HIGH-GROWTH FIRMS ACROSS THE UK

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This research note provides an overview and analysis of data released by the Office for National Statistics on High-Growth Firms (HGFs).

There are several definitions of HGFs in existence but the most commonly used is *'all enterprises with average annualized growth of greater than 20% per annum'*. 20% growth can be measured in one of three ways:

1) Turnover;
2) Employment;
3) Turnover and Employment.

This note uses the findings from across each of these criteria to present a summary of the nature of high-growth across the nations of the United Kingdom.

TRENDS 2013-16

High-growth defined by turnover growth

- This indicates that high-growth is becoming most prevalent amongst smaller companies.
- Scotland is the only nation in the UK in which HGF employment has declined since 2013.
- This may suggest that those HGFs in Scotland growing their turnover are doing so by focusing on increasing their productivity, more so than elsewhere in the UK.

High-growth defined by employment growth

- Again, this indicates that HGFs in Scotland are becoming smaller in size.
- There are suggestions the rate at which firms in Scotland are achieving high-growth through increasing employment exceeds that seen in other nations.
- Scottish HGFs are the only ones showing no indication that they are becoming more productive, with average firm data suggesting they are likely to have higher employment despite being similar in turnover to those in Wales and Northern Ireland.

High-growth defined by both turnover and employment growth

- Data suggests that in comparison to other UK nations, Scotland has become less productive and not seen as strong a growth in HGFs or in productivity as Wales and Northern Ireland.
- The data from this measure suggests Scotland is showing (on average) the weakest levels of productivity amongst its HGFs, and therefore HGF growth is not as strong as elsewhere.

KEY QUESTIONS ARISING

- Why are the high-growth firms in Scotland (reflecting a trend elsewhere in the UK) becoming smaller?
- What are the barriers that are preventing more high-growth firms in Scotland continue to achieve these levels, and begin to scale-up and become a Mid-Sized Business?
- Are the suggestions that Scottish HGFs are slowing their productivity growth compared to those HGFs in other nations, accurate? If so what are the reasons for this and are there any industry/sector or economic structure trends driving this?
- What industries and sectors are achieving high-growth and how many progress into becoming MSBs?
- How are these industries and sectors achieving their growth, and is there any evidence that firms in Scotland are adopting different approaches to elsewhere?

HGFs defined by 20% growth in turnover

By turnover growth			
1,945 high-growth firms	25,190 high-growth firms	1,105 high-growth firms	730 high-growth firms
+51% since 2013	+42% since 2013	+61% since 2013	+57% since 2013
7% of UK total +1%	87% of UK total +1%	4% of UK total +1%	3% of UK total +1%
132,000 employees	2.4m employees	85,986 employees	46,529 employees
-37% since 2013	+24% since 2013	+58% since 2013	+61% since 2013
5% of UK total -4%	90% of UK total +3%	3% of UK total +1%	2% of UK total +1%
£23.6bn turnover	£837.7bn turnover	£11.6bn turnover	£7.3bn turnover
-21% since 2013	-8% since 2013	+44% since 2013	+47% since 2013
3% of UK total -1%	95% of UK total no change	1% of UK total no change	1% of UK total no change

Average company size (2016) and change since 2013			
£12.1m	£33.2m	£10.5m	£10m
68	95	78	64
-£9.5m	-£18m	-£1.2m	-£1m
-96	-14	-2	+2

Source; Office for National Statistics. HGFs are defined as all enterprises with average annualised turnover growth greater than 20% per annum

- Whilst Scotland has seen significant growth of 51% in the total number of firms achieving 20% turnover growth, the overall number of employees and turnover generated by HGFs has fallen by 37% and 21% respectively.
- This indicates that high-growth is becoming most prevalent amongst smaller companies.
- Scotland is the only nation in the UK in which employment from HGFs has declined since 2013.
- This may suggest that those HGFs in Scotland growing their turnover are doing so by focusing on increasing their productivity, more so than elsewhere in the UK.

HGFs defined by 20% growth in employment

By employment growth			
910 high-growth firms	11,910 high-growth firms	505 high-growth firms	340 high-growth firms
+14% since 2013	+8% since 2013	+15% since 2013	+58% since 2013
7% of UK total +1%	87% of UK total +1%	4% of UK total no change	2% of UK total no change
106,362 employees	1.75m employees	52,501 employees	34,795 employees
+44% since 2013	+5% since 2013	+6% since 2013	+55% since 2013
5% of UK total +1%	90% of UK total -2%	3% of UK total no change	2% of UK total +1%
£12bn turnover	£247bn turnover	£7.1bn turnover	£4.5bn turnover
+1% since 2013	-18% since 2013	+113% since 2013	+47% since 2013
4% of UK total no change	91% of UK total -3%	3% of UK total +2%	2% of UK total +1%
Average company size (2016) and change since 2013			
£13.2m 117	£20.7m 147	£14m 104	£13.2m 102
-£1.9m -25	-£6.5m -4	+£6.5m -9	+£1.1m -2

Source; Office for National Statistics. HGFs are defined as all enterprises with average annualised turnover growth greater than 20% per annum

- Again, this indicates that HGFs in Scotland are becoming smaller in size.
- This is also a pattern observable in terms of HGFs defined by employment growth, in England.
- This measure suggests the rate at which firms in Scotland are achieving high-growth through increasing employment exceeds that seen in other nations.
- It appears only HGFs in England have become more productive (growth without increasing employment). But average HGF analysis suggests HGFs in Wales and Northern Ireland have grown in turnover without increasing the average employment (which may simply be catching up Scotland and England).
- This leaves Scotland's HGFs as the only nation which shows no indication that HGFs are becoming more productive, with average firm data suggesting Scottish HGFs defined by employment are likely to have higher employment despite being similar in turnover to those in Wales and Northern Ireland.

HGFs defined by 20% growth in both turnover and employment

By turnover and employment growth

	SCOTLAND	ENGLAND	WALES	NORTHERN IRELAND
	435 high-growth firms	6,560 high-growth firms	265 high-growth firms	165 high-growth firms
	+28% since 2013	+30% since 2013	+33% since 2013	+57% since 2013
	6% of UK total, no change	88% of UK total, +1%	4% of UK total, no change	2% of UK total, no change
	50,529 employees	940,745 employees	28,164 employees	19,047 employees
	+34% since 2013	+9% since 2013	+23% since 2013	+64% since 2013
	5% of UK total, +1%	91% of UK total, -1%	3% of UK total, +1%	2% of UK total, +1%
	£6.2bn turnover	£151.9bn turnover	£4.6bn turnover	£3bn turnover
	-17% since 2013	-29% since 2013	+186% since 2013	+71% since 2013
	4% of UK total, +1%	92% of UK total, -3%	3% of UK total, +2%	2% of UK total, +1%

Average company size (2016) and change since 2013

	SCOTLAND	ENGLAND	WALES	NORTHERN IRELAND
	£14.2m	£23.1m	£17.3m	£18.2m
	116	143	106	115
	-£8m	-£18.9m	+£9.2m	+£1.1m
	+5	-27	-8	+4

Source; Office for National Statistics. HGFs are defined as all enterprises with average annualised turnover growth greater than 20% per annum

- In this measure of high-growth, the data suggests that in comparison to other UK nations, Scotland has become less productive and not seen as strong a growth in HGFs and productivity as Wales and Northern Ireland.
- The data from this measure suggests Scotland is showing (on average) the weakest levels of productivity amongst its HGFs, and therefore HGF growth is not as strong as elsewhere.