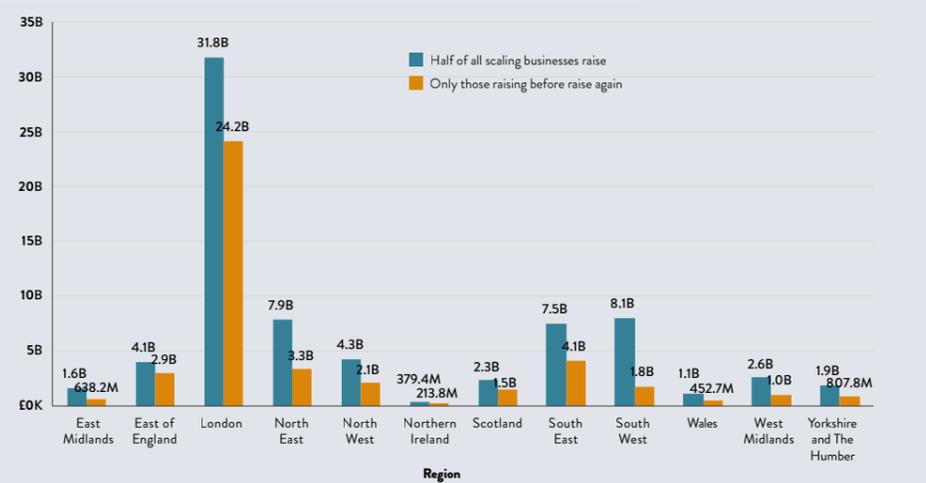
ANNOUNCED DEAL NUMBERS BY TOP PRIVATE INVESTOR TYPES (2012-2021)



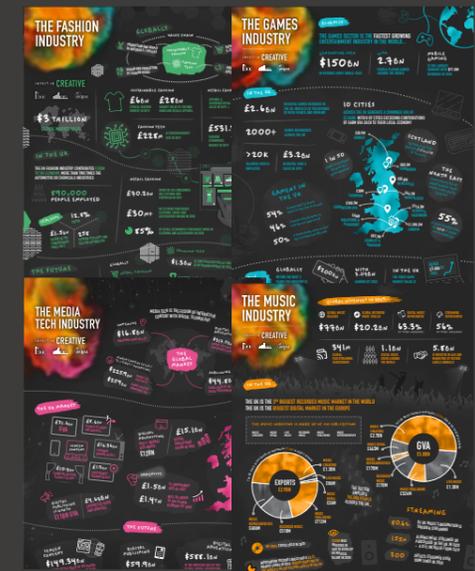
Source: ScaleUp Index 2022

REGIONAL DISPARITIES REMAIN

£15bn



Invest in Creative



Life Sciences Investor Roadshow



THE RIGHT GROWTH FINANCE NEEDS TO BE AVAILABLE

GRANTS, CHALLENGES & INNOVATION LOANS

ANGEL

VC

FOLLOW ON FUNDING

PATIENT CAPITAL

CROSSOVER FUNDS

IPO

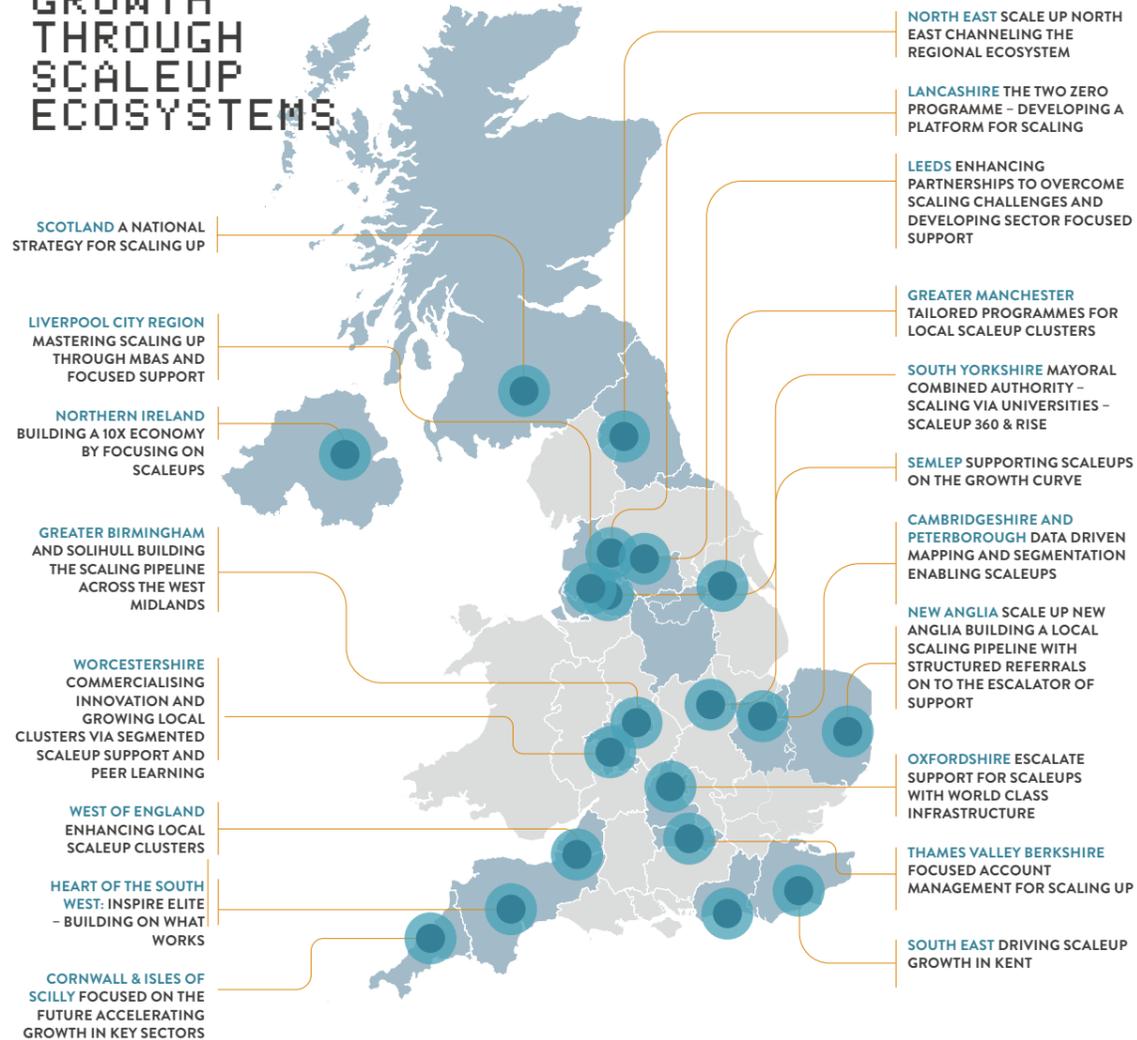
THE ESCALATOR OF FINANCE

The right growth finance needs to be available

A referral process for equity could be developed in the market between equity providers for companies at different stages of their journey. This could be facilitated by the convening power of government.

EXEMPLAR AREAS IN 2022

DRIVING UK ECONOMIC GROWTH THROUGH SCALEUP ECOSYSTEMS



LOCAL TOOLS

ANNEXES DETAILING ALL LEP AREAS AND EACH DEVOLVED ADMINISTRATION ARE AVAILABLE ON THE SUI WEBSITE.

THESE INCLUDE:

- Number of scaleups
- Top scaleups in the area
- Local Scaleup Programmes
- Local Scaleup Views
- Top three barriers to growth
- What scaleups want more of
- What next / future plans

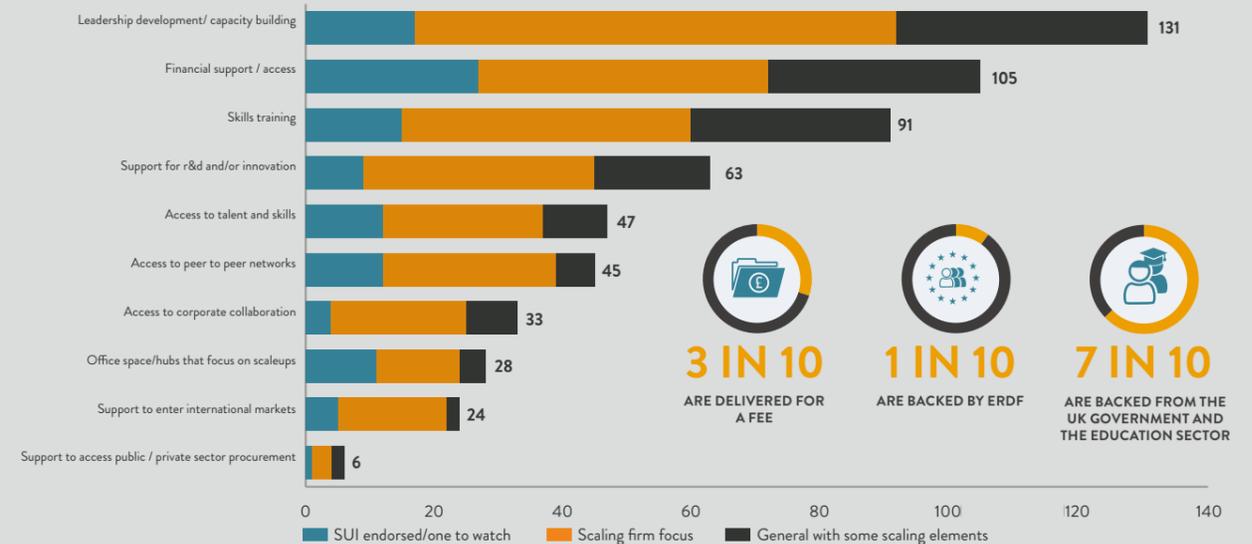


SCALEUP SUPPORT - NATIONAL & LOCAL PROGRAMMES



THE SCALEUP INSTITUTE'S LATEST MAPPING SUGGESTS THAT THERE ARE OVER 250 PROGRAMMES THAT HAVE EITHER BEEN SET UP SPECIFICALLY FOR SCALEUPS OR HAVE SUPPORT THAT CAN AID SCALING, DETAILS OF WHICH CAN BE FOUND ON THE SCALEUP SUPPORT FINDER ON THE INSTITUTE'S WEBSITE.

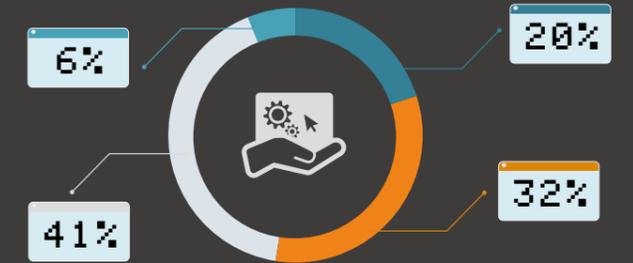
TOTAL PROGRAMMES: 258



There are also a range of public and private programmes across the UK - find out more on the scaleup support finder [here](#).



SCALEUP SUPPORT FINDER



- University led programmes
- Private led programmes
- Government / public sector led programmes
- BBB / IUK led programmes

LEADING PROGRAMMES



<p>Talent and Skills</p>		
<p>Leadership</p>		
<p>Markets</p>		
<p>Finance</p>		
<p>Infrastructure</p>		

NEW CASE STUDIES

<p>Leadership</p>		
<p>Finance</p>		
<p>Infrastructure</p>		

PRIMING THE UK'S ENGINE OF GROWTH: A 10 POINT PLAN FOR SCALEUP GROWTH 'THE PRIMARY DIRECTIVES'

Scaleups are important and different: reinforcing the critical need for accurate segmentation and tailored policy, solutions and services for scaling firms in our public, private and education sectors.

Scaleups are the solution to our UK Plan for Growth and the businesses we should be championing.

ALIGN RESOURCES AND POLICIES TOWARDS SCALEUPS AT A NATIONAL AND LOCAL LEVEL

01

USE EXISTING DATA TO IDENTIFY AND SUPPORT SCALEUP BUSINESSES AT AN EARLY STAGE

The Government is a central Data repository and provider, and it is important to ensure that effective sharing of business data - such as that held within HMRC - can be drawn upon for the purpose of spotting our scaling businesses early and fast tracking them into the relevant Government and private sector support to drive UK economic growth.

Targeted engagement from Government with scaling firms can be particularly effective in relation to enabling scaleup company access to support programmes such as the Scaleup Visa, innovation support from Innovate UK, export services such as trade missions from DIT, and finance related services from the BBB or UKEF, and public sector procurement opportunities which can be utilised to cornerstone innovative company growth. However, to get this support into the right hands and to optimise the value of the programmes, we need to identify these scaleups as early as possible.

This can be done, and data is the key. For example, through the recent work of the ScaleUp Institute and Government (Cabinet Office / BEIS) on the DECA project (Data Enabled Change Accelerator). This project tapped into datasets that combine ONS, Companies House and HMRC datapoints to enable stakeholders to fast track solutions to scaleup leaders. It should be rolled out to further areas of engagement.

The ScaleUp Visa Fastrack Framework now in place can also be replicated for other Government offerings to create more friction free access to Government resources across multiple services. This will also further augment private sector efforts to better engage with scaleup companies, and help ensure that they are well nurtured as part of supply chains.

02

SEGMENTATION IS KEY: RECOGNISING SCALEUPS AS A SPECIFIC SEGMENT OF THE SME ECONOMY; MAKING SURE SPECIFIC POLICIES AND INITIATIVES ARE TAILORED TO THEIR NEEDS

Scaleups have different needs from other small and medium-sized businesses, and this needs to be recognised in policies and support programmes at both national and local levels across the private and public sectors.

We have seen strong results from the British Business Bank, Innovate UK and Scottish Enterprise in segmentation and the 'Startup, Scaleup, Stay Ahead' segmentation - with specific targeting interventions for scaleup firms. The terms are relatable to the businesses they seek to help, and have allowed clear delineation between their different products and services making it much easier to connect companies into the policies/ services which are right for them. The finance industry has also adopted scaleup segmentation in many areas.

This nomenclature should seek to be consistent across the whole of the Government (at local and devolved levels) to create greater clarity for firms and avoid confusing terminology that can create unintentional barriers for businesses, even when policy initiatives are moving in the right direction.

03

BUILD EFFECTIVE RELATIONSHIP MANAGEMENT HIGH GROWTH TEAMS AND DEPLOY LOCAL SCALEUP CHAMPION: MAKING IT EASIER FOR SCALEUPS TO ACCESS PROGRAMMES AND SUPPORT

In many cases support is available, but scaleups are not taking it up because they do not know what is on offer or do not believe they have the time or resources to apply and engage.

Relationship management structures are a key tool in the way that many private sector organisations oversee their client base, and we believe that this function should be developed within the broader scaleup ecosystem, including Government and educators, for the UK's scaleup business population. The development of a relationship management 'high growth' team within Government, would leverage current structures in a more proactive manner and provide a critical link between identified scaleups and the support available. This team would build proactive, trusted relationships with growth businesses and then act as a triage service to direct these companies to the right government and private sector services to speed their growth.

Relationship managers would work hand in glove across Government departments which will provide the 'product' offering for scaleups, be this Trade Missions or wider export support from DIT / UKEF, innovation related funding or support from Innovate UK, growth capital from the British Business Bank /British Patient Capital, Leadership development opportunities, or wider private sector support.

The deployment of local scaleup champions, across private and public sector, can also be an important part of this, raising awareness of different schemes and growth opportunities, and creating local, relatable touchpoints for scaleup businesses.

To make this kind of structure effective, it must be built upon the latest available data (as noted in Recommendation 1).

04

EVOLVE SCALEUP CLUSTERS & HUBS AROUND THE COUNTRY. BUILD ON LOCAL SCALEUP IDENTITY AND LOCAL SECTORAL STRENGTHS. ALIGN FUNDING TO TARGETED SCALEUP SOLUTIONS

Our research shows that hubs and clusters are a key element for local scaleup growth, alongside regionally available growth finance, and high quality talent. Effective hubs provide a focal point for the different elements scaleup businesses need curating access to investors, talent, mentors, peer networks, and helping to facilitate corporate engagement and procurement opportunities. Effective clusters will also better facilitate and attract finance to scaleup companies. The most successful hubs often utilise a Relationship Management structure to aid this process (see above).

To encourage the development of these structures across the whole of the UK, SUI recommends that each local area should have a scaleup strategy and identity including detailed scaleup cluster maps based on currently available datasets - building upon previous work undertaken on Local Industrial Strategies and Strategic Economic Plans. To facilitate this SUI will work with Innovate UK and its partners and run Innovation and Economic Development scaleup growth courses in 2023.

Funding structures evolve as the UK enters a new relationship with Europe; allocation of monies to impactful scaleup programmes should be maintained.

OPEN UP MARKET ACCESS FOR SCALEUPS AT HOME AND ABROAD

05

TARGET GREATER EXPORT RESOURCES TO SCALEUPS

Government should further embed its export strategy and continue to progress greater alignment and proportion of export focused resources toward scaleups.

This should include building on the International Trade Advisor service - which is now in house - by connecting it to emerging relationship management teams (recommendation #3).

We recommend a 'ScaleUp Desk' is created in all overseas embassies/innovation agencies to enable scaleups to access local market knowledge. This will help to ensure that export ready firms are given every opportunity to access new markets.

Scaleup focused trade missions are also a key part of this and that all local scaleup strategies should include an export programme for scaling businesses, such as that developed by the Mayor's International Business Programme in London and the Global scaleup Programme in Manchester.

The private sector - whether financiers or corporates - should include scaleup trade missions for their client base/ supplier base.

06

SIMPLIFY AND INCREASE SCALEUP ACCESS TO PUBLIC PROCUREMENT AND R&D COLLABORATION

The Public Sector should increase its buying and strategic partnerships with scaling companies, the US utilises this to great effect including in the early stages of R&D.

Procurement champions within Government departments should be given clear objectives to increase buying and strategic partnership with scaleup companies, with clear KPIs. Procurement opportunities should be connected to Government account management teams (recommendation #3) looking after scaleup companies, Fast Tracking of scaleups through procurement processes and streamlining the process should be progressed.

Better utilisation of the Small Business Research Initiative (SBRI) should be a priority generate more scaleup specific 'meet the buyer' events working with local areas as part of this, as well as building upon the current work underway as regards Sandbox environments which should be deployed more broadly and at scale.

07

IMPROVE THE CONNECTION BETWEEN SCALEUPS AND LARGE CORPORATES

Large companies should report on the level of collaboration and procurement they source from scaleup companies. Large corporations should learn from those that are exemplar collaborators; and consider further how they can engage more transparently with their scaleup supply chain, through peer to peer activity, and perhaps the creation of a 'Collaboration Charter'.

Similarly, any procurement contracts that large companies have with Government should require an increase in the amount of business undertaken with scaleups as part of the contracting process; this should be monitored.

A 'signpost' platform to facilitate corporate interaction with scaleups to boost awareness for opportunities should be developed individually and collectively to ensure scaleups clearly know the opportunities to bid on and how to engage.

08

IMPLEMENT THE SCALEUP VISA EFFECTIVELY AND ENSURE TALENT SCHEMES ALIGN TO SCALEUP NEEDS, AND STRENGTHEN CONNECTIONS BETWEEN SCALEUPS AND EDUCATORS**a) The Scaleup Visa**

The 'Scaleup Visa' is a very welcome step forward which must be embedded and drawn upon as part of a connected programme to address talent needs for scaleups. SUI is pleased to have worked closely with HM Treasury, the Home Office and BEIS on its development and implementation, including the wider sponsorship 'route B' option.

To ensure that this powerful scheme can be as effective as possible, it will be critical to ensure that scaleup companies themselves are fully aware of how to access and make best use of this scheme, and also that it is well understood within the wider ecosystem.

We believe that this should extend to developing an understanding of how this can be utilised in relation to university leavers and alumni networks, so that graduate and post graduate talent educated in the UK has every chance to contribute to the growth and skills needs of regional scaleup businesses.

b) The Talent Pipeline

Building a robust talent pipeline is vital to the long term growth prospects of the UK economy. Key to this is building better connectivity between scaleup companies and educators at a local level through internships; work placements; vocational training; apprenticeships and promotion of job opportunities. Scaleups highly value entrepreneurship education and how we create better connections between them and the education system. They are looking for individuals not only with technical skills but the social skills, resilience, flexibility and decision making they need for the future. In their leadership teams sales and business development and brand and marketing expertise is vital. The private, public and education sectors must continue to work more closely together to address these needs. These connections can be fostered through expansion of existing platforms and impactful initiatives such as those endorsed by SUI including Founders4Schools and Careers Enterprise Company; along with replication of initiatives working well elsewhere such as scaleup training academies linked with universities. Continued focus is also necessary to address the digital and tech skills shortages - there is good work being undertaken in this area but we must see the 'siloed' actions being more collaborative. The Digital Skills Council has a key role to play here alongside private sector initiatives such as FutureDotNow and the existing initiatives endorsed by SUI, including Google Digital Garage and Barclays LifeSkills The Local Skills Improvement Partnerships announced in the Levelling Up white paper and UK National Academy can form an important part of this. A third party accreditation system, such as that used for music grades, should be rolled out for digital skills as part of a national campaign to create stronger awareness of the importance of digital skills in relation to all career paths whether for school leavers, graduates or people retraining as they change jobs later in life.

09

ENHANCE SCALEUP OPPORTUNITIES TO ENGAGE IN PEER-TO-PEER NETWORKS, NEDS, AND HIGH QUALITY LEADERSHIP PROGRAMMES

The public, private and education sector should continue to work together to close the gap on provision of high-quality flexible scaleup leadership programmes, including mentoring, peer networks and matchmaking of non-executive directors who have scaled businesses before. Better connections should also continue to be made between national programmes and local ecosystem leaders. SUI will continue its work in this area and with partners, will develop a SUI scaleup hub in 2023.

UNLOCK GROWTH CAPITAL TO DRIVE GROWTH

10

CLOSE THE GROWTH CAPITAL GAP ACROSS THE UK AND INCREASE KNOWLEDGE IN BOTH SCALEUP AND INVESTMENT COMMUNITIES IN EVERY PART OF THE COUNTRY

The private and public sector should continue to address growth capital, scale, regional, diversity, knowledge and sectoral imbalances. Build on our strengths: create at scale solutions for the longer term and create permanency in institutions delivering impact such as the British Business Bank and Innovate UK with the flexibility to adjust to changing market needs. Government should continue to work with the private sector to accelerate the unlocking of Institutional (Pension and Insurance) Funds and Corporate Funding to address the widening growth capital gaps across the funding continuum and ecosystem from angel to IPO. The Private Sector should collaborate even further to create new and deeper scaleup capital pools and connectivity. Work should continue on the UK developing the funds for our emerging and future industries, and in ensuring our diverse scaleups access the funding they need, specifically through expansion of initiatives such as Invest In Women Code and sectoral initiatives such as in relation to Life Sciences, Net Zero and Creative etc. The UK business Taxation system - notably EIS/SEIS/VCTs, Capital Allowances and R&D should be consistent and maintained with better awareness raising. R&D should continue to be evolved to ensure it includes optimal scaling dynamics (e.g. expenditure on lab development). Education of the investor, scaleup and advisory communities should continue, leveraging knowledge of such tools as Invest in Creative and showcasing of UK scaleup clusters. Consideration should be given to the requirements made by regulators of Institutional Investor boards on growth economy engagement and knowledge. Growth finance should also be included in the core curriculum of all local scaleup leadership programmes and the investor community should be encouraged to utilise fellowships to bring in fresh talent.



WE NEED TO CHAMPION SCALEUPS THEIR SUCCESS STORIES AND ROLE MODELS

THE FIVE KEY CHALLENGES



THE MARKETS GAP
Accessing customers other markets / home market



THE TALENT AND SKILLS GAP
Finding employees to hire who have the skills they need



THE FINANCE GAP
Accessing the right combinations of finance



THE INFRASTRUCTURE GAP
Navigating infrastructure and access to R&D facilities



THE LEADERSHIP CAPACITY GAP
Building their leadership capability



Build clusters and hubs with joined up solutions and nurture our scaling pipeline and scaleups in a proactive manner to enable their fullest growth.

THE SCALEUP ESCALATOR

We have to join up tailored solutions and be accessible

Build a robust continuum of finance and joined-up scaleup solutions across markets, talent and growth capital.

LOCAL AND NATIONAL PROGRAMMES NEED TO BE JOINED UP AND ACCESSIBLE



SEGMENTATION:

Recognise scaleups as a specific segment of the economy - making sure initiatives and policy are tailored to their needs is key.

Create high growth teams and relationship management for our scaleups.

Put the scaleup customer at the centre.: scaleups value relationship management and being 'put on the map'..

Account Managers should actively engage with Scaleup Businesses within local areas, working with them to understand their developing needs as they grow. They should provide appropriate suggestions, and make sensible introductions both within the local ecosystem and relevant national programmes across the public and private sector.



ACT COLLECTIVELY AND ALIGN RESOURCES

To address our scaleup challenges



WE NEED TO USE DATA TO BEAM IN ON OUR SCALEUPS AND CHAMPION THEM, INCLUDING VERIFICATION OF THE 'SCALEUP STATUS' OF A BUSINESS TO FAST TRACK SOLUTIONS TO SCALEUP LEADERS



WE NEED TO LEVERAGE BETTER WHAT WORKS THROUGH SUI INSIGHTS, KNOWLEDGE EXCHANGE AND GOOD PRACTICE

TARGETING, COORDINATING & PROMOTING SCALEUPS

SCALEUP ECOSYSTEM	ENTREPRENEURS	GOVERNMENT	EDUCATORS
	LARGE CORPORATES	MEDIA	INVESTORS
SUPPORT	TALENT	CUSTOMERS	INFRASTRUCTURE
	LEADERSHIP	FINANCE	

SCALEUP STORIES



Absolutely Collagen



Aurrigo



Cheeky Panda



Pricecheck



Robin AI



Safehinge Primera



Flexi-Hex



Inovus Medical



Kugali Media



SnapDragon Monitoring



Sygnature Discovery



Tribosonics



MGM Global



Otto Car



Paragraf



Triggera



Wattbike



Wellbeing Farm

THE SCALEUP INSTITUTE

The ScaleUp Institute is a private sector-led, not-for-profit organisation focused on collaborating with policy makers, corporates, finance players, educators and government at a local and national level.

Our mission is to help the UK to become the best place in the world to grow a business as well as start one, and enable our existing high-growth businesses to scale up even further.



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