



LSE Entrepreneurship public discussion

The Scale-up Manifesto: why scale-ups will drive the global policy agenda for the next generation

Sherry Coutu

Principal author, the Scale-Up Manifesto

Andy Tong

Director of Deloitte MCS Ltd

Professor George Gaskell

Chair, LSE

Geoff Mulgan

Chief Executive of the National Endowment for Science Technology and the Arts (NESTA)

Tamara Rajah

Partner, McKinsey & Company, London



Suggested hashtag for Twitter users: #scaleupBritain



THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Sherry Coutu CBE

#scaleup

<http://www.scaleupreport.com>

THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Thank-you's



“We want nothing less than to make the UK the technology centre of Europe. This is the path we need to take to create new jobs, new growth and new prosperity in every corner of our country.”

George Osborne, Chancellor of the Exchequer





“First mover advantage doesn’t go to the first company that launches, it goes to the first company that scales.”

Reid Hoffman, co-founder of LinkedIn

“Competitive advantage doesn’t go to the nations that focus on creating companies, it goes to nations that focus on scaling companies.”

THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Thank you to the following individuals

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THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Thank you to The Scale-up Report Steering Committee

- Albert Bravo-Biosca, Senior Economist, NES TA
- Alexis de Raadt St James, Founder and Executive Director, The Althea Foundation
- Andrew Thompson, CEO , Proteus Digital
- Benoit Reillier, Managing Director, Launchworks
- Charles Blundell, Partner at Brunswick
- Damian Kimmelman, Founder and CEO , DueDil
- Daniel Isenberg, Professor of Entrepreneurship Practice, Babson Executive and Enterprise Education
- Guy Rigby, Partner at Smith & Williamson
- Professor Hiram Samel, Said Business School, University of Oxford
- Hugh Campbell, Managing Partner, GP Bullhound
- Ian Cowie, Royal Bank of Scotland
- Irene Graham, Managing Director for Business Finance Initiatives, British Bankers Association
- Julian David, CEO , techUK
- Lesa Mitchell, Founder, Network for Scale
- Mark Hart, Academic Lead, Goldman Sachs 10,000 Small Businesses, Aston University
- Nick Gray, Director of Centre for Science & Policy University of Cambridge
- Paul Zwillenberg, Managing Partner, Boston Consulting Group
- Professor Peter Tufano Dean, Said Business School, University of Oxford
- Reid Hoffman, Founder of LinkedIn
- Rohan Silva, Founder of Second Home
- Russ Shaw, Founder, Tech London Advocates
- Stephan Shakespeare, CEO , YouGov
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- Tony Clayton, Chief Economist, Intellectual Property Office
- Victor Chavez, CEO , Thales UK and Co-Chair of the Information Economy Council

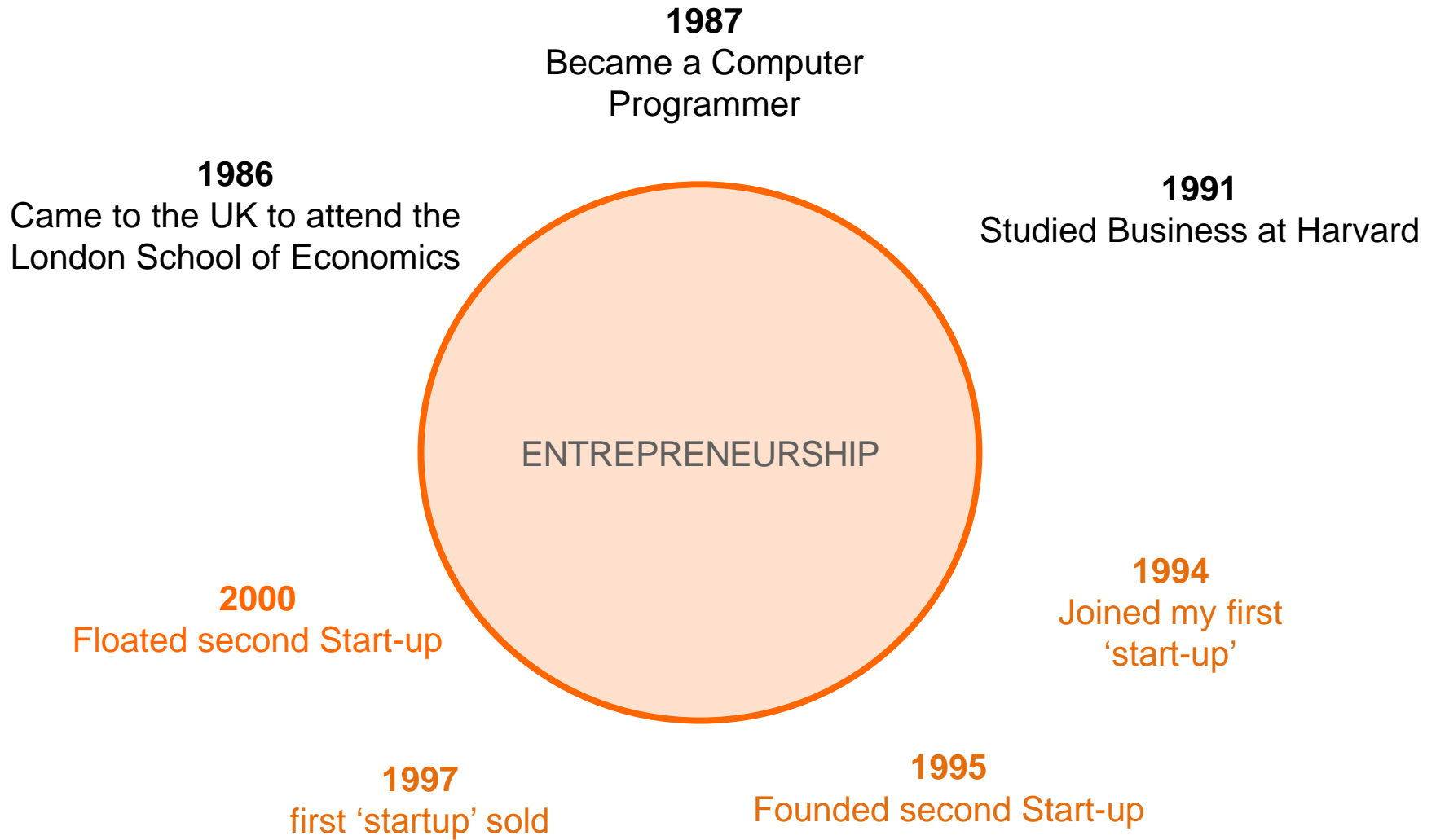
THE SCALE-UP REPORT

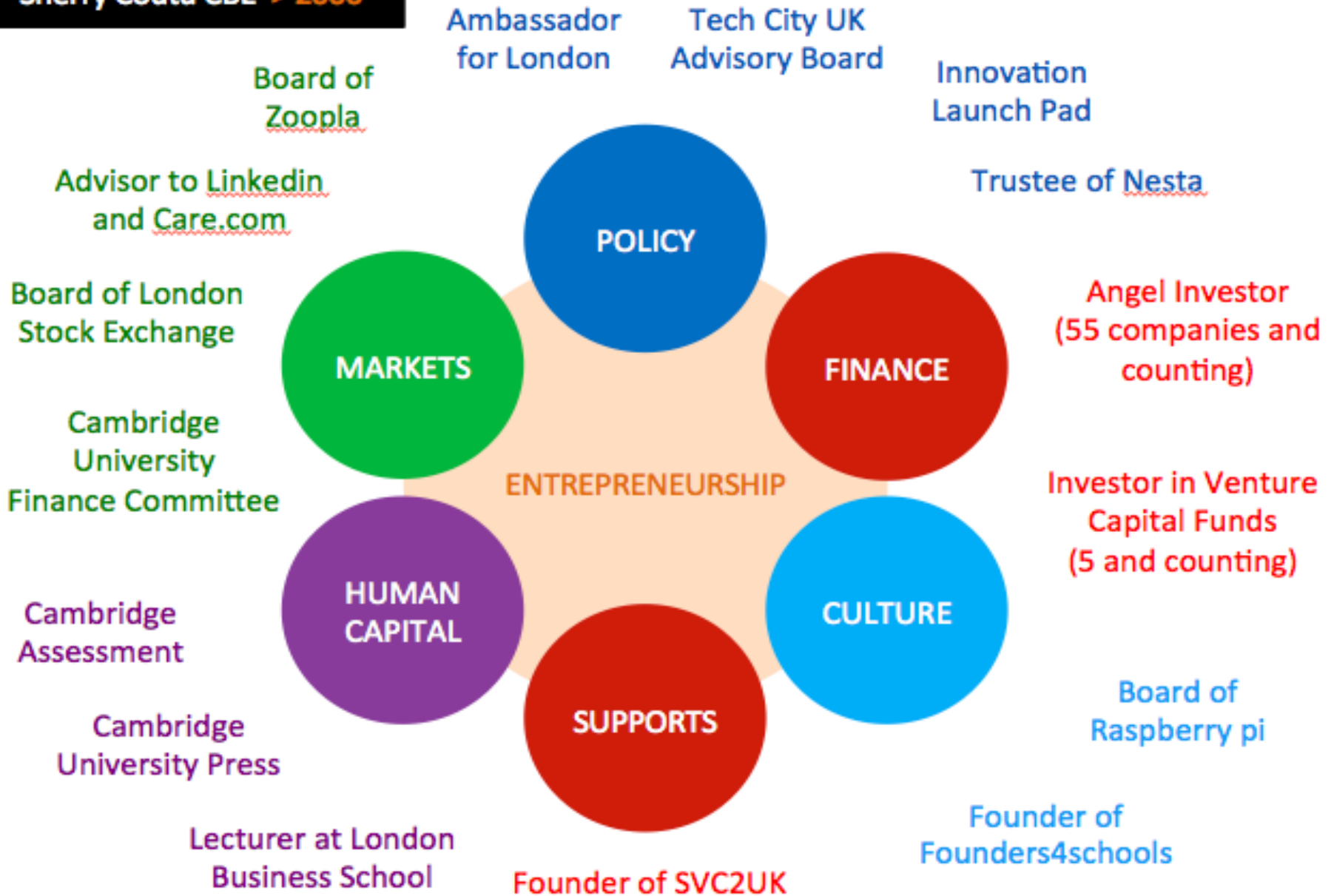
ON UK ECONOMIC GROWTH

Background

[#scaleup](#)

An independent report to the government
NOVEMBER 2014





THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Definition

An independent report to the government
NOVEMBER 2014

A 'scale-up' is an enterprise with average annual growth in employees or turnover greater than 20 per cent per annum over a three year period, and with more than 10 employees at the beginning of the period



8,923

SCALE-UPS ARE THROUGHOUT THE COUNTRY

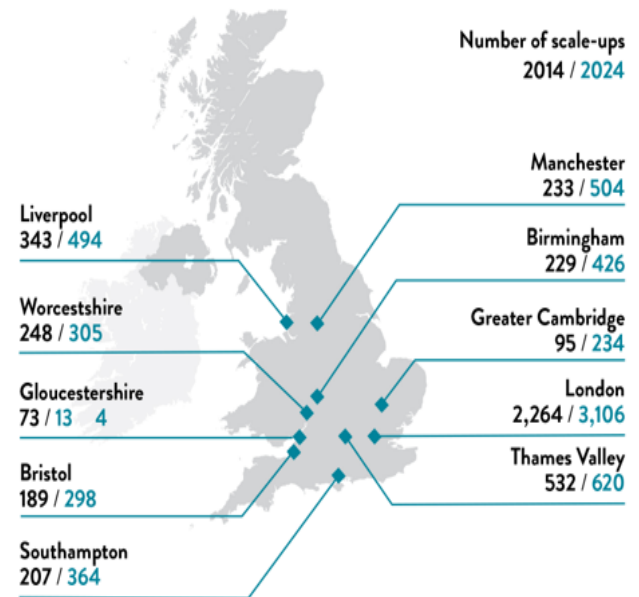
Scale-ups are found in each of the 39 LEP areas in England and 6,659 (75 per cent) of the total 8,923 scale-ups are located outside of London.

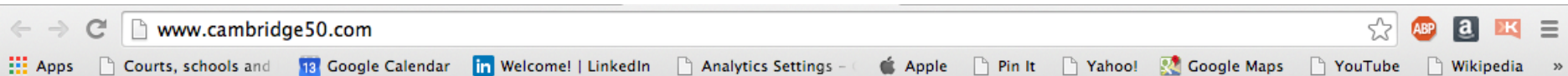
On average a LEP will have approximately 228 scale-ups in their area.

These in turn can be grouped into the Number of scale-ups companies that employ between

- 10 and 49 employees,
- 50 and 250 employees,
- >250 employees

Figure A3.1: High growth firms by Local Enterprise Partnership area





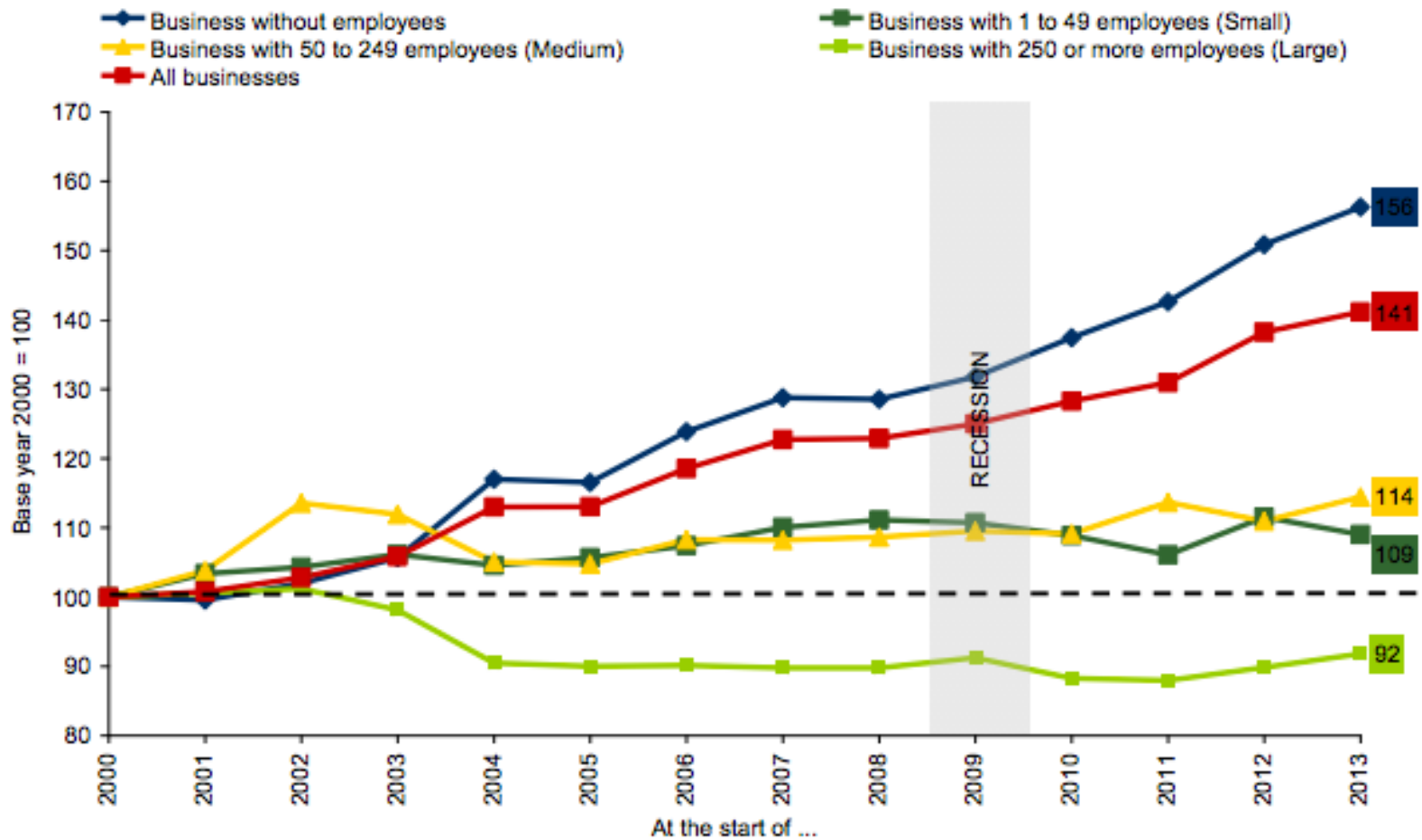
Cambridge 50 tracks the fastest-growing companies in the Cambridge cluster

Cambridge 50 was put together by Cambridge businesses and the academic community to support economic growth in the Cambridge cluster. The site makes it easy and transparent to identify the fastest growing companies and find contacts to invest, work or partner with them.

All the companies listed have grown by at least 20% per annum over two successive years, measured by their revenue or the number of people they employ. You can sort them by sector to see which industries are growing the fastest. You can also see how many companies in Cambridge are already generating revenues of £1 million, £10 million, £25 million, £50 million, £100 million and £250 million.

Number of companies by revenue

	> £1 Million	> £10 Million	> £25 Million	> £50 Million	> £100 Million	> £250 Million
Latest	954	106	42	20	15	12
Previous	945	105	44	19	12	12
	Current			Previous		
New Scale-ups	53			41		



https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/254552/13-92-business-population-estimates-2013-stats-release-4.pdf

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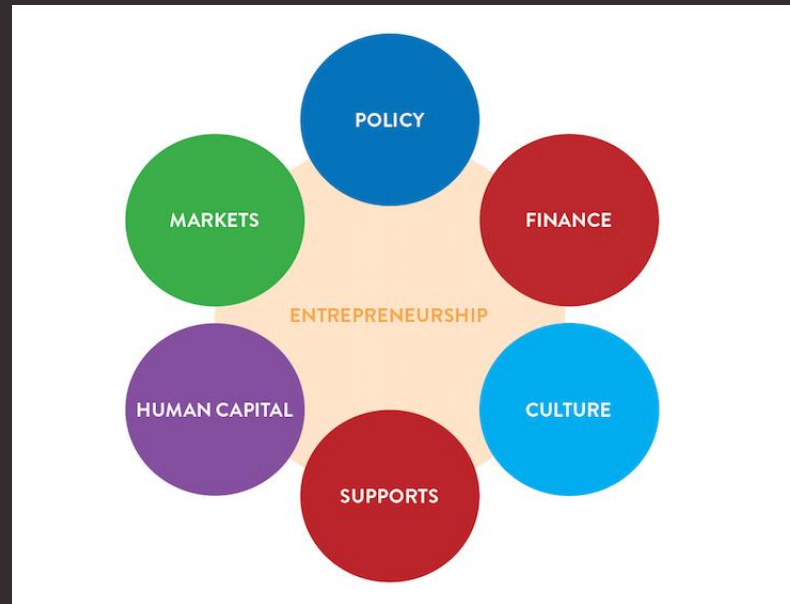
Methodology

#scaleup

An independent report to the government
NOVEMBER 2014

<http://www.scaleupreport.com>

- Formation of a Steering Group to guide the work



- Formation of an Ambassador Group to take the recommendations forward



A review of a 148 academic works into the dynamics of business and economic growth. In particular, the report builds on research conducted into 'high impact' entrepreneurship by experts at the universities

Aston, Oxford, Cambridge, MIT and Harvard, as well as the Babson Entrepreneurship Ecosystem Project, Boston Consulting Group (BCG), Nesta, the OECD, Kauffman, the Enterprise Research Centre (ERC), Prelude, and McKinsey.

The Enterprise For All report by Lord Young
The Adonis Review,
The McKinsey/Centre for Cities report into economically significant clusters
The Heseltine Report.

148



Methodology: April-May-June

- Workshops with practitioners, investors, business leaders and policymakers to understand current practice and future plans.

Scale-up Report Draft Recommendations Endorsed
by the Information Economy Council Board

Methodology: July, August, Sept, Oct

- Interviews with policy-makers and scale-up practitioners from the UK

300



- A survey of hundreds of UK scale-up leaders to understand from their point of view and in their voice what the main barriers were to their growth.

363

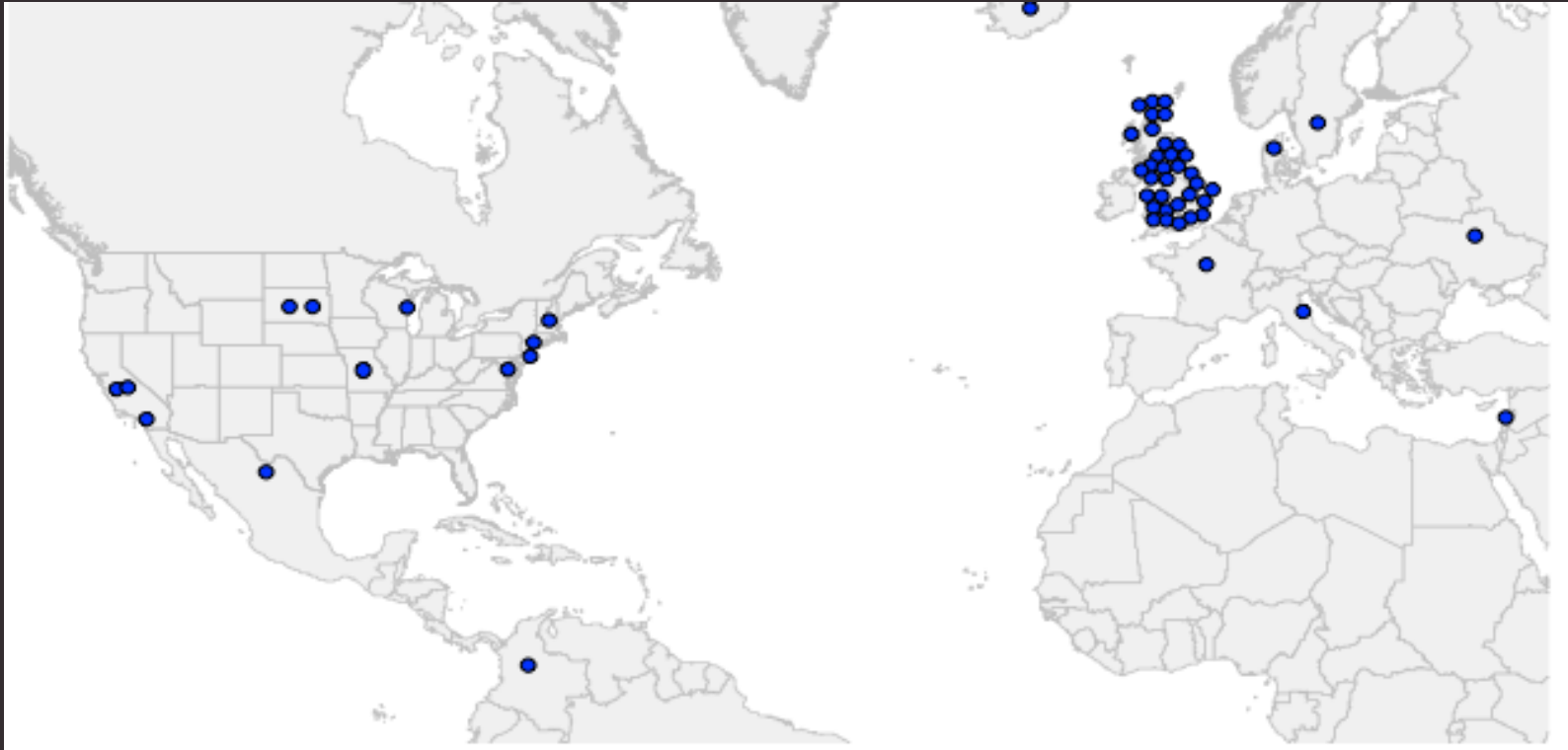


Methodology: June (International) Oct (UK)

- A review of initiatives aimed at supporting scale-up companies

- A review of 75+ effective initiatives aimed at supporting scale-up companies

75



Regional ecosystem examples

1. San Francisco
2. Mexico
3. Milwaukee
4. Manziales-Mas, Colombia
5. Brazil
6. Puerto Rico
7. France
8. Estonia
9. Ukraine

Government led/funded initiatives

10. DARPA
11. CIA/In-Q-Tel
12. National Business Cluster Alliance
13. Future Fifty
14. London and Partners
15. NACUE
16. BCS computing curriculum
17. BIS Growth Accelerator
18. Digital Business Skills Alliance
19. CBI's M-Clubs

Non-government (private sector and/or university and/or not-for-profit-led) initiatives

- | | | |
|---|---|--|
| <ol style="list-style-type: none"> 20. WPI BioProcess Center 21. General Assembly 22. Start-up Institute 23. H2 24. Microsoft Partner Programme 25. Microsoft Technology Centres 26. Coca-Cola Accelerator Program 27. Telefonica's Think Big 28. Endeavor 29. GS 10,000 Small Businesses 30. Santander Breakthrough Programme | <ol style="list-style-type: none"> 31. ELITE Programme 32. SVC2UK 33. Cambridge Cluster map 34. Tech London Advocates 35. VentureScout 36. The Growth Partner Programme 37. Cranfield's BGD Programme 38. The Supper Club 39. Code Club 40. Decoded | <ol style="list-style-type: none"> 41. LoveWork UK 42. The Up Group 43. Mentorsme 44. Cambridge Ahead 45. The Science Fifty 46. The Cambridge Fifty 47. Business Growth Fund 48. Founders4Schools 49. Apps4good 50. Silicon Milkroundabout |
|---|---|--|

Collated inspiring case-studies supporting scale-up companies

29

Methodology: July, August, September

- Commissioning Deloitte and Royal Bank of Scotland to support the analysis of the potential impact on the UK economy of closing the scaleup gap and collaborating with Nesta.



Methodology: March thru November

<http://www.scaleupreport.com>

- Peer-review by leading academic and policy experts whose research this report seeks to build upon and the review's Steering Committee

THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Key Observations



THE PACE OF CHANGE IN OUR ECONOMIES IS HIGH AND INCREASING

40

This is also the percentage of the US GDP that is generated by companies that did not exist 30 years ago...

THE PACE OF CHANGE IN OUR ECONOMIES IS HIGH AND INCREASING

100 %

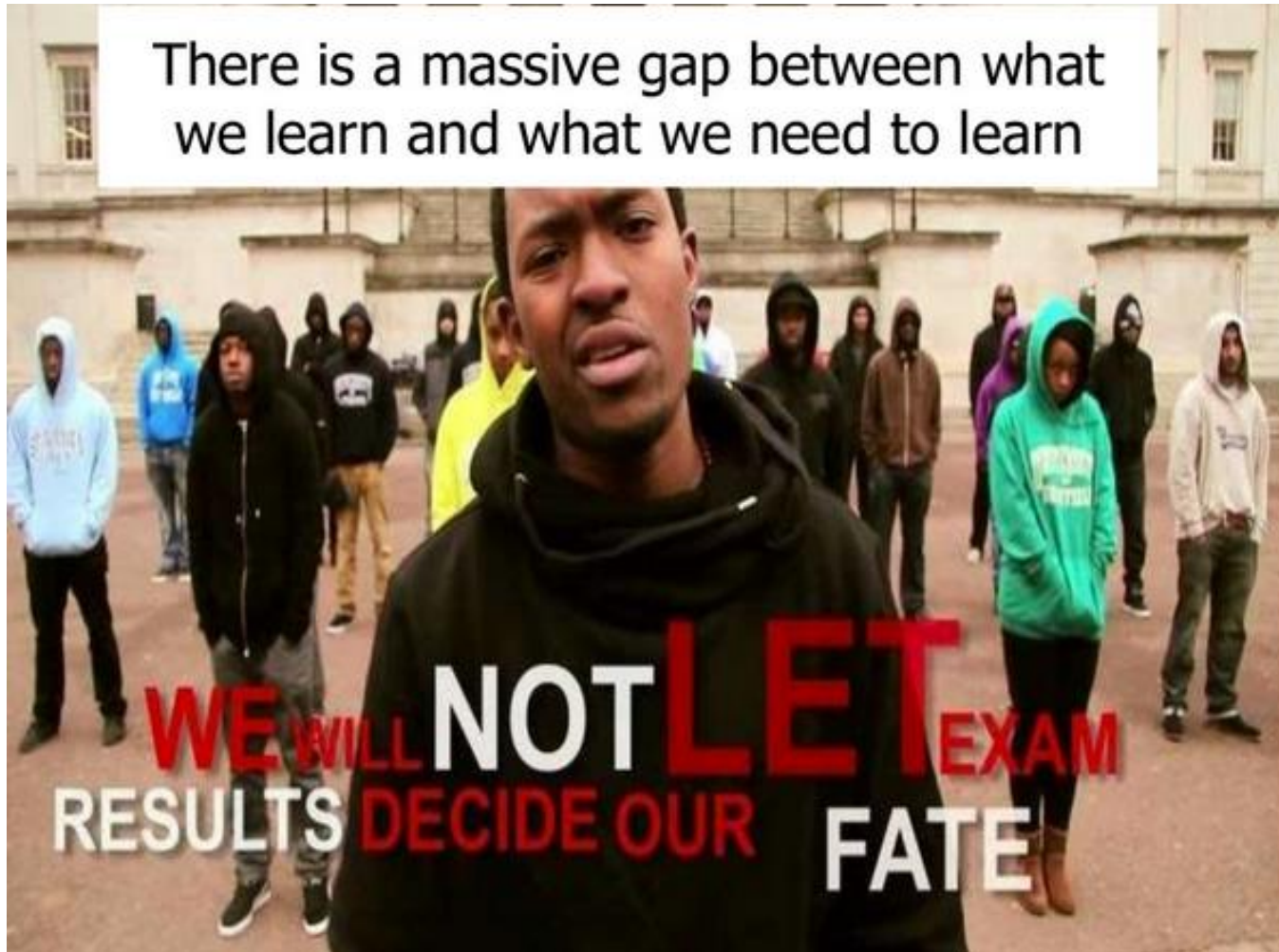
Net New Jobs created in Europe in the past 5 years were from companies less than 5 years old....

CONCLUSION

We should drop the word SME

Our economy is more dynamic than is suggested by such a term

THE SKILLS GAP IS A CRISIS



THERE ARE A LARGE NUMBER OF 'OPEN POSITIONS'

990,000

Source: Adzuna

THE SKILLS GAP IS SET TO GET LARGER....

1M

Number of new science, engineering and tech professionals required in the UK by 2020 (Royal Society 2014)

5.8M

Number of people forecast to be needed in the app economy by 2018 (OECD)

Hiring talent was a major issue for scale-ups of all sizes

- 151 of the 203 (74 %) Scale-up CEOs ranked [**Access to talent you can hire who can do the jobs you have available**] 1, 2 or 3

No. of employees	Top three issue
11-19	68%
20-49	75%
50-99	74%
100-249	88%
250-499	85%
500+	64%
ALL	74%

Hiring talent was a major issue for scale-up companies of all size. The proportion citing this as one of their top three issues ranged from 64 per cent for large scale-ups with 500 plus employees to 88 per cent of scale-ups with between 100 and 249 employees.



Tax breaks were less of an issue

- Only 61 of the 203 Scale-up CEOs (30 per cent) cited accessing tax breaks as one of their top three issues.

No. of employees	Top three issue
11-19	32%
20-49	25%
50-99	17%
100-249	35%
250-499	23%
500+	57%
ALL	30%

Tax was primarily an issue for large scale-ups with more than 500 employees, of which 57% cited this as one of their top three issues.



Gaining bank loan finance was only an issue for smaller scale-ups

- 59 of the 203 (29%) scale-up ceos ranked [Access to bank loan finance] as the 1,2 or 3rd most important issue.

No. of employees	Top three issue
11-19	27%
20-49	30%
50-99	36%
100-249	8%
250-499	0%
500+	7%
ALL	29%

This was very skewed towards smaller scale-ups with less than 100 employees.

It was not reported as an issue with the larger firms.



...similarly, attracting VC funding was only an issue for smaller scale-ups

- 44 of the 203 (22%) scale-up ceos ranked [Access to venture capital finance] as the 1,2 or 3rd most important issue.

No. of employees	Top three issue
11-19	39%
20-49	27%
50-99	19%
100-249	8%
250-499	0%
500+	0%
ALL	22%

This was very skewed towards smaller scale-ups with less than 100 employees.

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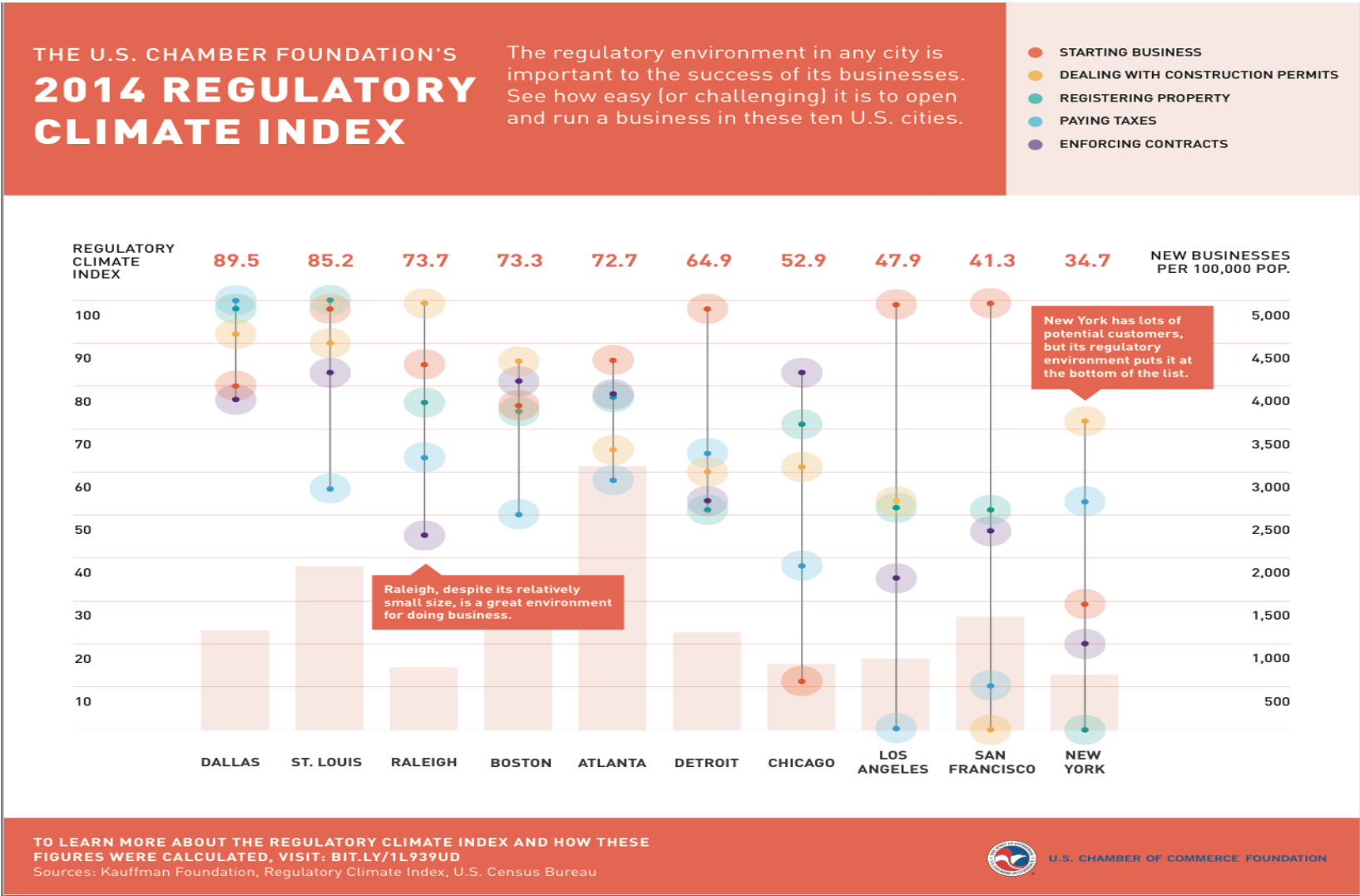
Business is Global and the ease of doing business is important....

Global companies that operate across several different borders have the ability to choose which jurisdictions they choose to operate in

Choosing to locate business operations elsewhere is a gain for 'elsewhere' and a loss for 'team GB'.

The impact of regulation 'cycle time' on rapidly growing companies should be a major consideration for regulators and agencies.

The impact of regulation 'cycle time' on rapidly growing companies should be a major consideration for regulators and agencies.



JOB CREATION IS LINKED TO COMPANIES THAT ARE HIGH GROWTH (2009)

6%
54 %

JOB CREATION IS LINKED TO COMPANIES THAT ARE HIGH GROWTH (2014)

1%
36 %

STARTUPS HAVE A POOR SURVIVAL RATE

11%

Study of start-up firms found that just 11 % of those born in 1998 survived until 2013

STARTUPS DO NOT CONTRIBUTE TO NATIONAL OUTPUT

Related to this is the fact that larger businesses tend to be more productive than smaller businesses.

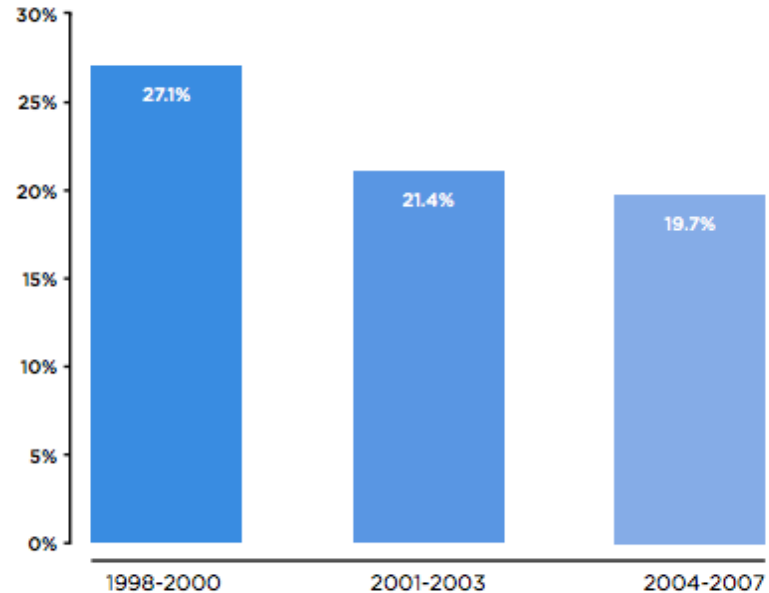
BIS data show that in the UK average turnover per employee is:

- £170,000 for firms with 250 plus employees
- £164,000 for firms with 50 to 249 employees
- £134,000 for firms with between 10 and 49 employees³⁹

The average new firm, despite the hype that surrounds startups, made a negligible contribution to British productivity growth.

THERE IS A PRODUCTIVITY GAP

Scale-up and HGFs could be one pillar amongst many to increase the UK's allocative efficiency and productivity.



UK GVA might have been £96 billion higher than observed in 2014 – over 5 per cent of total UK GDP in today's prices

STARTUPS DO NOT CONTRIBUTE TO NATIONAL OUTPUT

Research by the academic David Storey has found that the median annual sales of a six-year-old firm in the UK are less than £23,000

This research also found that only a small group of start-ups achieve significant growth in revenues – just one per cent have sales of more than £1 million six years after they star

1 %

It also found that the average new firm, despite the hype that surrounds startups, made a negligible contribution to British productivity growth.

CONCLUSION

Scale-ups are not start-ups

And we should focus our attention and policies on scale-ups

**Impact of average firms in each employment bracket growing at 35% per year over 3 years
244% in total**

High Growth Firms – 3 years, 244% growth

Employment band	Average Employment	Average Turnover £m	Additional Employment Impact	Additional Turnover impact £m
10-49	20	2.6	28	3.8
50-249	98	16.0	141	23.1
250+	1,502	258.1	2,160	371.7

Source: RBS Working Paper: Oct 2014 High Growth Firms and the Economy

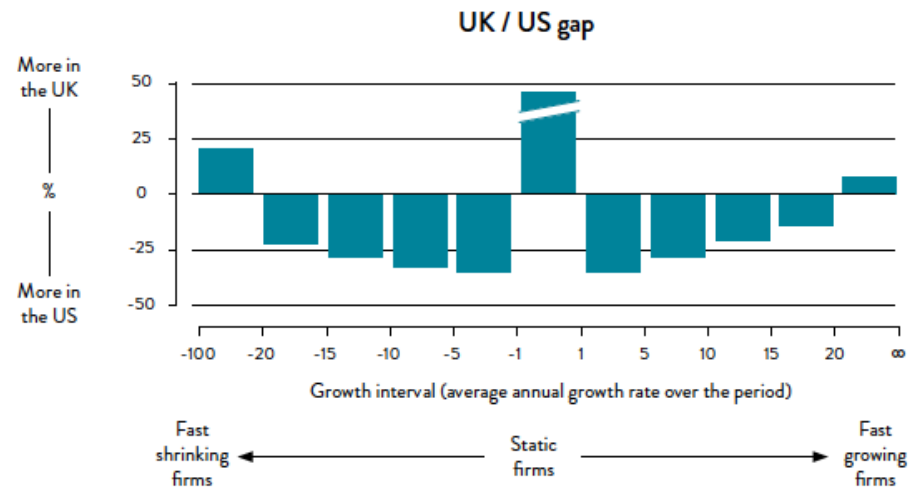
“to nurture and raise a single child into a successful human being takes much longer and is a more complex and arduous process for society than to introduce an additional child into the world”

THERE IS A SCALE-UP GAP

<http://www.scaleupreport.com>

- Many European economies, including UK are as effective as US in creating new businesses
- Not enough of them grow – displacing older firms
- This lack of ‘scale up’ means the economy as a whole loses on productivity and growth.

Chart 1.2: The difference in average annual company growth rate between the UK and US



Nesta (2011). A Look at Business Growth and Contraction in Europe

THERE IS A SCALE-UP GAP

The UK has a lower share of large businesses than the US.

Large firms with more than 250 employees account for 0.5 per cent of firms in the UK but 0.7 per cent in the US.

SCALE-UPS HAVE HIGH QUALITY JOBS

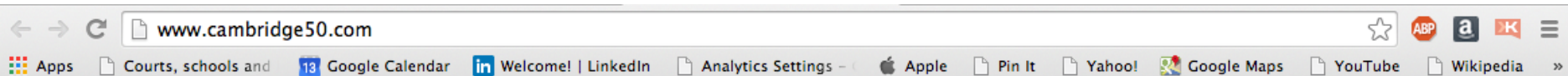
<http://www.scaleupreport.com>

The Endeavor Programme, which assists companies around the world to grow, has helped companies to achieve 5.4 times the rate of growth in employment of comparable firms in their own countries.

Of the employees surveyed in these high-growth companies who had joined the company from another employer, 80 per cent stated that they were 'satisfied' or 'very satisfied' with their current job compared to 46 per cent when asked about their previous job

ON UK ECONOMIC GROWTH

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	Current			Previous		
New Scale-ups	53			41		

OBSERVATION: SCALE-UPS ARE MORE THAN DIGITAL <http://www.scaleupreport.com> SCIENCE ONES GREW 92% LAST YEAR.....

“The Science 50”

Royal Society’s list illustrates the extent to which science-based scale-ups are a nationwide phenomenon.

36 (72 per cent) of the top 50 fastest growing science-based companies are located outside of London.

These 50 science-based companies increased their revenues by an average of 92 % between 2012 and 2013, achieving a combined annual turnover of more than £1.3 billion.

Adding more than £600 million to national output last year.

Figure 1.1: Map of the UK's top 50 fastest growing science-based companies



<http://www.svc2uk.com/the-royal-society-science-50-index/>

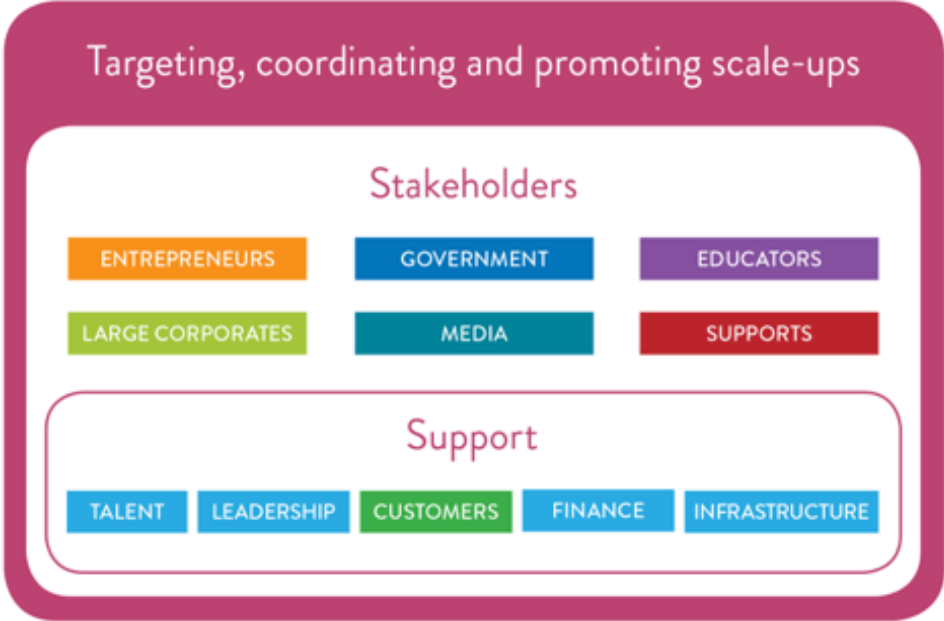
Key Messages

What makes any portfolio of initiatives work in this context is the joint efforts of a mixed group of stakeholders:

Successful entrepreneurs, government, large corporates, investors and educators (universities and schools).

Joint initiatives, joint leadership, joint funding, joint accountability.

This mixed representation and cross-stakeholder working is what creates a true entrepreneurial ecosystem.



http://issuu.com/endeavorglobal1/docs/what_do_the_best_entrepreneurs_want

Key Messages

The Endeavor programme has cost an average of £405 for every job created in emerging economies, and this has been financed largely without public funding (see case study below).

Furthermore, the Endeavor programme is financed in most cases without any public support, relying on private sector donations of funding and time, with a volunteer network of more than 1,000 global and local business leaders.

Case-study: Endeavor.org

1) Description of initiative(s)
 Established in 1997, Endeavor's mission is to lead the global movement to catalyze long-term economic growth by selecting, mentoring, and accelerating the best High-Impact Entrepreneurs around the world. Endeavor helps entrepreneurs overcome barriers to growth by providing the key ingredients to success: mentorship; networks; strategic advice; talent; skills; access to smart capital; and inspiration. Guided by Endeavor, these entrepreneurs generate sustainable economic growth and jobs, become self-made role models, and help nurture a culture of entrepreneurship which spurs investment and encourages people to think big. Endeavor has its global HQ in New York City, with hubs in San Francisco, Dubai and Singapore. As of June 2014, it has 20 affiliates in countries that include Chile, Jordan and South Africa. Endeavor recently added an affiliate in Miami, the first time it has extended its model to a non-developing world region. Each affiliate is an independently operated franchise overseen by board members with financial and start-up success stories in their countries. Having screened over 37,000 candidates over a 25 year period, Endeavor currently serves 900+ Endeavor Entrepreneurs (or "High-Impact Entrepreneurs") representing 980+ companies. Endeavor Entrepreneurs have created 225,000+ high-quality jobs, and generated \$6.0B in revenues. Various business school use the Endeavor model as a case study; please see this link for Stanford's version: <https://gsbapps.stanford.edu/cases/documents/E308.pdf>

2) How does this support scale-ups (vs. start-ups)?

(1) Coordination, connectivity and promotion	(2) Access to Skills	(3) Leadership Capacity Building	(4) Customers (Domestic & Export)	(5) Financing	(6) Infrastructure
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Endeavor's model begins by searching out high growth potential start ups and it is at this point that it begins to look for entrepreneurs who have the ability to think big, scale without limits and form part of a global, like minded community. Endeavor identifies companies which already have significant revenues (generally over US\$1M) and have a proven business model. Endeavor uses a complex and long (up to 6 months) selection process which has been perfected and packaged over the last 15 years. The culmination of this is an International Selection Panel (ISP) where the "Finalists" from each Endeavor affiliate are brought together to be interviewed by 3 pairs of judges. These typically include people like Adam Dell (Michael Dell's brother) who is a well known tech VC in Silicon Valley. It is their job to ultimately decide which entrepreneur has the most potential to scale and which one provides the best "fit" with Endeavor.

3) Who owns this, and who contributes?

Entrepreneurs	Ecosystem umbrella organisations	Government (national/ local)	Private sector	Investors/financers	Education providers
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Government/inayors/ corporates/investors/ universities, etc)

Endeavor is a global nonprofit (501(c)(3) organisation, headquartered in New York City, with 20 offices across Latin America, the Middle East, Africa, Europe, and South East Asia. It was founded 1997 by Linda Rottenberg (current CEO) and Peter Kallner (current Board Member). Global HQ in New York City with Hubs in San Francisco, Dubai, and Singapore. Country offices in Argentina, Brazil, Chile, Colombia, Egypt, Greece, Indonesia, Jordan, Lebanon, Malaysia, Mexico, Miami, Morocco, Peru, Kingdom of Saudi Arabia, South Africa, Spain, Turkey, Uruguay, United Arab Emirates. Primary expansion targets are currently Southeast Asia, Middle, Global Endeavor Board Members are Edgar Bronfman, Jr. (Chairman), Linda Rottenberg, Michael Ahsam, Emilio Acarigua, Jean, Matt Barnick, Nick Baum, Matthew Brown, Veronica Casares, J. Michael Oline, Paul Filibourg, Jason Green, Fadi Chandra, Reid Hoffman, Peter Kellner, William McGlaslan, Arif Naqvi, Joanna Rees, Nicole Szekasy, Elliot Weissbluth and James Wolfensohn (emeritus). Endeavor has an annual budget of US\$28 million. Much of that is covered by seven-figure donations from the likes of Edgar Bronfman Jr. and Reid Hoffman, as well as Ebay founder Pierre Omidyar's Omidyar Network and Dubai-based private equity fund. When Endeavor opens a new affiliate country it always partners with local private sector leaders who pledge their time and money. It has traditionally refused to partner formally with local governments or receive public sector funding, preferring always to focus on private sector entrepreneurs who support the model through philanthropy and what Endeavor calls "Mentor" Capital.

4) What did it take to put this in place successfully? What does it take to maintain/run it over the long-term?

Endeavor was initially "tested" in Chile and Argentina, before its model was replicated and rolled out first in Latin America and then across Africa, the Middle East and Asia. It recently created regional Hubs in San Francisco, Dubai and Singapore, maintaining its global HQ in New York City. Endeavor's local Directors have been critically important in allowing the organisation to set up in each country. It has entered, both in terms of financial support and also providing the local credibility and networks required to expand what is essentially a North American NGO into countries like South Africa, Indonesia and Jordan. Endeavor has scaled by managing to package and replicate its model over time, including its selection process and therefore it provides to selected Endeavor companies. It also uses tools such as salesforce.com and SAP to manage its global footprint and to collect and track data. Endeavor has partnered with global organisations such as Deloitte Ernst and Young and Boston Consulting Group.

5) What does success look like, and how is it being measured?

Endeavor measures everything it does and produces enormous amounts of data and metrics. It has its own research arm - Endeavor Insight which studies high-impact entrepreneurs and their contribution to job creation and economic growth. Its research educates policy makers and practitioners and helps them to accelerate entrepreneurs' success and the development of entrepreneurship ecosystems around the world. In 2013, Endeavor Insight joined with the Kauffman Foundation and the World Bank, to co-found the Global Entrepreneurship Research Network. Endeavor has mapped how it has helped to create entrepreneurial ecosystems in places like Chile and Colombia by carrying out in-depth surveys in-country, interviewing key players in these ecosystems and seeing how they connect to Endeavor. See: <http://www.endeavor.org/blogs/wp-content/uploads/2012/10/Network-Map-1.jpg>

<http://www.scaleupreport.org/#scaleup>

Collaboration is key

Similarly, **Mass Challenge** and **VentureFest** have created more than 4,000 jobs between April 2010 and September 2013 at a cost of £1,285 per job, with just four per cent of funding coming from the public sector.

In stark contrast, the National Audit Office has shown that the UK government's Regional Growth Fund had cost an average of £37,400 per job created.

Case-study: MassChallenge

1) Description of initiative(s)

- UK wide programme based in London and designed to accelerate the early-stage growth of over 100 high potential and high impact businesses per year from any industry and business model, fostering the rapid creation of new jobs and regional economies, through (i) using a competition format to filter and fund the top 1% of talented high-impact entrepreneurs, (ii) facilitating the development of those entrepreneurs and (iii) providing a unification point for the supporting ecosystem to interact and further support those entrepreneurs – including the corporate, government, and higher education sectors that also draws on and complements existing local assets, infrastructures and networks through collaborative, community-driven initiatives.

2) What need does this solve for scale-ups?

(1) Coordination, connectivity and promotion	(2) Access to Skills	(3) Leadership Capacity Building	(4) Customers (Domestic & Export)	(5) Financing	(6) Infrastructure
Focal point for the ecosystem: global connectivity & inbound investment to UK of mentor capital as well as access to new markets.	Competition identifies talent; training & global mentoring educates and inspires startups; events are relevant for all and build sense of community.	Intensive, personal mentoring provided by vetted pool of mentors; \$15m in-kind support: free office space, PR, software, and more.	By taking zero equity, programme removes cost for startups to be accelerated; boosting engagement and improving outcomes.	\$2 million in cash grants distributed to top teams. Actively coordinate additional investments & grants from the community.	

3) Which stakeholders in the ecosystem are involved with running this?

Entrepreneurs	Ecosystem umbrella organisations	Government (national/ local)	Private sector	Investors/financiers	Education providers
The Local Mayor of Pembrokeshire, Geoff Dash, Deshpande, Dr. Andy Richards	Tech London Advocates, Entrepreneurial Spark	UK Consulate, Tech City UK	H&S, Unilever, Taylor Wessing, EMC, The B&G Partnership, Media City UK		Hub International Business School, Cambridge University

4) What does success look like? What impact/outcomes are expected?

Economic benefits based on metrics achieved in Boston since 2010

- 89% of the 489 companies accelerated since 2010 are still active (tracked as of October 2013)
- 4000+ jobs created
- \$350m+ revenue generated
- Cost per net-new job circa \$2,000
- Combined valuations exceeding \$2bn

Engagement with startup ecosystem based on metrics achieved in Boston since 2010

- 526 expert judges (all industries)
- 351 active mentors
- 89 sponsoring corporations and organizations

Active Programming (2013) event statistics in Boston

- 739 office hours meetings
- 124 accelerator workshops
- 283 events
- 12,732 event attendees

Access to finance

- \$350m+ funding raised by graduates of the Boston based accelerator since 2010

<http://www.scaleupreport.org>
#scaleup

Case-study: Venturefest Network

1) Description of initiative(s)

Venturefest Network brings together a dozen innovation ecosystems and their Venturefest events across the UK to:

- Strengthen links between local and national innovators, investors and entrepreneurs across a range of sectors
- Catalyse success and strengthen connections to funding, ideas and support
- Share best practice about innovation and driving growth from start-up to scale-up

2) What need does this solve for scale-ups?

(1) Coordination, connectivity and promotion	(2) Access to Skills	(3) Leadership Capacity Building	(4) Customers (Domestic & Export)	(5) Financing	(6) Infrastructure
Brings together key local leaders from universities, LEPIs, investors and business to co-locate the local Venturefest	Show case for scale-ups to seek the key help they need from the local area. Aggregate evidence of talent need across the UK	Local events provide efficient access to national mentors and professional support	Increasing the visibility of the scale-up narrative to stimulate the ambition of the earlier stage businesses	Aggregation of investment opportunities to attract new investors to a given location. Platform for showcasing success of previous investments	

3) Which stakeholders in the ecosystem are involved with running this?

Entrepreneurs	Ecosystem umbrella organisations	Government (national/ local)	Private sector	Investors/financiers	Education providers
Scale-up entrepreneurs from member Venturefests	Venturefest Network Advisory Board, Local Venturefest boards, LEPIs and LEP Network, Science Cities	Innovate UK and KTN, STFC, Catapult, EEN, Local Councils	National organisations needing local presence across the UK	Innovate UK, European and Local Growth Funding, further public and private sponsors TBC	Universities on board of local Venturefest and help co-locate the events as part of tech transfer operations

Example activities

Kiss and talent pool	Connections	Links to Government and grants	Talent pool	Funding and support	Content and delivery
----------------------	-------------	--------------------------------	-------------	---------------------	----------------------

4) What does success look like? What impact/outcomes are expected?

Success:

- Funding and growth: Evidence from first two Venturefests in Oxford and Yorkshire: 200 jobs created due to funding element of Venturefest Oxford over ten years of focus on start-ups at maximum cost of £300 per job.
- New ideas and strategies: 20% of surveyed delegates to Venturefest Oxford in 2011 had found out about new technologies and investors from attending Venturefest with 50% intending to change their strategy as a result.
- Stronger connectivity: 81% of delegates reported at Venturefest Oxford reported at least one contact that they had followed up with the average being 2.5 per delegate. 73% of delegates at Venturefest Yorkshire reported success in contacting new clients and customers, and 64% with new business partners.

Venturefest Network to add to this with:

- Standardised measurement systems across all events and ecosystems
- Improved events and ecosystem support through sharing best practice
- Aggregation of lessons to inform national policy debates on supporting local ecosystems

<http://www.scaleupreport.org>
#scaleup

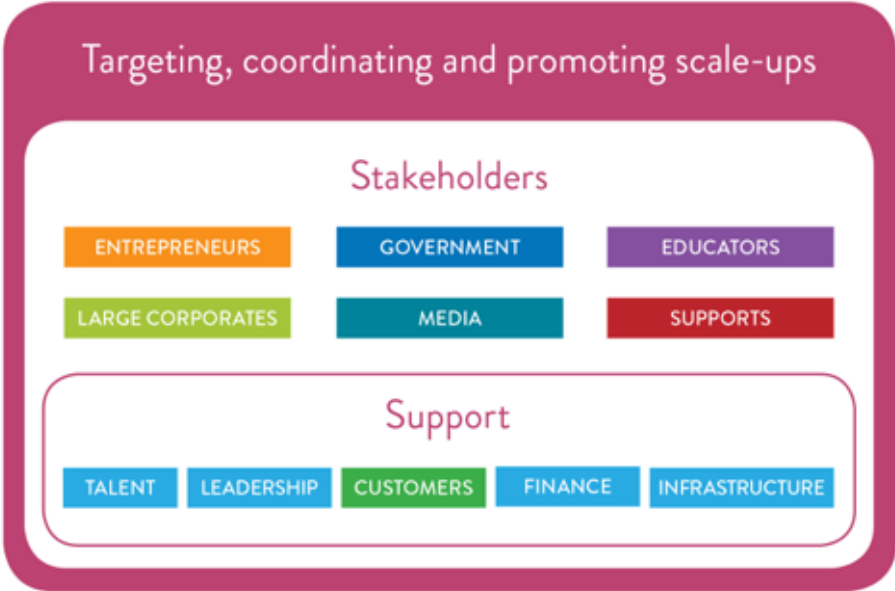
<http://issuu.com/endeavorglobal1/docs/what-do-the-best-entrepreneurs-want>

Key Findings

Achieving additional economic growth

does not require significant additional funds

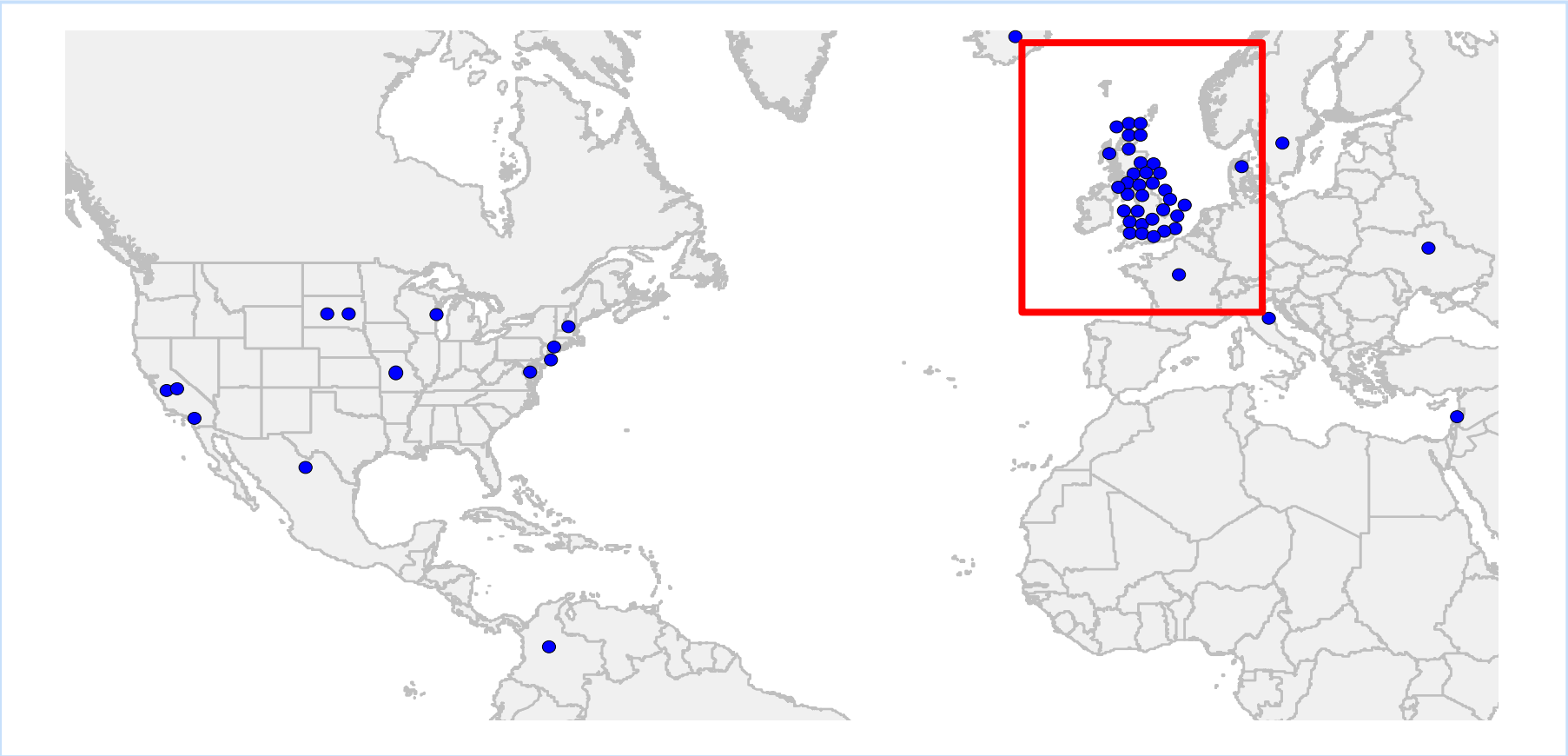
If coordinated by **local** leaders who **Collaborate** with business and universities



http://issuu.com/endeavorglobal1/docs/what_do_the_best_entrepreneurs_want

Key Messages

We are starting from a strong base ecosystem in the UK



What do entrepreneurs who scaled up say they want most?

What barriers scale-up entrepreneurs report

- Barriers to scale beyond national borders
- Regulation complex and inconsistent
- Policy bias towards incumbents and micro-businesses
- Incentives to sell rather than build

What they need

- Talent supply (31%) – particularly technically skilled employees (20%)
- Access to customers and suppliers for scaling up firms (20%)
- Level playing field, with room for disruptive innovators

What they don't say they need

- These founders rarely cite low tax rates (5%) or business friendly regulators as reasons for starting a business in a specific city (2%)

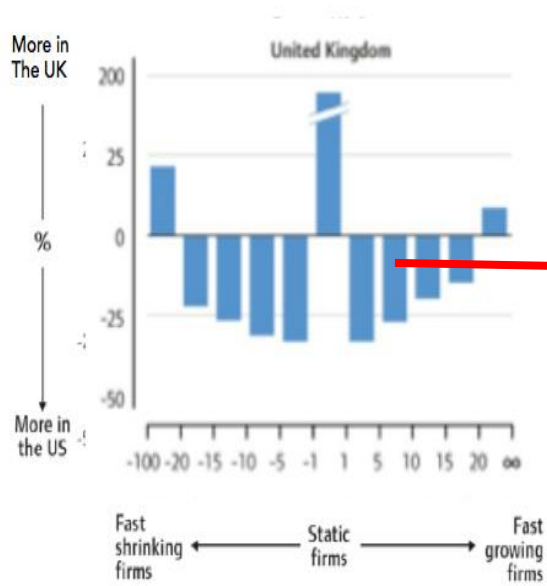
THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

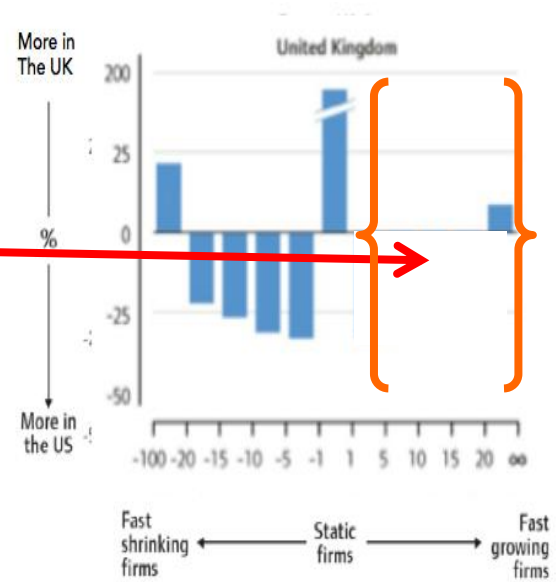
Ambition

Close The Scale-UP Gap

2014

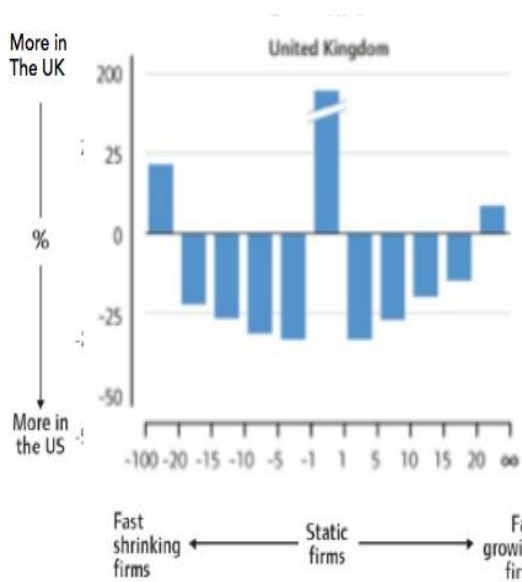


2020

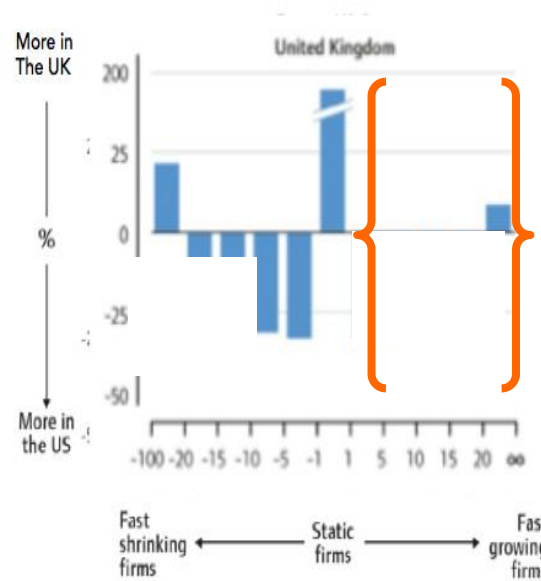


Reverse The Scale-up Gap

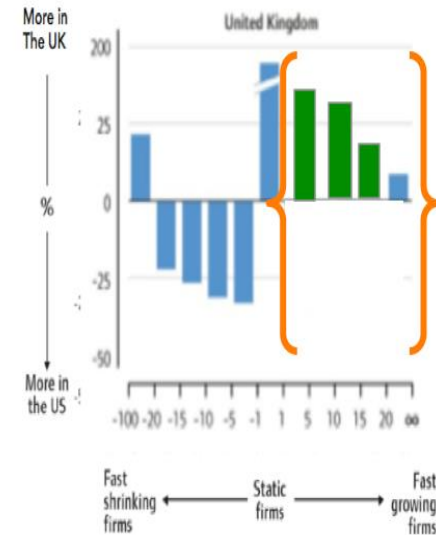
2014



2020



2034



THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Recommendations

#scaleup

KEY RECOMMENDATIONS



KEY RECOMMENDATIONS

Release
data



Recommendation 1:

National data sets should be made available so that local public and private organisations can identify, target and evaluate their support to scale-up companies, and evaluate their impact on UK economic growth.

Case Study: [Cambridge Cluster Map](#)

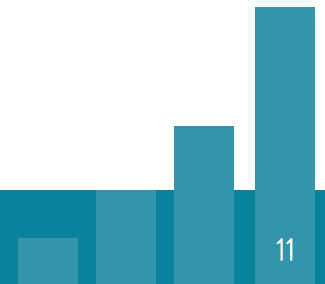
Recommendation 2

Publicly funded organisations such as Local Enterprise Partnerships and cities seeking public funding should [review and report](#) on the extent to which the top 50 scale-ups in their areas are increasing their turnover and job growth from year to year [with the objective of increasing the proportion of scale-ups with more than 250 employees by three per cent by 2025](#).

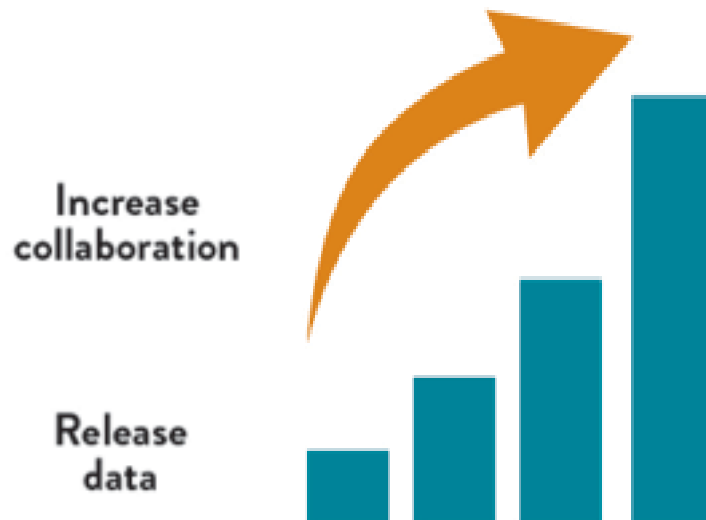
Case Studies: [Future Fifty](#) and [National Cluster Alliance Programme](#)

Most scale-ups want to be identified using government data

83 per cent of scale-ups were in favour of the government sharing information on their company growth with other government departments or agencies



KEY RECOMMENDATIONS



Recommendation 3

50 % of public funding and promotion currently reserved for 'entrepreneurship' should be directed towards collaborative initiatives based on track-record

Case Studies: VentureFest Network & SVC2UK

Recommendation 4

A Minister should be made responsible for reversing the scale-up gap by 2025 with cross-departmental resources allocated, independent bodies named to monitor and a task-force appointed to deliver a **scale-up report** to the Prime Minister every November for the next five years.

Case Studies: Manziales-Mas, Columbia, Scale-up Milwaukee, Endeavor, Singapore

KEY RECOMMENDATIONS



Recommendation 5

Ensure that Britain is in the top 5 of the OECD PISA rankings for numeracy and literacy by 2025

And

Ensure that students at [schools](#), [colleges](#) and [universities](#) come into contact with the top 50 scale-up business-leaders within 20 miles of their establishment

Case Studies: [BCS](#), [Estonia](#), [Founders4Schools](#), [NACUE](#), [Telefonica's Think Big](#)

Recommendation 6

Local city / cluster/ ecosystem leaders should work with existing private collaborative initiatives to promote the top 50 scale-up companies in their jurisdiction to adults for the next phase of their careers.

Case Studies:

[Digital Business Academy](#), [General Assembly](#), [Silicon Milkroundabout](#), [Start-Up Institute](#)

Recommendation 7

A 'Scale-up Visa' should be made available from Local Enterprise Partnerships to the top [local](#) scale-up companies so they can recruit staff from overseas within two weeks of applying. These foreign workers help expand the distribution of local scale-up companies' existing products to foreign markets and help local scale-ups introduce new products and services.

SURVEY FINDINGS

I would be able to growth my company faster if...	Agree
...university graduates had the skills needed to meet my customer demand.	87%
...I could more easily hire talented people from overseas who had scaled up a company like mine before	80%



KEY RECOMMENDATIONS



Recommendation 8

Local Enterprise Partnerships, universities and the private sector should work together to **ensure effective learning programmes** are available in their areas aimed at leadership development of scale-ups.

Case Studies:

- Elite Programme,
- Goldman Sachs 10,000 Small Businesses,
- Santander Breakthrough Programme,
- The Supper Club,
- Manchester Business Growth Hub,
- MentorsMe,
- Mass Challenge

Significant support for Leadership Capacity

There was significant support for a range of measures targeted on scale-up companies, particularly for those focused on and attracting talent and leadership development.

I would be able to growth my company faster if...	Agree
...it were easier to develop the leadership talent already working at my firm.	87%
...it were easier to find mentoring and professional support schemes near me that were effective	80%
...if it were easier to attract large-company executives to join my company for the next phase of their careers.	61%



KEY RECOMMENDATIONS



Recommendation 9

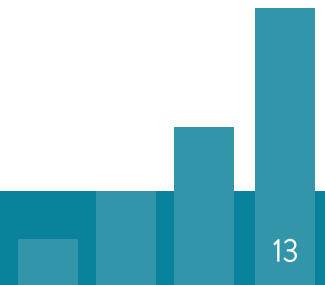
The government should draw attention to scale-up companies and their leaders so that it is easier for them to act as **role models** to others and to find **customers**, **partners** and **investors**, both at home and overseas.

Case Studies:

- Elite,
- Mentorsme,
- Venturefest,
- SVC2UK

Most scale-ups want to be identified using government data

Almost nine out of ten (87 per cent) scale-up CEOs said that they would be able to grow their company faster if they could be identified as a scale-up.



Significant support for Access to Customers

There was significant support for a range of measures targeted on scale-up companies, particularly for those focused on and attracting talent and leadership development.

I would be able to growth my company faster if...	Agree
I would be able to grow my company faster if 'the government' (UK Trade & Investment) helped introduce me to investors from the US or Asia.	76%
I would be able to grow my company faster if I were invited to join international trade missions that introduced me to potential overseas companies I could sell to or partner with	75%
...if the government were a customer.	55%



OTHER RECOMMENDATIONS



Recommendation 10

The impact of regulation 'cycle time' on rapidly growing companies should be a major consideration for regulators and agencies.

Agencies that interact frequently with scale-ups, like the Border Authority, Listing Authority and HMRC should report on their efficiency in relation to regulatory peers in other countries.

Case Study: [2014 Regulatory Climate Index](#)

Recommendation 11

Government and industry must ensure that progress in closing the finance-gap is maintained and review and report on the extent to which scale-ups, in particular, are supported.

Case Study: [Business Growth Fund](#)

Recommendation 12

Government and industry must ensure that progress in infrastructure areas is maintained and review and report on the extent to which scale-ups, in particular, are catered for.

Case Study: [E-Spark powered by NatWest, Google Campus London, E39](#)

Significant issues with government departments and regulators

There was significant support for a range of measures targeted on scale-up companies, particularly for those focused on and attracting talent and leadership development.

I would be able to growth my company faster if...	Agree
I would be able to grow my company faster if interactions with government departments were easier.	75%
I would be able to grow my company faster if interaction with regulators were easier.	75%





This will not be a short-term effort. Some initiatives are quick to implement and the effects will be felt immediately. The impact of other initiatives will be spread over the next 10 to 20 years.

Significant support for Infrastructure.....

I would be able to growth my company faster if...	Agree
...local and sub-national government made available publicly-owned offices and buildings on flexible, short-term contracts.	80%
I would be able to grow my company faster if universities and large corporates opened up their research and development facilities to me.	78%



Fewer scale-ups supported measures focused on opening up retail investment

Of the 15 suggested remedies, there was least support helping scale-ups attract career-switchers (61 per cent) and opening up shares in scale-ups via ISAs (63 per cent).

I would be able to growth my company faster if...	Agree
...the shares of my company were made available for purchase through ISAs.	63%
I would be able to grow my company faster if the current limit for investments via Venture Capital Trusts were increased.	72%



THE SCALE-UP REPORT

ON UK ECONOMIC GROWTH

Impact

Closing The Scale-up Gap: Simple Calculations (Gross)

The UK has a lower share of large businesses than the US.

Large firms with more than 250 employees account for 0.5 per cent of firms in the UK but 0.7 per cent in the US.

If the number of large firms with more than 250 employees in the UK increased to the same proportion as in the US this would add 2,000 large businesses, creating three million jobs and adding £516 billion in turnover

3 million jobs



Jobs

£516 billion



Turnover

*** THIS DOES NOT TAKE INTO CONSIDERATION THE PRODUCTIVITY GAP**

Closing The Productivity-up Gap: (Nesta Extrapolation)

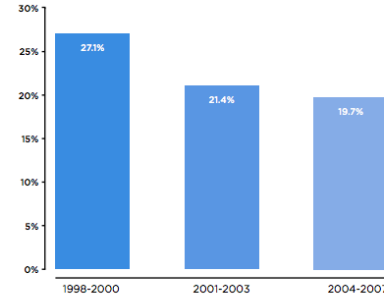
Scale-ups could be one pillar to increase the UK's allocative efficiency and productivity.

Based on the gap persisting (rather than worsening) over the intervening period, the lower bound estimate of seven per cent implies that UK productivity might have been £54,600 per worker rather than the £51,000 observed in 2013.

This implies that UK GVA might have been £96 billion higher than observed in 2014 – over five per cent of total UK GDP in today's prices.

Assume scale-ups account for 40% over 20 years = £ 768 billion additional turnover by 2034

FIGURE 2: ALLOCATIVE EFFICIENCY IN BRITAIN, 1998-2007



£ 768 billion



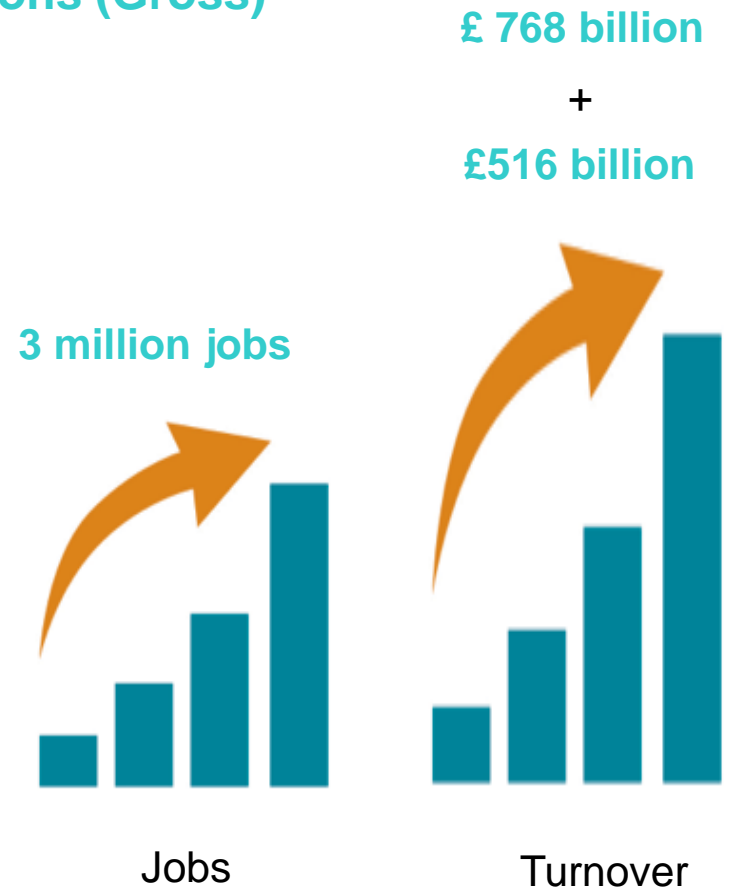
Turnover

Closing The Scale-up Gap: Simple Calculations (Gross)

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*** THIS DOES TAKE INTO CONSIDERATION THE PRODUCTIVITY GAP**

The 3 year gross impact of moving 1% of businesses to HGF mode (244% over 3 years)

As a simple illustration of the potential impact of high-growth firms, RBS undertook an analysis to determine the economy wide impact of one per cent of all businesses with over 10 employees shifting from a stable growth state into high-growth mode.

This would see the total population of HGFs in the UK increase from 10,200 (4.6 per cent of total business population with 10 or more employees) to 12,440 (5.6 per cent of total business population with 10 or more employees).

At the end of year three this would result in 2,240 businesses making this shift and the creation of 238,000 jobs and almost £39 billion in additional turnover.

39 * 20 years = 780 billion before you take into account productivity effects

Intervention potential – 1% into HGFs				
Employment band	Total business population	1% of businesses into HGF mode	Aggregated additional employment impact	Aggregated additional turnover impact £bn
10-49	186,745	1,867	52,276	7.1
50-249	30,685	307	43,287	7.1
250+	6,595	66	142,560	24.5
Total	224,025	2,240	238,123	38.72



£ 780 billion
+
£ 768 billion

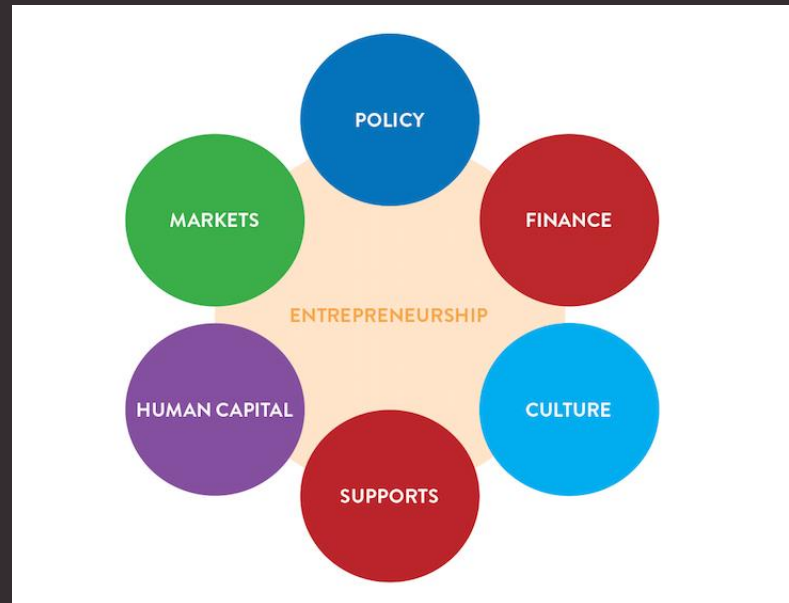
Source: RBS Working Paper: Oct 2014 **High Growth Firms and the Economy**

THE SCALE-UP REPORT

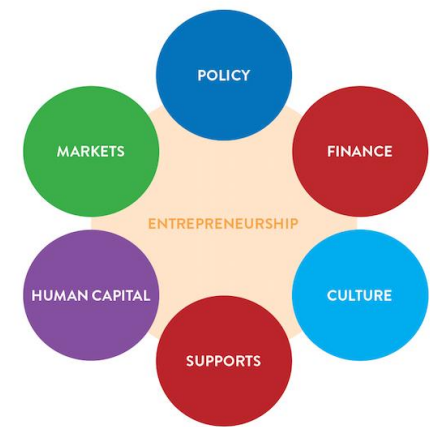
ON UK ECONOMIC GROWTH

Making it happen....

- Join the Ambassador Group to take the recommendations forward



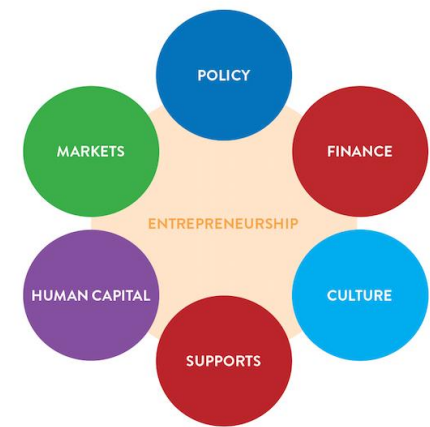
Closing The Scale-Up Gap:



Public Policy: [promote and convene]

- Lead
- City Leaders to meet with and take scale-up leaders needs into consideration (3 hours / month)
- Monitor (ERC / NESTA)
- On a macro level, free up data on a more timely basis such that the UK is the best place on the planet for scale-ups to flourish.
- Encourage experiments and help the successful ones roll-out to other cities

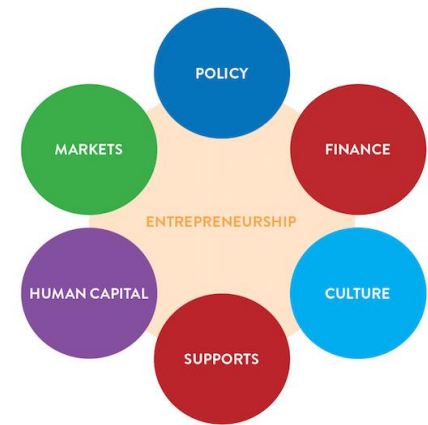
Closing The Scale-Up Gap: Local Government



Culture: [promote]

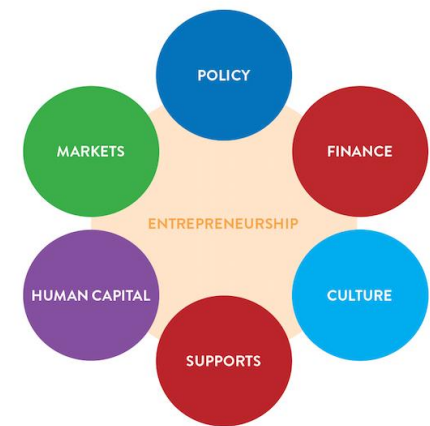
- Invite international role models to your ecosystem to share their experience and be role models
- Celebrate the entrepreneur growth events in your (country / city / university / school) in the media
- Invite scale-up leaders to share their experience with students, media and other entrepreneurs
- Celebrate new customer wins and set up others (not valuations)

Closing The Scale-Up Gap: Media has a big role!



- Identifying and monitoring the UK's scale-ups
- Promoting the successful scale-ups that we have so that we can more easily attract capital and talent to the UK
- Shine a spotlight on the UK's most successful scale-up initiatives
- Reviewing and holding to account those initiatives and policies aiming to boost the UK's scale-ups, including those targeted at closing the talent gap, stimulating the market and increasing sales opportunities and customers for scale-ups
- Writing about the level and nature of procurement opportunities with corporates and the government
- Covering the formal and informal education, mentoring and professional support programmes that exist locally and nationally
- Monitoring the progression of digital skills curricula and programmes in schools
- Profiling successful entrepreneurs to inspire others (including the next generation)

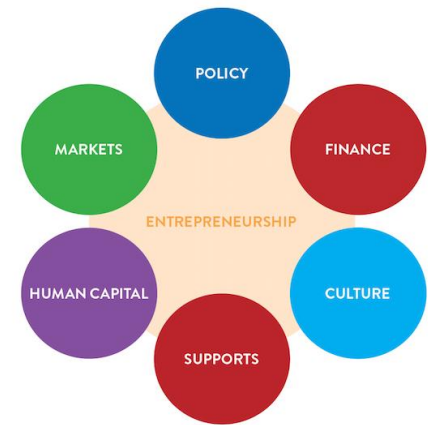
Closing The Scale-Up Gap:



Human Capital: [long-term]

- Universities to include entrepreneurship in curriculum, entrepreneurs on board of governors
- Business Schools to write cases on issues faced by entrepreneurs
- Universities to offer local courses to scale-up leaders
- Universities and schools to feature local scale-up leaders as role-models in classrooms and their companies in career's fairs and work experience offerings
- Train ecosystem coordinators in what works /what doesn't (recommend Babson College)

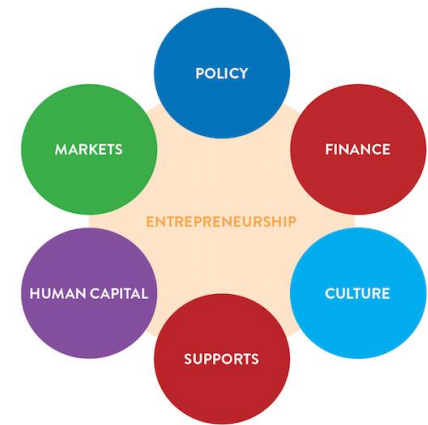
Closing The Scale-Up Gap:



Support:

- Identify mentors / directors with experience in scale-ups and try to find effective ways to capture / share their knowledge.
- Infrastructure / co-working spaces

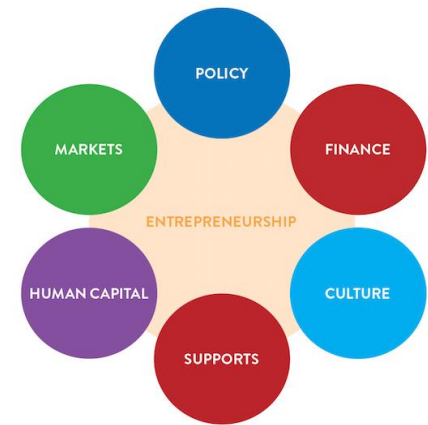
Closing The Scale-Up Gap: Practical tips....



Finance: [short-term lever]

- Foster relationships between entrepreneurs and suppliers of finance
- Finance follows talent
- No major new tax incentives needed

Closing The Scale-Up Gap: Schools



Schools

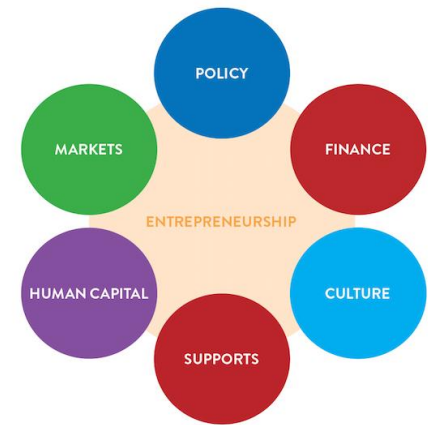
Invest time, not money
– convene

**Expose students to
entrepreneurship and
scale-up firms**

Medium- to long-term

- Encourage initiatives that boost the presence of successful entrepreneurs in schools to inspire students about future careers.
- Adopt complementary programmes to help boost digital skills amongst students, and celebrate, promote and report digital skills being acquired.
- Build links with scale-up companies to help them offer work experience placements
- Encourage student extracurricular entrepreneurship activities.

Closing The Scale-Up Gap: Practical tips....



Universities

Invest time, not money
– convene, facilitate and partner

Prioritise supporting local scale-ups with talent and innovation programmes

Expose students to entrepreneurship and scale-up firms

Short-term

- Design and run executive education programme for leaders from local scale-ups.
- Encourage participation from scale-ups in careers fairs, work-placements, internship programmes and apprenticeships.

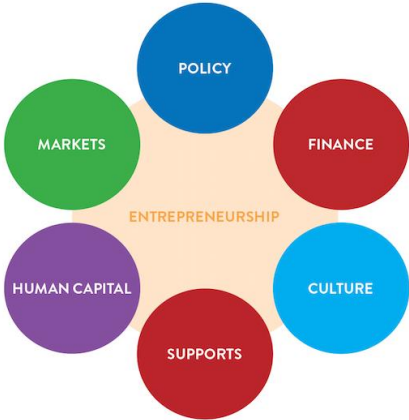
Medium-term

- Increase the presence of successful entrepreneurs on campus to inspire students.
- Encourage student extra-curricular activities with top 50 local scale-up companies.

Long-term

- Support existing local scale-up initiatives by letting them use your facilities to convene eco-system wide exchanges and matching events.

Closing The Scale-Up Gap: Large Corporates



Impact in 12 months

- Consider ways to build more of the UK's scale-ups into your business model and networks; track and report on the amount of business you are procuring with scale-ups; monitor how fast you pay the invoices of the scale-ups

Impact in 5 years

- Identify & sponsor infrastructure for product development and testing
- Support formal & informal skill-building programmes for leaders from local scale-ups

Impact in 10 years

- Support existing initiatives that help teachers and schools develop future entrepreneurial talent

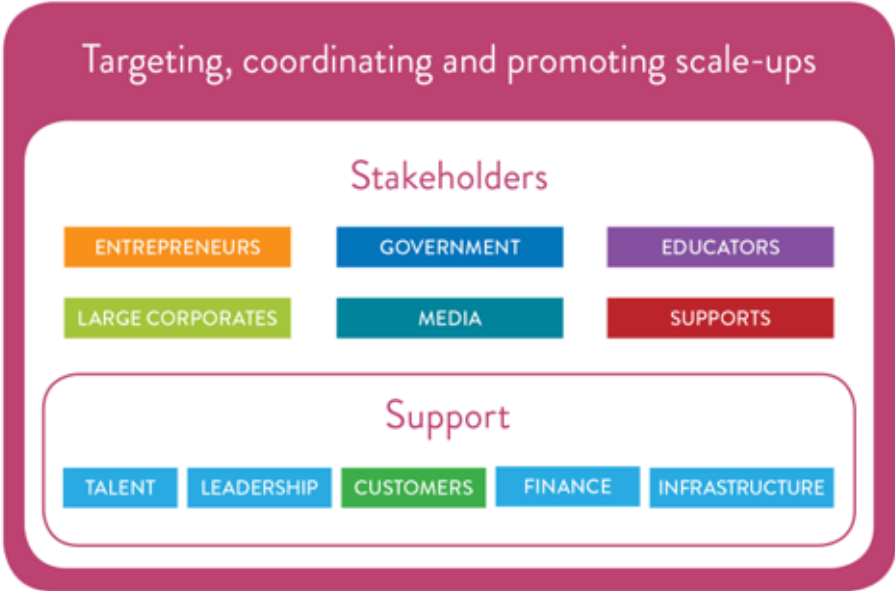
Key Findings

Achieving additional economic growth

should not require significant additional funds

from central government, **if data is released**

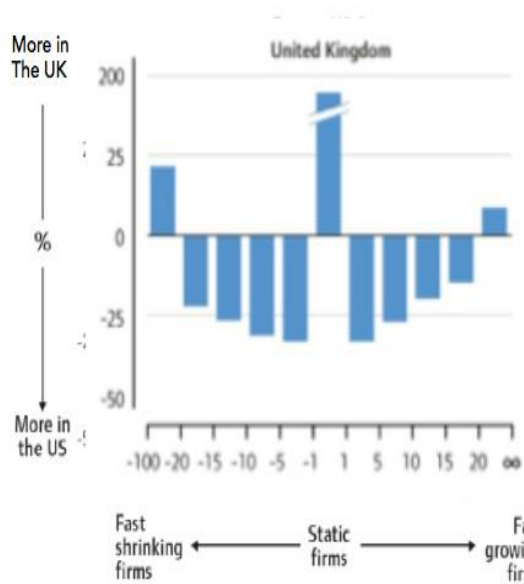
as a platform from which local leaders can draw upon collaborate with business and universities.



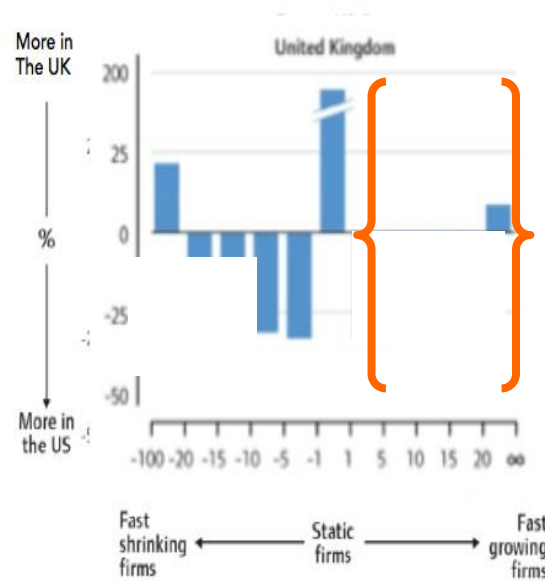
http://issuu.com/endeavorglobal1/docs/what_do_the_best_entrepreneurs_want

Let us start today: We can Reverse The Scale-up Gap

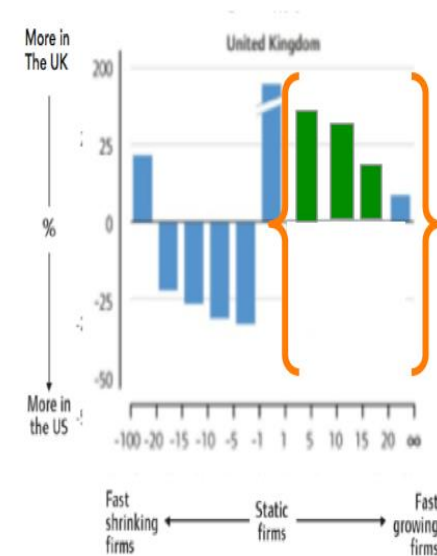
2014



2020



2034



- Make a pledge to do something about it
- Join the Ambassador Group to take the recommendations forward





LSE Entrepreneurship public discussion

The Scale-up Manifesto: why scale-ups will drive the global policy agenda for the next generation

Sherry Coutu

Principal author, the Scale-Up Manifesto

Andy Tong

Director of Deloitte MCS Ltd

Professor George Gaskell

Chair, LSE

Geoff Mulgan

Chief Executive of the National Endowment for Science Technology and the Arts (NESTA)

Tamara Rajah

Partner, McKinsey & Company, London



Suggested hashtag for Twitter users: #scaleupBritain



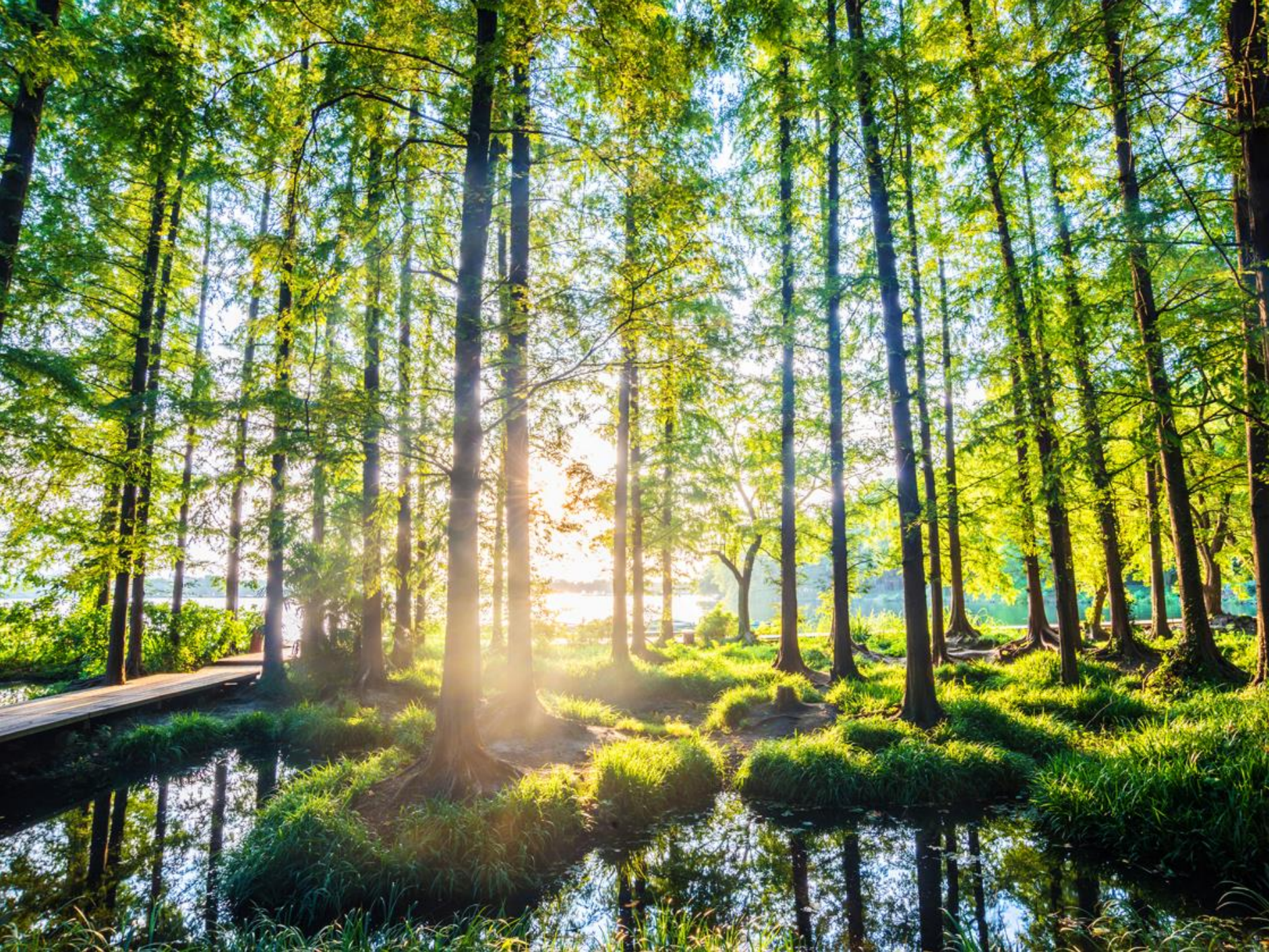


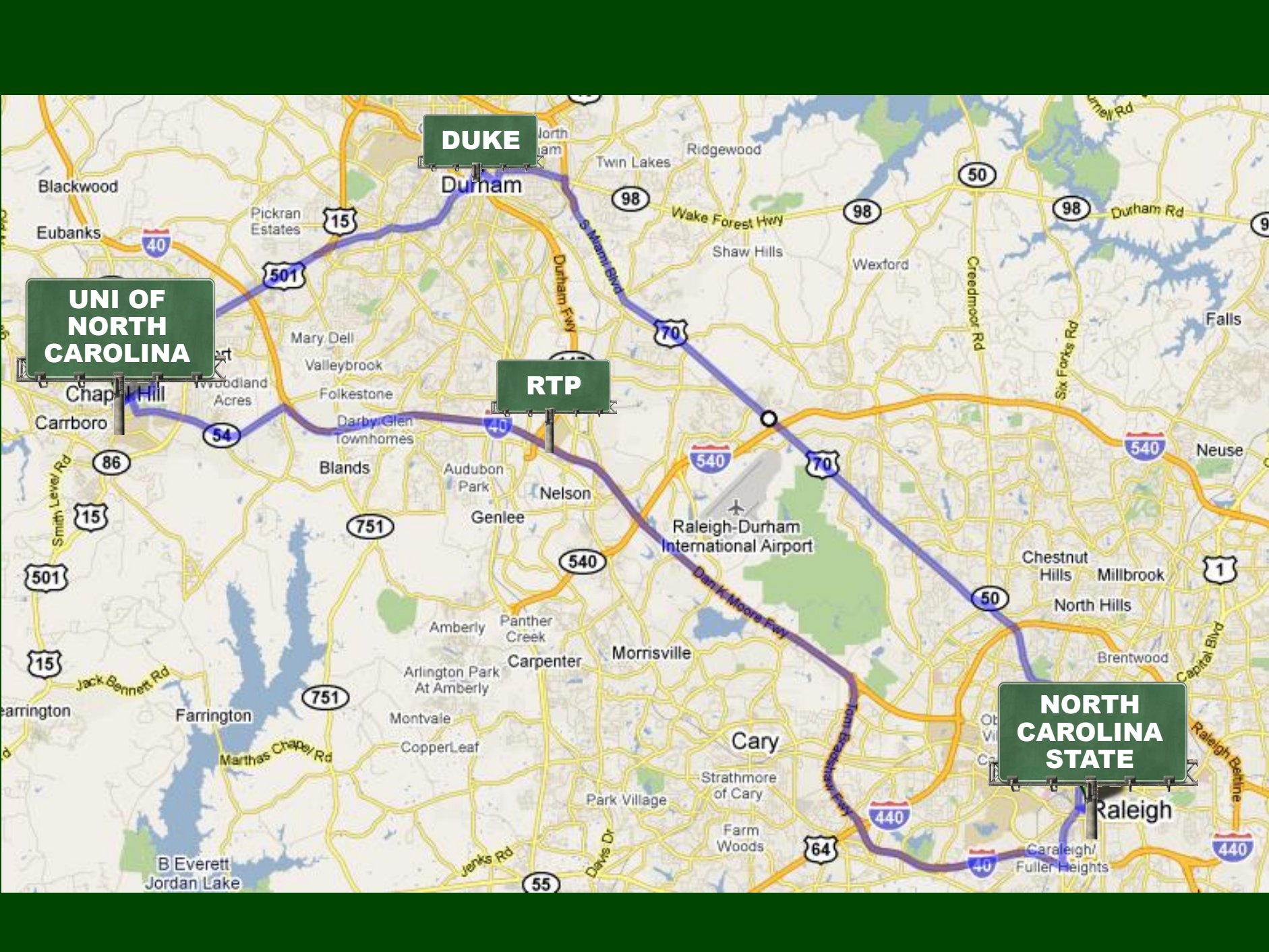
Innovation ecosystems and the scale-up opportunity for the UK

Launch of “The Scale-Up Report”, 17 November 2014

Tamara Rajah | Partner

McKinsey & Company





DUKE

Durham

**UNI OF
NORTH
CAROLINA**

RTP

**NORTH
CAROLINA
STATE**



CAMBRIDGE CAPITAL GROUP
EQUITY FINANCE FOR TECHNOLOGY

cambridge enterprise
commercialising University science



ideaSpace

Cambridge Geek Nights
BECAUSE CAMBRIDGE GEEKS ARE AWESOME

springboard();

The Startup
Accelerator
Mentors, Investment, Community









birdi



indocrs

mobilepd

regroup

Syntheticity



Six crucial players in a scale-up ecosystem



ENTREPRENEURS



GOVERNMENT



EDUCATORS



LARGE CORPORATES



MEDIA



SUPPORTS



Key success factors for a 'scale-up ecosystem'

Targeting, coordinating and promoting scale-ups

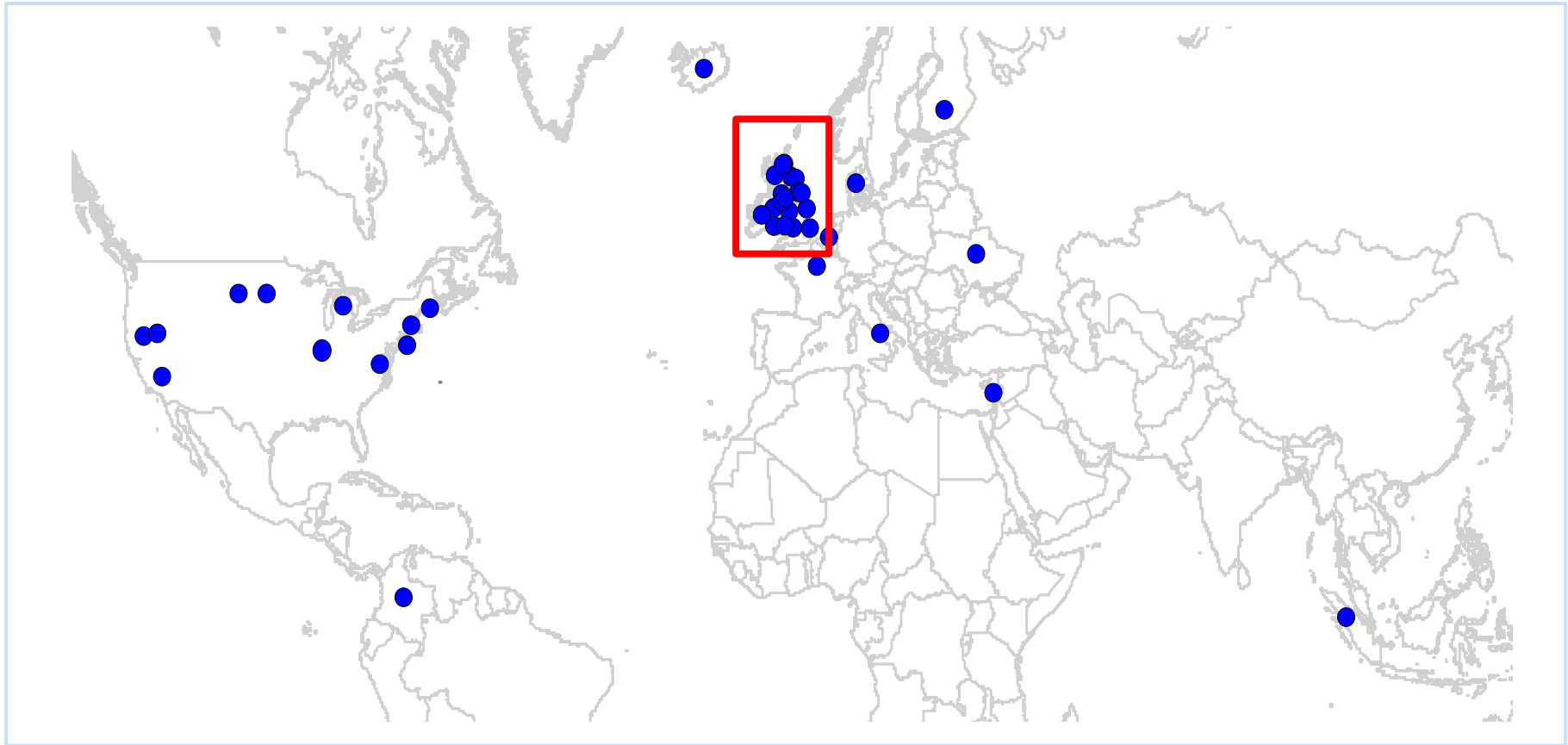
Stakeholders



Support



We are starting from a strong base ecosystem in the UK



We already have many collaborative initiatives, with multiple stakeholders working together



Cambridge Cluster Map
Provided by Cambridge 2 You



Telefónica Foundation



Goldman Sachs
10,000 small businesses



Founders4Schools







LSE Entrepreneurship public discussion

The Scale-up Manifesto: why scale-ups will drive the global policy agenda for the next generation

Sherry Coutu

Principal author, the Scale-Up Manifesto

Andy Tong

Director of Deloitte MCS Ltd

Professor George Gaskell

Chair, LSE

Geoff Mulgan

Chief Executive of the National Endowment for Science Technology and the Arts (NESTA)

Tamara Rajah

Partner, McKinsey & Company, London



Suggested hashtag for Twitter users: #scaleupBritain



Deloitte.

Why Scale-ups will drive the global
policy agenda for the next generation

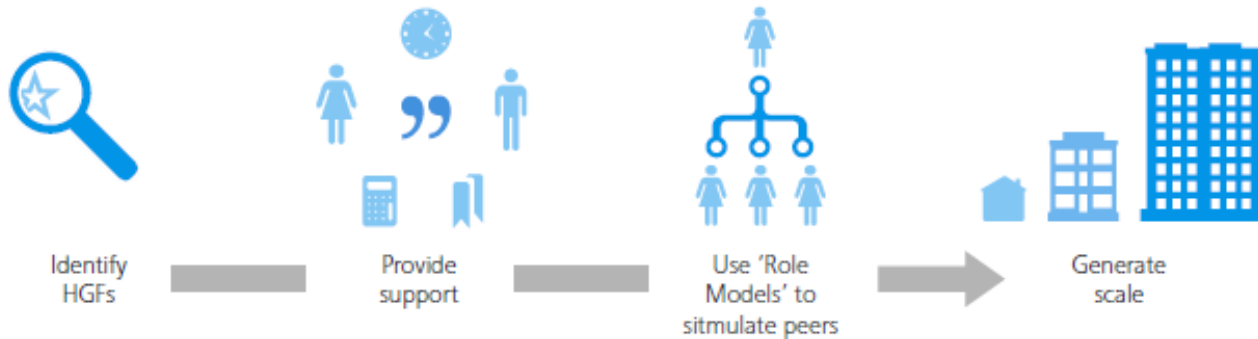


**Andy Tong,
Director**

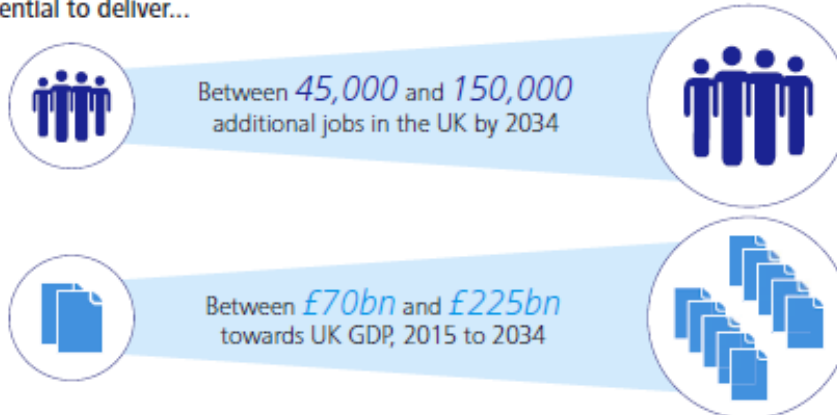
18 November 2014

1. Impact potential

Scale-up aims to...



Scale-up has the potential to deliver...



Potential for higher growth in UK productivity through competition



Knock-on opportunities for firms in the UK supply-chain

Impact across all areas of the UK: not just in London

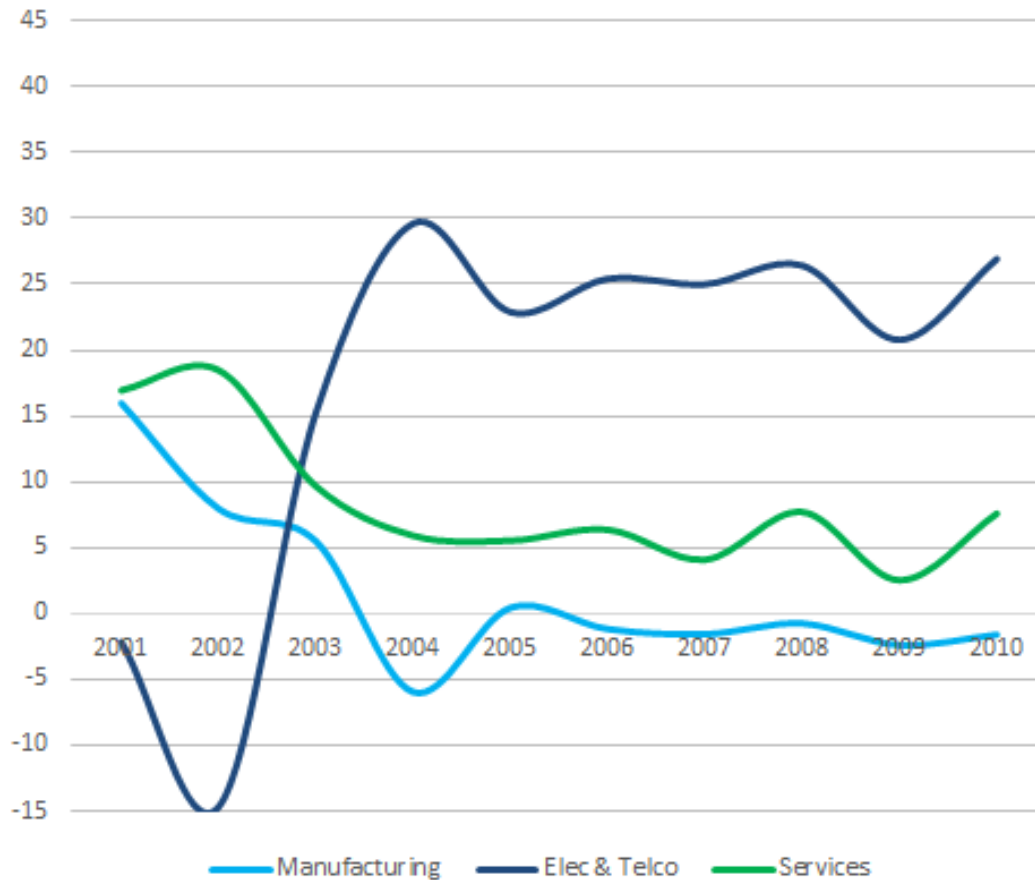


Impact across all sectors of the UK economy: not just tech firms

2. An answer to the 'Productivity Puzzle'?

New analysis of ONS micro-data suggests that service sector and 'techy' HGFs display higher labour productivity (and TFP) than the UK average.

UK HGF, Labour Productivity Premium (% Sector Average)

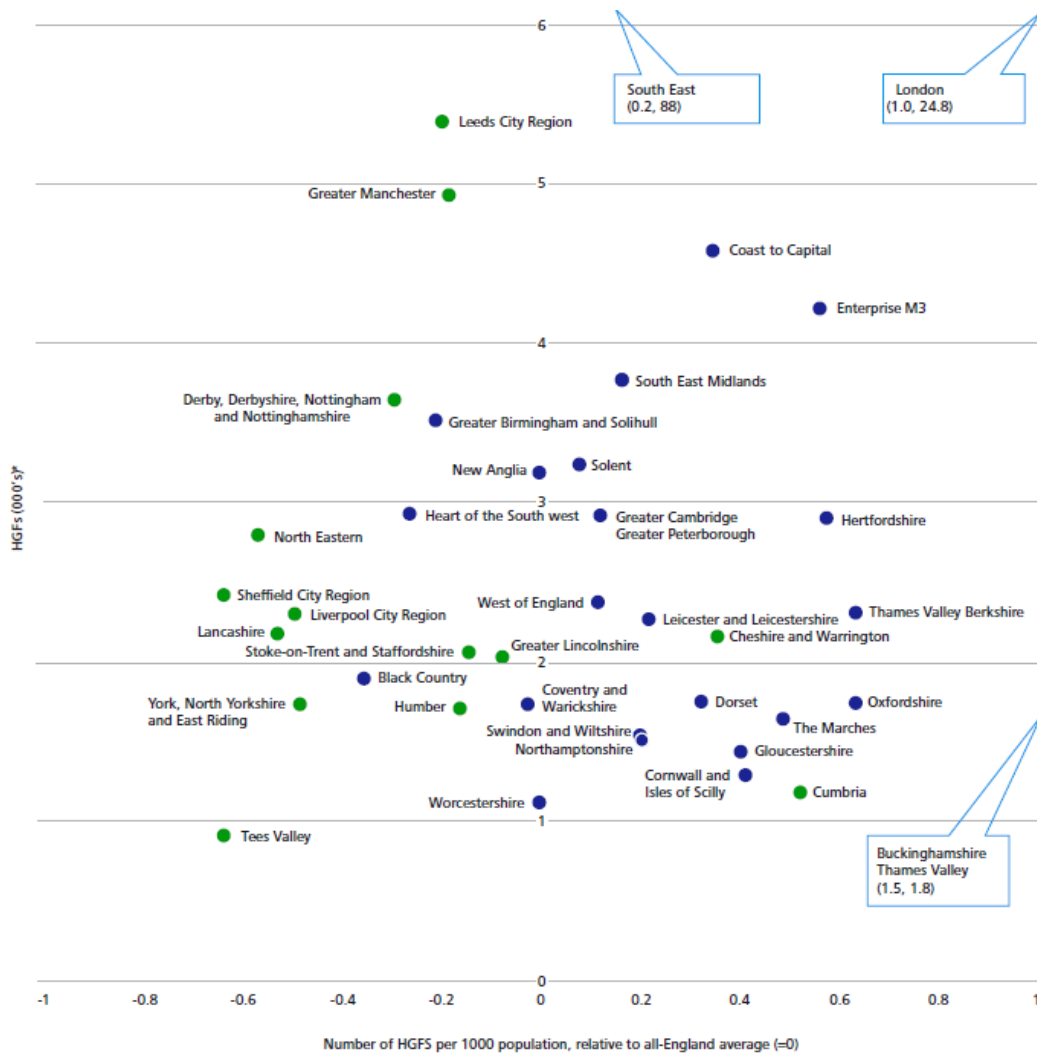


Source: ONS Microdata Perspectives on the Productivity Conundrum - an update

3. Local potential

Not just around London, nor exclusively urban: but room for improvement

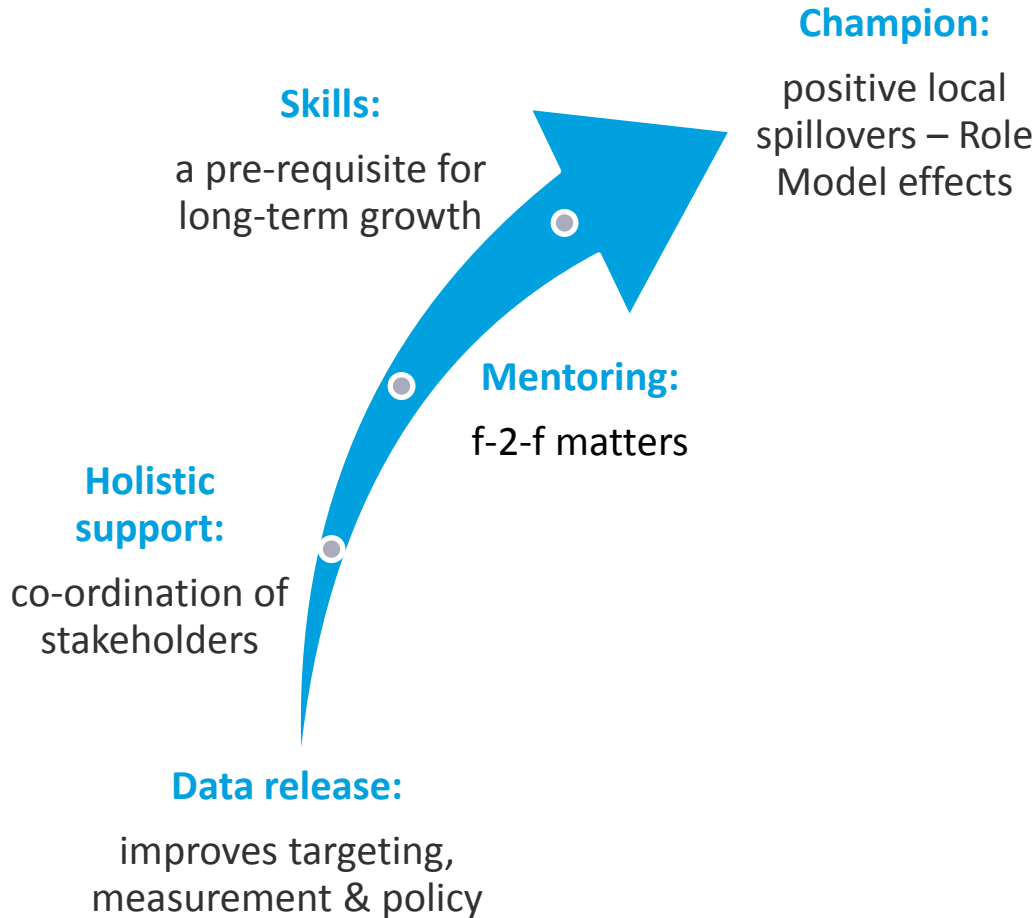
Local HGF incidence: Number of HGFs per LEP and HGFs per 1,000 population, 2010-13



Source: Deloitte Analysis, Mark Hart, ONS. HGFs are UK-owned units with 1-249 employees, born <2010, survived 2010-13

4. Best-use of data

Data can drive better interventions and outcomes



And finally

Links to other research publications:

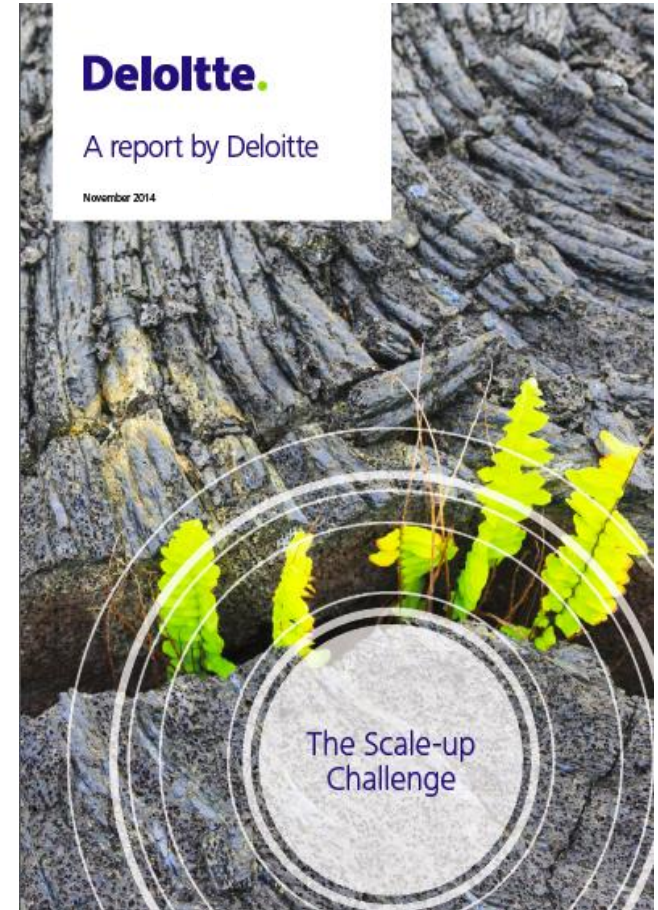
- Business Leading Britain: a new lens on growth.
- Agiletown: the relentless march of technology and London's response
- The State of the State 2014-15: Government's inflection point

All reports available at:

http://www.deloitte.com/view/en_GB/uk/index.htm

Questions and observations please!:

andrewtong@deloitte.co.uk



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LSE Entrepreneurship public discussion

The Scale-up Manifesto: why scale-ups will drive the global policy agenda for the next generation

Sherry Coutu

Principal author, the Scale-Up Manifesto

Andy Tong

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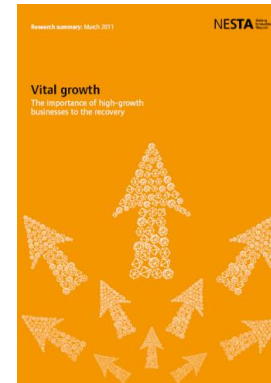
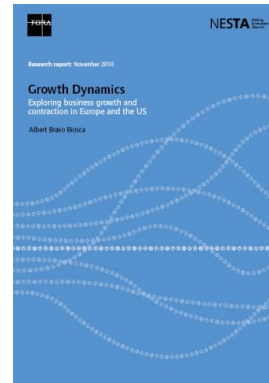
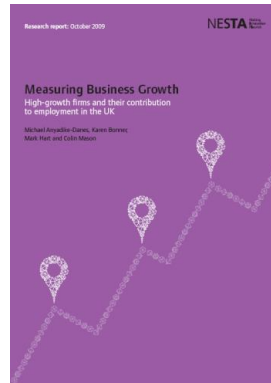
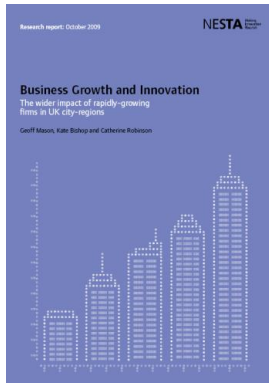
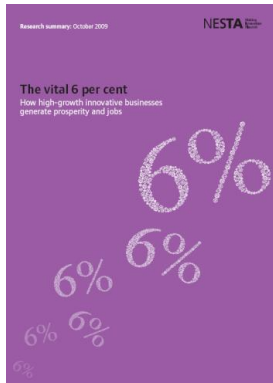
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Start-ups, scale-ups and the productivity puzzles



Nesta's research on high-growth businesses



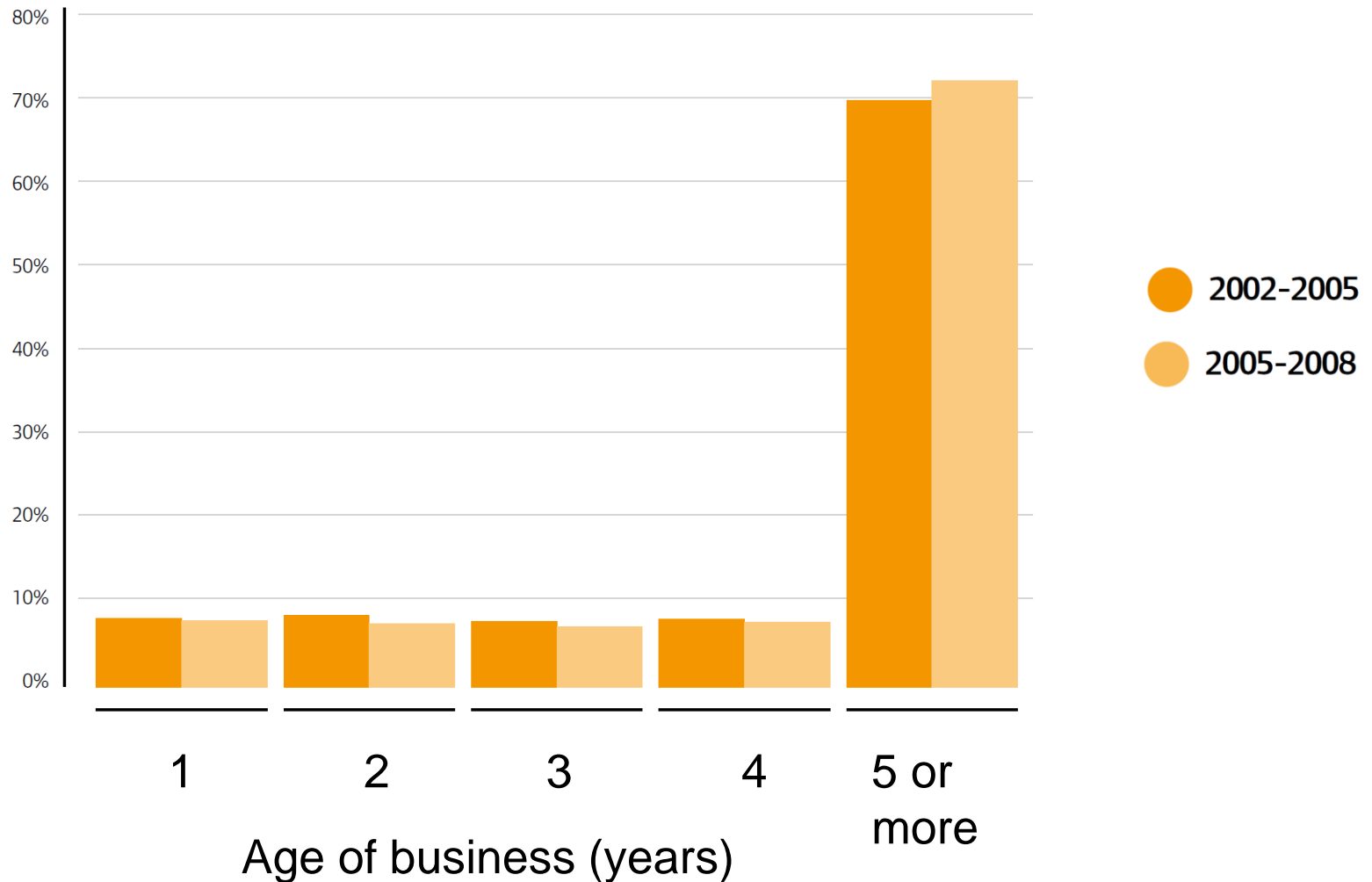
A few firms create the majority of new jobs

Percentage of job creation accounted for by HGFs



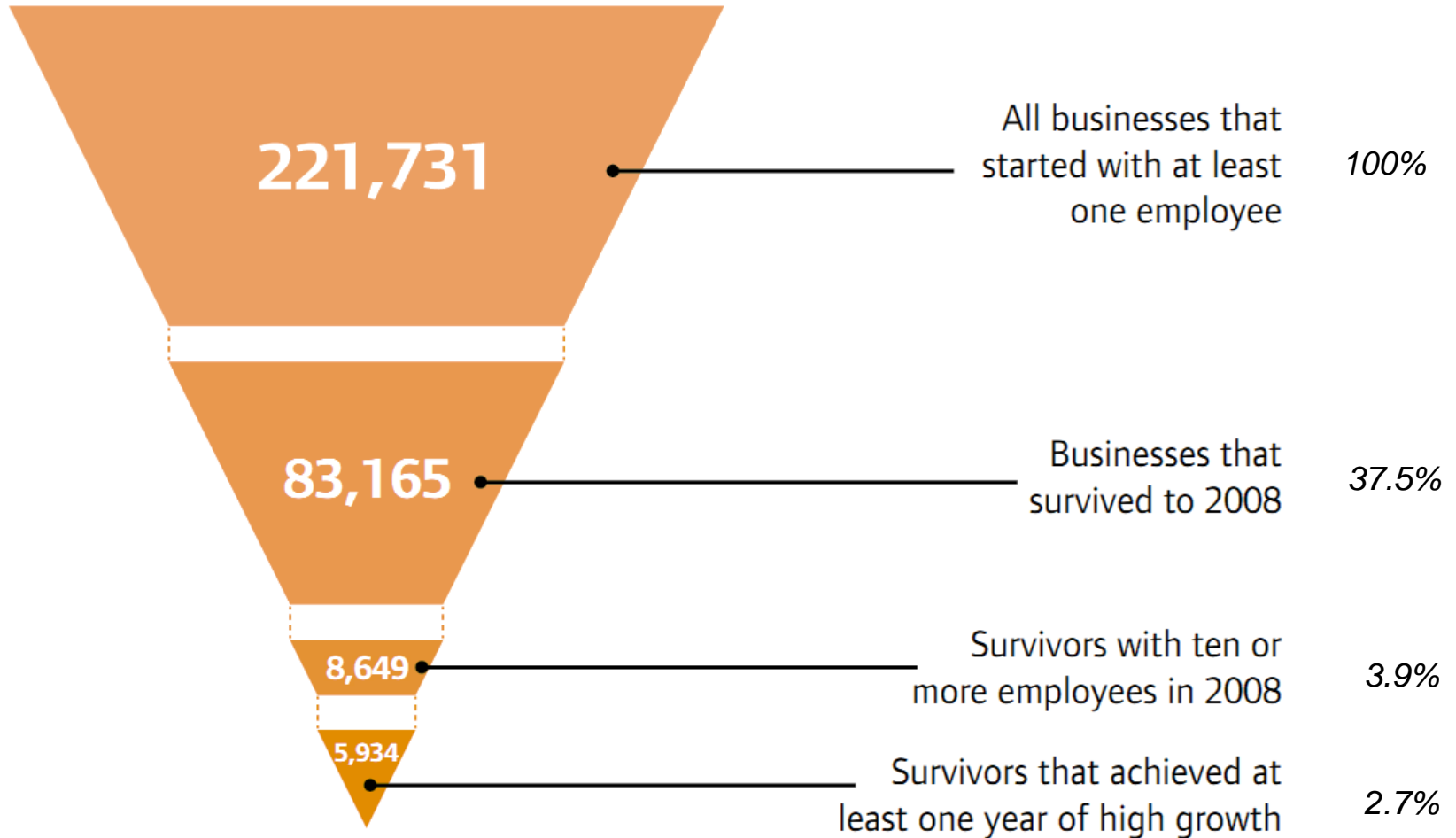
... and not just start-ups

High-growth firms by age group, %



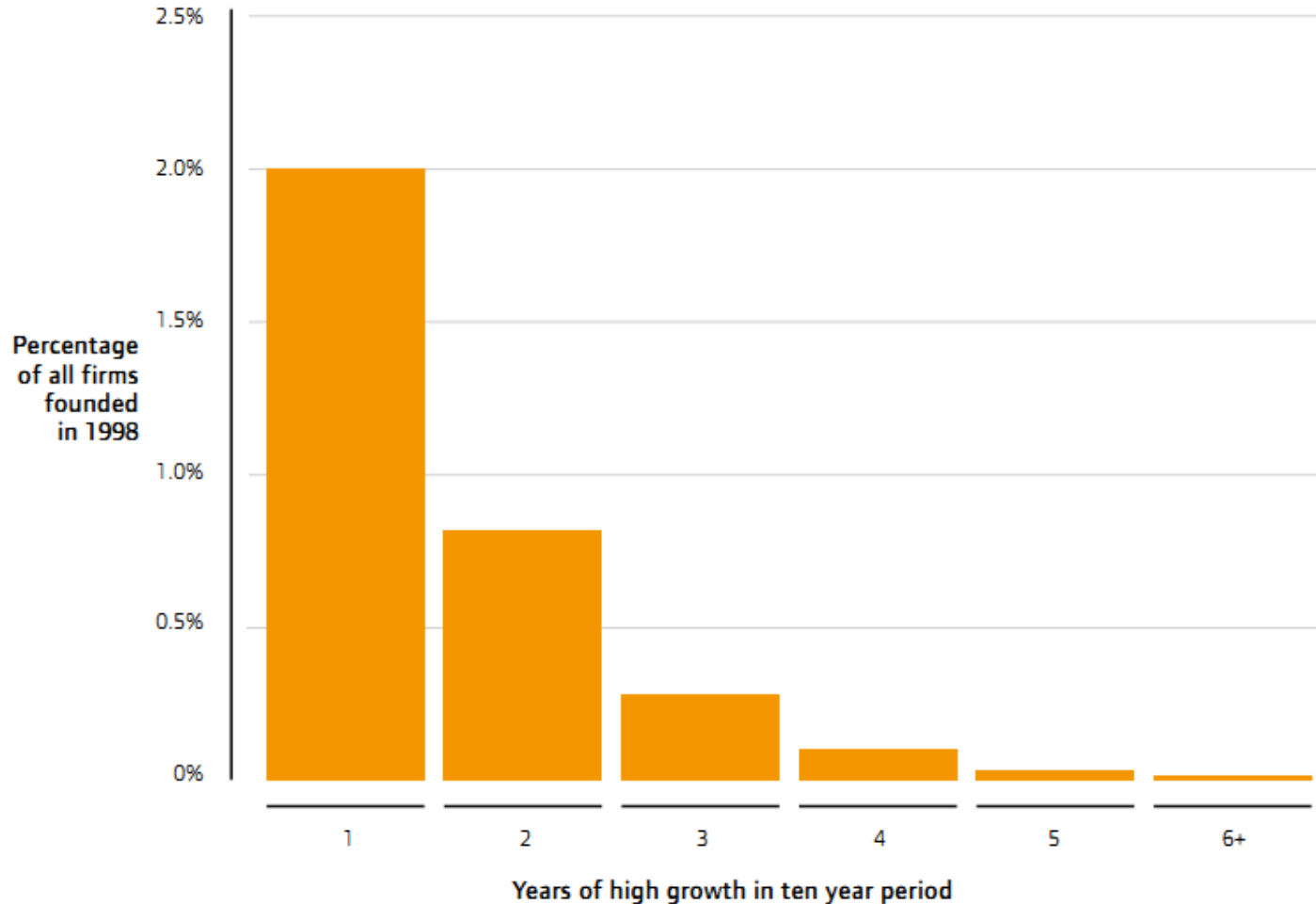
Very few start-ups survive and grow

UK businesses surviving ten years after start-up



Very few firms sustain high-growth over time

UK firms with at least one year of high-growth



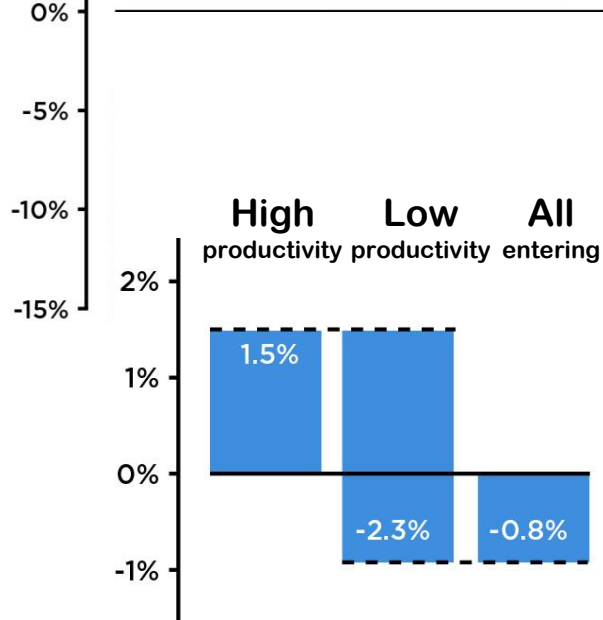
Today's high-growth firms are unlikely to be tomorrow's high-growth firms

Where did UK productivity growth come from?

CONTRIBUTION TO PRODUCTIVITY GROWTH IN BRITAIN, 1998-2007



- Productivity improvements in the existing population of firms accounted for over 90% of Britain's productivity growth between 1998-2007

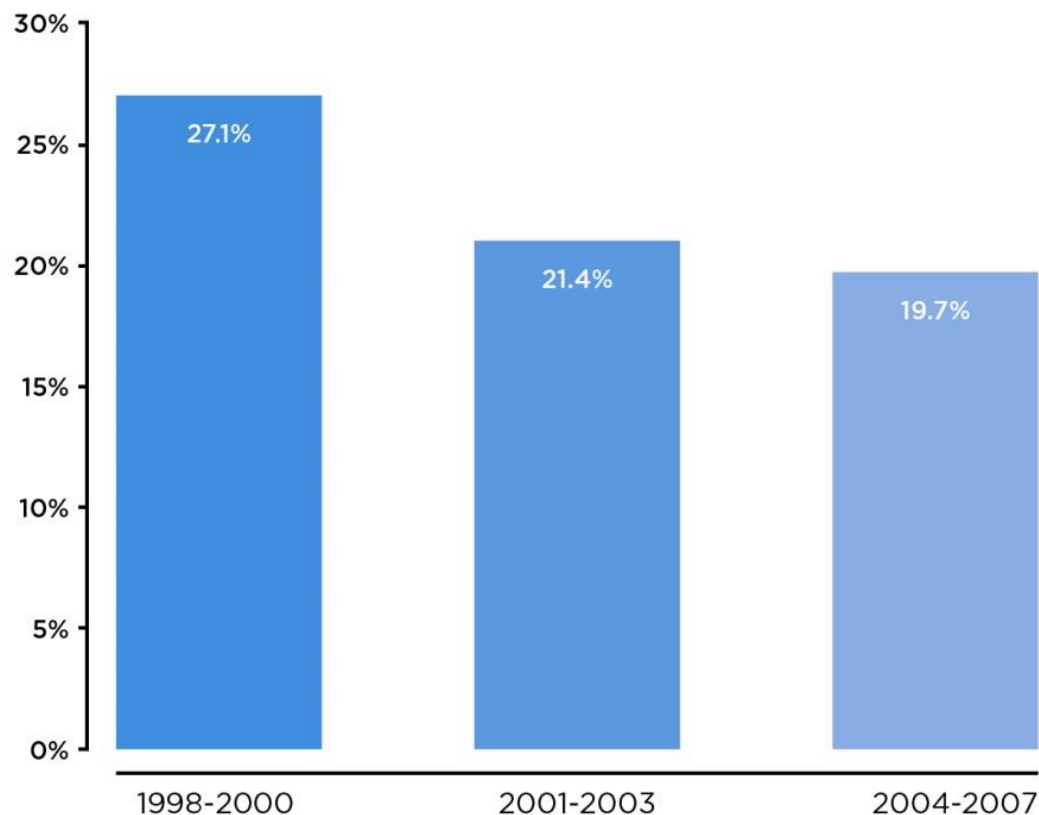


- The average new business is more productive than the average existing business either at its foundation or during its existence.
- A minority of high productivity firms make a larger contribution to productivity growth.

- For every ten low-productivity firms that left the market, six high-productivity ones did too.
- Had the high-productivity exiting firms stayed in business, British productivity growth could have been up to 6 pp higher.

The British economy became significantly worse at allocating resources to the best businesses over the period

ALLOCATIVE EFFICIENCY IN BRITAIN, 1998-2007



If Britain's productive resources were as efficiently allocated at the end of the period as they had been at the beginning, productivity would have been 7.4 percentage points higher. This is equivalent to around £96 billion of lost GDP.

→ We need to make it easier for high-productivity businesses to scale up



Innovation Growth Lab

- The new global laboratory for innovation and growth policy



The new global laboratory
for innovation and growth

Use randomised trials to build the evidence
base on the most effective approaches to



Increase innovation



Support high-growth
entrepreneurship



Accelerate business growth

What is IGL?

- A new global collaboration that develops and tests different approaches to support innovation, entrepreneurship and growth, bringing together researchers and private and public organisations

Our aims:

- Improve the evidence base on the effectiveness of interventions
- Encourage experimentation with new interventions
- Push forward the knowledge frontier

What we do:

- Run trials with partners
- Fund trials with IGL Grants
- Build and connect communities
- Promote wider adoption of trials
- Create useful resources
- Disseminate lessons

www.innovationgrowthlab.org

Partners

Nesta



Ministry of Economic Affairs
Government of the Netherlands

Ewing Marion
KAUFFMAN
Foundation



Department
for Business
Innovation & Skills


DANISH BUSINESS AUTHORITY


growth analysis
swedish agency for growth policy analysis



Australian Government
Department of Industry

Innovate UK
Technology Strategy Board

And on-going discussions
with several other
organisations



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