



LEP – Sub Committee

LEP - Business Support Management Board

Private and Confidential: No

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Provision to support Scale-Up Businesses within Lancashire

(Appendices A and B refer)

(A copy of the Scaleup Review 2016 is attached at Appendix C)

Report Author: Andy Walker, Tel: 01772 535629
andy.walker@lancashire.gov.uk

Executive Summary

Over the past year increasing prominence has been given by government to the role played by so-called "Scale-Up" businesses within the economy.

Whilst the definition "*annualised growth in employees or turnover greater than 20 per cent per annum over a three year period*" is similar to the national Business Growth Service's focus on finding and supporting "gazelles", the decision of BEIS to withdraw from direct provision for this cohort of businesses and the scarcity of other resource make the policy prescription for supporting Scale-Ups somewhat different.

It is suggested that the UK has a Scale-Up gap compared to international competitors and that if we manage to close the scale-up gap, we will secure significant economic value and the competitive advantage of Britain for generations to come:

- In the short-term, RBS analysis suggests an additional 238,000 jobs and £38 billion additional turnover is possible within three years of reversing the scale-up gap.
- In the medium-term, Nesta research shows a possible boost of £96 billion per annum is possible.
- Long-term analysis by Deloitte shows a potential of £225 billion additional GVA and 150,000 net jobs by 2034.

(see next page for recommendations)



Recommendations

In exploring and developing a response to ScaleUps the BSMB recommends that the LEP should look to:

1. Progress actions in respect of making contact with and further investigating the needs of Lancashire Scale-Ups through its current programme of research and Business Support.
2. Map and engage Lancashire's "entrepreneurial ecosystem" and facilitate business access to stakeholders and partners utilising the Boost Bespoke Brand to frame this offer.
3. Work with the Skills Hub to feature opportunities for young people in scaleups and improve the supply of talent needed by growing businesses.
4. Further explore the priorities for business support investment as existing parameters of factors such as eligibility for European funding change.
5. Examine the mix of fully funded and charged for services, as the Growth Hub moves forward.



Background and Advice

1. Introduction

- 1.1 In September 2016, a new report published was by the CBI, in partnership with Lloyds Bank, Aston Business School and the ScaleUp Institute, identifying scaleup medium-sized businesses as *“the entrepreneurial heroes of the UK economy”* and critical to solving the UK’s productivity puzzle.
- 1.2 Based on data from companies across the UK and interviews with 30 scaleup businesses, the report highlights new research on the impact of scaleup businesses on UK productivity and profiles their insights and strategies into raising competitiveness and efficiency within firms.
- 1.3 The report highlights that a small number of entrepreneurial firms make a large contribution to UK productivity. Scale-up firms, in particular those rapidly increasing sales, have higher productivity rates:
 - In 2013, four per cent of firms contributed 17 per cent to total UK productivity
 - Between 2012 – 2015, over 18,500 businesses rapidly scaled-up their turnover – 650 of these were mid-market firms
 - Within the scale-up community, highly productive firms are twice as common
 - 8 out of 10 of the UK’s most productive businesses are located outside London

2. Scale-Ups in Lancashire

- 2.1 Identifying scale-up businesses is something that would ideally be done using HMRC data, and this is one of the "asks" of government from The Scale Up Institute. In the interim analysis using Companies House data, it is estimated that there are 157 scaleups in Lancashire with a combined turnover of £48bn, with an average turnover growth of £581,000 per annum and accounting for 21,000 employees.¹
- 2.2 Whilst this list needs to be cleansed and de-duplicated, these businesses (see listing in Appendix A) clearly constitute a highly dynamic element of the Lancashire economy and merit further investigation. To this end, we have asked the Productivity Study commissioned from UCLAN by the LEP to pick up a sub-set of these businesses in their questionnaire and interviews with Lancashire businesses.

¹ Data source - <http://www.scaleupinstitute.org.uk/scale-up-businesses/search/?lep=E37000019§or=>



3. A Policy Response to Support Scale-Ups

- 3.1 Assuming that we can move to a position where we can accurately find and track Lancashire's scaleups, the question then becomes whether publicly funded support can play a role to either increase the number of businesses which reach this phase of rapid and sustained growth, or enable existing scaleups to realise their growth plans even faster.
- 3.2 There appear to be differing views across the scaleup community as to what the best prescription for growth support is, but all revolve around the concept of an effective and functional "entrepreneurial ecosystems". This is the idea that to enable growth, businesses need a number of actors in the local economy to work effectively. This landscape consists of:

Stakeholders

Entrepreneurs
Government
Educators
Large Corporates
Media
Supports

Supports are further disaggregated as

Talent
Leadership
Customers
Finance and infrastructure

- 3.3 The ScaleUp Institute itself has endorsed a number of business support programmes as potentially beneficial in this entrepreneurial eco-system. These including the Goldman Sachs 10,000 businesses programme, the Business Growth Fund, the Santander Breakthrough Programme and the (Manchester) Business Growth Hub.
- 3.4 There is a school of thought within the ScaleUp movement that the balance of public funding for business support is wrong and that providing finance for start-ups is not only a less efficient use of resource, but also traps wider resources like talent and finance within slow growing businesses at the expense of scale-ups².

² [Don't Judge the Economy](#) by the Number of Start-Ups by Daniel Isenberg and Fernando Fabre



4. Developing a ScaleUp Response in Lancashire

4.1 As the LEP moves towards developing a new Strategic Economic Plan for Lancashire it seems appropriate that the Business Support Management Board should begin to give consideration to how the LEP finds and supports this cohort of businesses.

4.2 The Scale Up Institute suggests³ that, as a minimum:

*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.*

***Local Enterprise Partnerships** and 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.*

*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.*

***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.*

4.3 Whilst some of the above is within the gift of the LEP, issues such as the recruitment of foreign workers are clearly tied up within Brexit and other national discussions.

5. Recommendations

5.1 In exploring and developing a response to ScaleUps the BSMB recommends that the LEP should look to:

Progress actions in respect of making contact with and further investigating the needs of Lancashire Scale-Ups through its current programme of research and Business Support.

Map and engage Lancashire's "entrepreneurial ecosystem" and facilitate business access to stakeholders and partners utilising the Boost Bespoke

³ The Scale Up Report 2016 – Summary of Recommendations (in full at Appendix B)



Brand to frame this offer.

Work with the Skills Hub to feature opportunities for young people in scaleups and improve the supply of talent needed by growing businesses.

Further explore the priorities for business support investment as existing parameters of factors such as eligibility for European funding change.

Examine the mix of fully funded and charged for services, as the Growth Hub moves forward.