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

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

Andy Tong
Director of Deloitte MCS Ltd

Tamara Rajah

Professor George Gaskell
Chair, LSE

Suggested hashtag for Twitter users: #scaleupBritain
THE SCALE-UP REPORT
ON UK ECONOMIC GROWTH

Sherry Coutu CBE
#scaleup
http://www.scaleupreport.com

An independent report to the government
NOVEMBER 2014
THE SCALE-UP REPORT
ON UK ECONOMIC GROWTH

Thank-you’s

An independent report to the government
NOVEMBER 2014
"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

Mark Hart, Dan Isenberg, Tamara Rajah, Andy Tong, Alastair Reed, Janet Coyle, Antony Walker, Charlotte Holloway, Cat Townsend, Nick Harrison, Mark Fisher, Bill Budenberg

The Following Organisations:


Cambridge Temperature Concepts, Wayra Unlimited, Artfinder


An independent report to the government
NOVEMBER 2014
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 Zwilling, 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
• Stian Westlake, Executive Director of Policy and Research, Nesta
• Tamara Rajah, Partner, McKinsey
• Tera Allas, Member of the Secretary of State’s Panel for Monitoring the Economy
• Tony Clayton, Chief Economist, Intellectual Property Office
• Victor Chavez, CEO, Thales UK and Co-Chair of the Information Economy Council

An independent report to the government
NOVEMBER 2014
Background

#scaleup
1986
Came to the UK to attend the London School of Economics

1987
Became a Computer Programmer

1991
Studied Business at Harvard

1994
Joined my first ‘start-up’

1995
Founded second Start-up

2000
Floated second Start-up

1997
first ‘startup’ sold
Sherry Coutu CBE > 2000

Board of Zoopla
Advisor to LinkedIn and Care.com
Board of London Stock Exchange
Cambridge University Finance Committee
Cambridge Assessment
Cambridge University Press
Lecturer at London Business School
Founder of SVC2UK

Ambassador for London
Tech City UK Advisory Board
Innovation Launch Pad
Trustee of Nesta
Angel Investor (55 companies and counting)
Investor in Venture Capital Funds (5 and counting)
Board of Raspberry Pi
Founder of Founders4schools

Policy
Markets
Human Capital
Supports
Culture
Finance
Entrepreneurship
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.
Methodology

8,923
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
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.

<table>
<thead>
<tr>
<th>Number of companies by revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; £1 Million</td>
</tr>
<tr>
<td>Latest</td>
</tr>
<tr>
<td>Previous</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current</th>
<th>Previous</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Scale-ups</td>
<td>53</td>
</tr>
</tbody>
</table>
THE SCALE-UP REPORT ON UK ECONOMIC GROWTH

Sherry Coutu CBE


#scaleup
THE SCALE-UP REPORT
ON UK ECONOMIC GROWTH

Methodology

#scaleup

An independent report to the government
NOVEMBER 2014

http://www.scaleupreport.com
Methodology

- Formation of a Steering Group to guide the work

http://www.scaleuprepor.com
Methodology

- Formation of an Ambassador Group to take the recommendations forward

http://www.scaleupreport.com
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.
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
Methodology

http://www.scaleupreport.com
Methodology: Sept

• 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.
Methodology: June (International) Oct (UK)

- A review of initiatives aimed at supporting scale-up companies
Methodology: June (International) Oct (UK)

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

75
Methodology: 75+ cases

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
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
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
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

THE SCALE-UP REPORT ON UK ECONOMIC GROWTH
#scaleup
Sherry Coutu CBE

http://www.scaleupreport.com
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 pace of change in our economies is high and increasing.

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….
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 is a massive gap between what we learn and what we need to learn.

We will not let exam results decide our fate.
THERE ARE A LARGE NUMBER OF ‘OPEN POSITIONS’

Source: Adzuna

990,000
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

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>Top three issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-19</td>
<td>68%</td>
</tr>
<tr>
<td>20-49</td>
<td>75%</td>
</tr>
<tr>
<td>50-99</td>
<td>74%</td>
</tr>
<tr>
<td>100-249</td>
<td>88%</td>
</tr>
<tr>
<td>250-499</td>
<td>85%</td>
</tr>
<tr>
<td>500+</td>
<td>64%</td>
</tr>
<tr>
<td>ALL</td>
<td>74%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>Top three issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-19</td>
<td>32%</td>
</tr>
<tr>
<td>20-49</td>
<td>25%</td>
</tr>
<tr>
<td>50-99</td>
<td>17%</td>
</tr>
<tr>
<td>100-249</td>
<td>35%</td>
</tr>
<tr>
<td>250-499</td>
<td>23%</td>
</tr>
<tr>
<td>500+</td>
<td>57%</td>
</tr>
<tr>
<td>ALL</td>
<td>30%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>Top three issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-19</td>
<td>27%</td>
</tr>
<tr>
<td>20-49</td>
<td>30%</td>
</tr>
<tr>
<td>50-99</td>
<td>36%</td>
</tr>
<tr>
<td>100-249</td>
<td>8%</td>
</tr>
<tr>
<td>250-499</td>
<td>0%</td>
</tr>
<tr>
<td>500+</td>
<td>7%</td>
</tr>
<tr>
<td>ALL</td>
<td>29%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>Top three issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-19</td>
<td>39%</td>
</tr>
<tr>
<td>20-49</td>
<td>27%</td>
</tr>
<tr>
<td>50-99</td>
<td>19%</td>
</tr>
<tr>
<td>100-249</td>
<td>8%</td>
</tr>
<tr>
<td>250-499</td>
<td>0%</td>
</tr>
<tr>
<td>500+</td>
<td>0%</td>
</tr>
<tr>
<td>ALL</td>
<td>22%</td>
</tr>
</tbody>
</table>

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

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

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
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 start.

1 %

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

<table>
<thead>
<tr>
<th>Employment band</th>
<th>Average Employment</th>
<th>Average Turnover £m</th>
<th>Additional Employment Impact</th>
<th>Additional Turnover impact £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-49</td>
<td>20</td>
<td>2.6</td>
<td>28</td>
<td>3.8</td>
</tr>
<tr>
<td>50-249</td>
<td>98</td>
<td>16.0</td>
<td>141</td>
<td>23.1</td>
</tr>
<tr>
<td>250+</td>
<td>1,502</td>
<td>258.1</td>
<td>2,160</td>
<td>371.7</td>
</tr>
</tbody>
</table>

**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

- 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.

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.
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.
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.

<table>
<thead>
<tr>
<th>Number of companies by revenue</th>
<th>£1 Million</th>
<th>£10 Million</th>
<th>£25 Million</th>
<th>£50 Million</th>
<th>£100 Million</th>
<th>£250 Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latest</td>
<td>954</td>
<td>106</td>
<td>42</td>
<td>20</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Previous</td>
<td>945</td>
<td>105</td>
<td>44</td>
<td>19</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Scale-ups</th>
<th>Current</th>
<th>Previous</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53</td>
<td>41</td>
</tr>
</tbody>
</table>
“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.

http://www.svc2uk.com/the-royal-society-science-50-index/
The top 50 companies by employee growth

£ 4.3 billion in revenue and employ 25,878 people.

- Increase in revenues £ 1.3 bn (17.6% increase) last 12 months

The top 50 companies (by revenue growth)

Have £ 6.6 billion revenue and employ 28,772 people

they have hired 5901 people in the past year… (23.2% increase)
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.
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.
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.

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

http://www.scaleupreport.com
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

An independent report to the government
NOVEMBER 2014
Close The Scale-UP Gap

2014

More in The UK

% 

More in the US

Fast shrinking firms → Static firms → Fast growing firms

2020

More in The UK

% 

More in the US

Fast shrinking firms → Static firms → Fast growing firms

http://www.scaleupreport.com
Reverse The Scale-up Gap

2014

2020

2034

http://www.scaleupreport.com
THE SCALE-UP REPORT
ON UK ECONOMIC GROWTH

Recommendations

#scaleup

An independent report to the government
NOVEMBER 2014
KEY RECOMMENDATIONS

- Develop leadership
- Assist international expansion
- Champion success stories
- Improve skills
- Increase collaboration
- Release data

http://www.scaleupreport.com
KEY RECOMMENDATIONS

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

http://www.scaleupreport.com
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.
<table>
<thead>
<tr>
<th>I would be able to growth my company faster if...</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>...university graduates had the skills needed to meet my customer demand.</td>
<td>87%</td>
</tr>
<tr>
<td>...I could more easily hire talented people from overseas who had scaled up a company like mine before</td>
<td>80%</td>
</tr>
</tbody>
</table>
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.

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

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would be able to grow my company faster if ‘the government’ (UK Trade &amp; Investment) helped introduce me to investors from the US or Asia.</td>
<td>76%</td>
</tr>
<tr>
<td>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</td>
<td>75%</td>
</tr>
<tr>
<td>...if the government were a customer.</td>
<td>55%</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>I would be able to grow my company faster if...</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would be able to grow my company faster if interactions with government departments were easier.</td>
<td>75%</td>
</tr>
<tr>
<td>I would be able to grow my company faster if interaction with regulators were easier.</td>
<td>75%</td>
</tr>
</tbody>
</table>
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.....

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

<table>
<thead>
<tr>
<th>I would be able to growth my company faster if...</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>...the shares of my company were made available for purchase through ISAs.</td>
<td>63%</td>
</tr>
<tr>
<td>I would be able to grow my company faster if the current limit for investments via Venture Capital Trusts were increased.</td>
<td>72%</td>
</tr>
</tbody>
</table>
THE SCALE-UP REPORT
ON UK ECONOMIC GROWTH

Impact

An independent report to the government
NOVEMBER 2014
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.

* THIS DOES NOT TAKE INTO CONSIDERATION THE PRODUCTIVITY GAP
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
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.

* 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

THE SCALE-UP REPORT
ON UK ECONOMIC GROWTH

Making it happen….

An independent report to the government
NOVEMBER 2014

http://www.scaleuprepor...
Methodology

• Join the Ambassador Group to take the recommendations forward

[Diagram showing the relationship between Entrepreneurship, Policy, Finance, Human Capital, Markets, and Supports]
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
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

<table>
<thead>
<tr>
<th><strong>Invest time, not money – convene</strong></th>
<th><strong>Medium- to long-term</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expose students to entrepreneurship and scale-up firms</td>
<td>• Encourage initiatives that boost the presence of successful entrepreneurs in schools to inspire students about future careers.</td>
</tr>
<tr>
<td></td>
<td>• Adopt complementary programmes to help boost digital skills amongst students, and celebrate, promote and report digital skills being acquired.</td>
</tr>
<tr>
<td></td>
<td>• Build links with scale-up companies to help them offer work experience placements</td>
</tr>
<tr>
<td></td>
<td>• Encourage student extracurricular entrepreneurship activities.</td>
</tr>
</tbody>
</table>
Closing The Scale-Up Gap: Practical tips...

<table>
<thead>
<tr>
<th>Universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest time, not money – convene, facilitate and partner</td>
</tr>
<tr>
<td>Prioritise supporting local scale-ups with talent and innovation programmes</td>
</tr>
<tr>
<td>Expose students to entrepreneurship and scale-up firms</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Design and run executive education programme for leaders from local scale-ups.</td>
</tr>
<tr>
<td>• Encourage participation from scale-ups in careers fairs, workplacements, internship programmes and apprenticeships.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medium-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase the presence of successful entrepreneurs on campus to inspire students.</td>
</tr>
<tr>
<td>• Encourage student extra-curricular activities with top 50 local scale-up companies.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Support existing local scale-up initiatives by letting them use your facilities to convene eco-system wide exchanges and matching events.</td>
</tr>
</tbody>
</table>
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
Methodology

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

http://www.scaleupreport.com
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

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

Andy Tong
Director of Deloitte MCS Ltd

Tamara Rajah

Professor George Gaskell
Chair, LSE

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
THE SCALE-UP REPORT ON UK ECONOMIC GROWTH

Sherry Coutu CBE
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
- Entrepreneurs
- Government
- Educators
- Large Corporates
- Media
- Supports

Support
- Talent
- Leadership
- Customers
- Finance
- Infrastructure
We are starting from a strong base ecosystem in the UK
We already have many collaborative initiatives, with multiple stakeholders working together
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

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

Andy Tong
Director of Deloitte MCS Ltd

Tamara Rajah

Professor George Gaskell
Chair, LSE

Suggested hashtag for Twitter users: #scaleupBritain
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...

- Identify HGFs
- Provide support
- Use ‘Role Models’ to stimulate peers
- Generate scale

Scale-up has the potential to deliver...

- Between 45,000 and 150,000 additional jobs in the UK by 2034
- Between £70bn and £225bn towards UK GDP, 2015 to 2034

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
4. Best-use of data
Data can drive better interventions and outcomes

- **Skills:**
a pre-requisite for long-term growth

- **Holistic support:**
co-ordination of stakeholders

- **Data release:**
 improves targeting, measurement & policy

- **Mentoring:**
f-2-f matters

- **Champion:**
positive local spillovers – Role Model effects
And finally ....

Links to other research publications:

- 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:  

Questions and observations please!:  
andrewtong@deloitte.co.uk
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  

Suggested hashtag for Twitter users: #scaleupBritain
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 by HGFs**

<table>
<thead>
<tr>
<th>Firms</th>
<th>New jobs</th>
<th>Percentage of job creation</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2002-05</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2005-08</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2007-10</td>
</tr>
</tbody>
</table>
... and not just start-ups

High-growth firms by age group, %

Source: Business Growth and Innovation (NESTA, 2009).
Very few start-ups survive and grow

UK businesses surviving ten years after start-up

- All businesses that started with at least one employee: 221,731
- Businesses that survived to 2008: 83,165
  - Survivors with ten or more employees in 2008: 8,649
  - Survivors that achieved at least one year of high growth: 5,934

Very few firms sustain high-growth over time

UK firms with at least one year of high-growth

Source: Anyadike-Danes et al. (2009) 'Measuring Business Growth'. NESTA Research Report. Includes also firms that do not survive the full 10 years.
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 was no more productive than the average existing business, either at its foundation or after five years of existence.

- A minority of high productivity startups 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.

Source: Nesta/NIESR/LSE
The British economy became significantly worse at allocating resources to the best businesses over the period

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

Source: Nesta/NIESR/LSE
The new global laboratory for innovation and growth policy
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

Ewing Marion Kauffman Foundation

Department for Business Innovation & Skills

growth analysis

Australian Government

Department of Industry

And on-going discussions with several other organisations
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

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

Andy Tong
Director of Deloitte MCS Ltd

Tamara Rajah

Professor George Gaskell
Chair, LSE

Suggested hashtag for Twitter users: #scaleupBritain