



GROWTH BUSINESSES IN SCOTLAND (2016-20)


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Best viewed in Slide Show mode

BACKGROUND

- Previous research, initially undertaken to assist (then) Company Growth with prospecting of potential businesses who may be suitable for support, was further developed and published in 2017-18.
- Alongside other research into Medium-Sized Businesses (MSBs), the findings were taken to SE's Board in July 2018, as a [discussion paper](#).
- The research looked further into growth than simply applying the usual 'high-growth' definition and introduced the concept of 'sustained' growth, across turnover data from 2011-16 (chosen to provide as wide a sample of businesses to assist prospecting).
- The principal finding which emerged as analysis was undertaken, was the prevalence of growth 'bottlenecks' in Scotland, to a much greater extent than in the rest of the UK (used to provide context). These bottlenecks were in:
 - a) ***Achieving one year medium or high growth***. Only 7% of companies in Scotland achieved and sustained any form of 10%+ turnover growth against 26% in rUK.
 - b) ***Sustaining growth, especially sustained high-growth***. 14% of all growth companies achieved further higher growth compared to 37% in rUK. Only 3% of all £1m-£70m companies in Scotland sustained high-growth, vs 18% in rUK.
- It appeared from comparing this analysis with other research investigating [trends in MSBs](#) over the last decade, that these were long-standing challenges in the Scottish economy.
- This analysis contributed to establishing a narrative around growth in the economy:

High-growth is most common in smaller, younger companies (of less than £4m in turnover). The bottlenecks emerge among £5m-£10m companies which means Scotland has a greater percentage of its growth companies with turnover under £5m compared to rUK, and a lower proportion in every subsequent bracket. This suggests that despite having a strong entrepreneurial and startup system there is an inability to sustain high-growth performance. The ultimate consequence of this are fewer Scottish MSBs than achieved elsewhere.
- This research repeats the analysis above, and the findings are presented initially to stimulate discussion about potential responses.
- Where a page has this icon , this means that to see the full picture, you need to click your mouse, or press the right directional arrow on your keyboard.

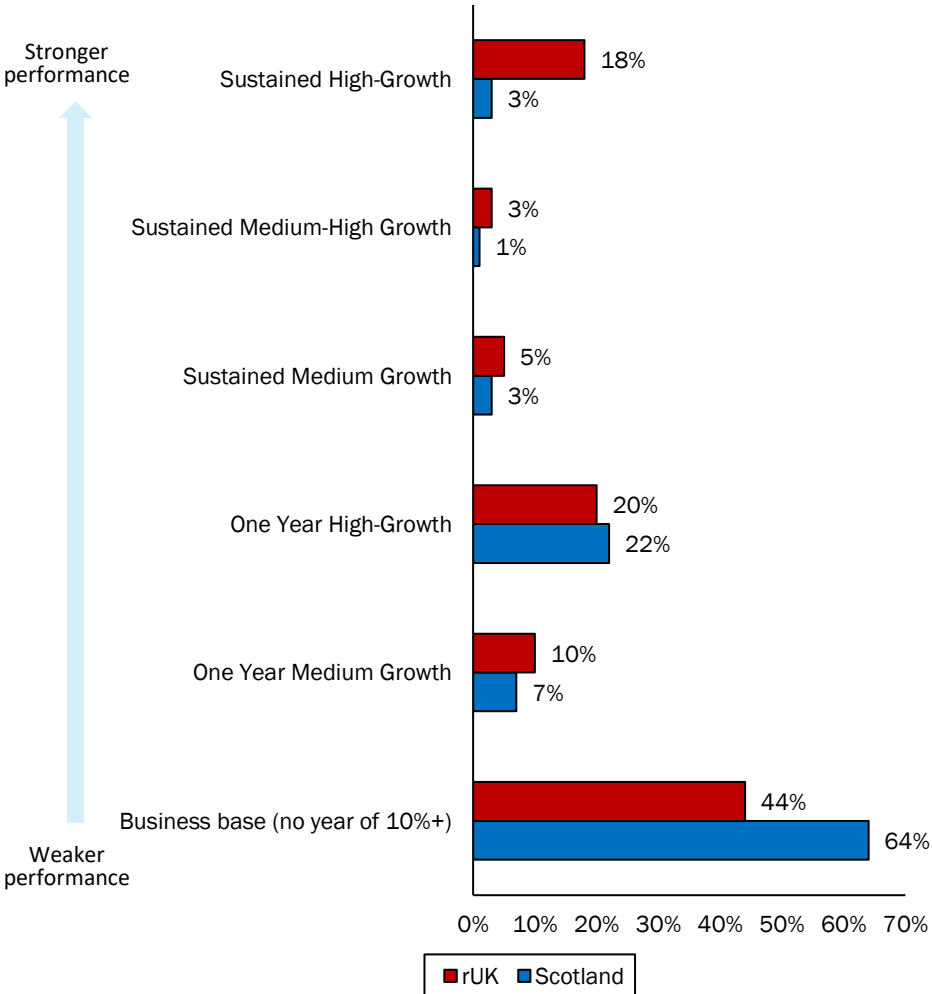
MAIN INSIGHTS

The gap between Scotland and rUK has closed significantly since, as more businesses achieve sustained high-growth.

- **More businesses in Scotland are achieving and sustaining higher growth in 2016-20. The gap from 2011-16 to rUK has got smaller, but still exists.**
- **Scotland continues to be better in early-stage growth but still tails off in comparison to rUK from £5m onwards – but the direction of travel suggests this is slowly changing.**
- **Still too many businesses are not achieving or sustaining growth - which remains the critical challenge.**
- **Up to 20 years trading is when businesses are more likely to achieve growth and sustain it.**
- **Amongst businesses trading for more than 20 years, higher and more sustained growth is more common amongst older businesses (emerging from 70+ years trading and peaking amongst those trading over 100 years).**
- **Many of the sectors with a greater share of growth businesses have the line of best growth fit, with their highest percentages seen in the higher and more sustained rates of growth – Financial & Business Services, Technology & Engineering, Energy (including renewables), and Professional, Scientific and Technical.**
- **However, some of the more frequently found sectors with growth businesses, including one or two of those with the most sustained and higher levels of growth, appear to be split, with the similar percentages achieving the higher and more sustained growth, as well as the lower and unsustained growth levels.**
- **The geographic composition of Scotland’s growth businesses corroborates previous research which indicated that the major cities and urban areas performed better, but within them, City of Edinburgh and its region is seeing growth accelerate more than anywhere else.**
- **Edinburgh and the South-East has been the principal driver of higher and more sustained growth across Scotland.**
- **Glasgow City Region has the second highest percentage in all growth categories but sees more among lower and unsustained growth than in higher, more sustained categories.**
- **Aberdeen City and Shire sees strong levels of high growth (both sustained and in just one year), which corroborated by the performance in the Energy sector, indicates the region has rebounded from the severe downturn seen in the 2011-16 figures.**

SCOTLAND HAS CAUGHT UP AND THE RUK HAS SLOWED, BUT A (NOW SMALLER) GAP REMAINS

Growth patterns (£1m-£70m businesses) 2011-16. Scotland vs rUK



Sustained high-growth shows the most positive trend for Scotland, where the percentage of businesses achieving this has more than trebled, whilst there has been a 33% reduction in rUK.

rUK has seen a decline here whilst the levels in Scotland have remained constant.

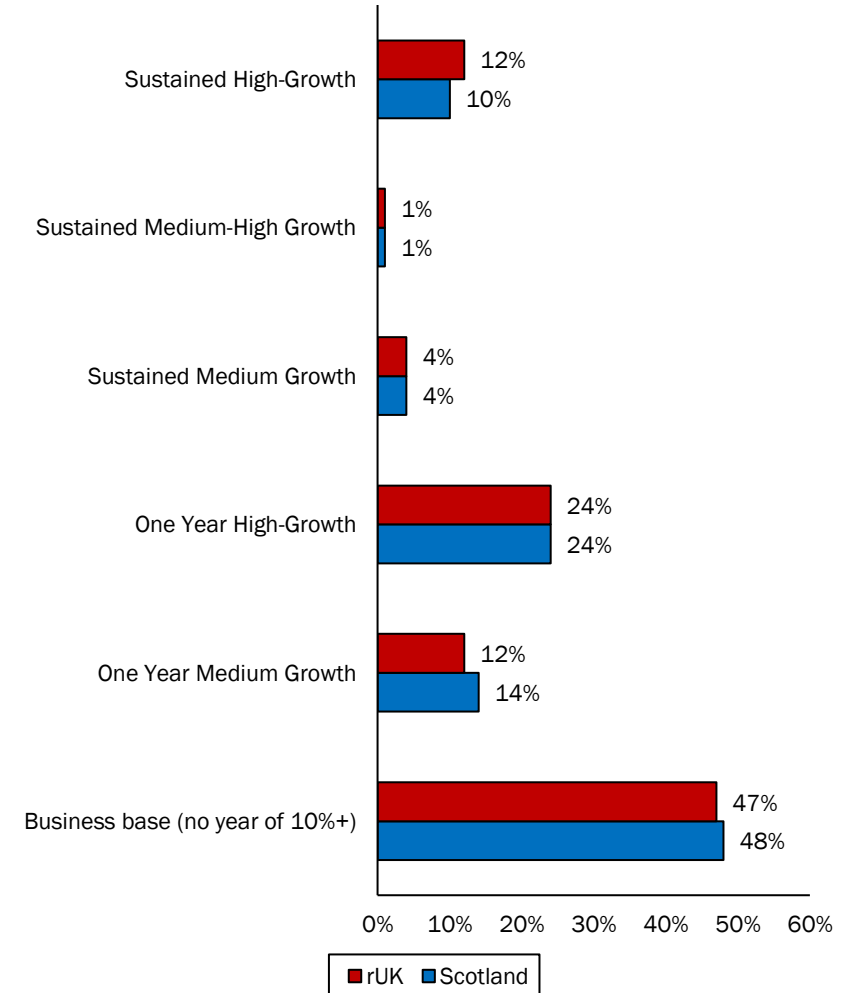
Modest growth in Scotland has met the modest decline in rUK, in this measure, reflecting the overall trend.

Both have increased to the same level. It appears this is where positive movement in Scotland's business base has met a weakening performance in the rUK's.

Both have increased, but the increase has been greater in Scotland which is now ahead of rUK.

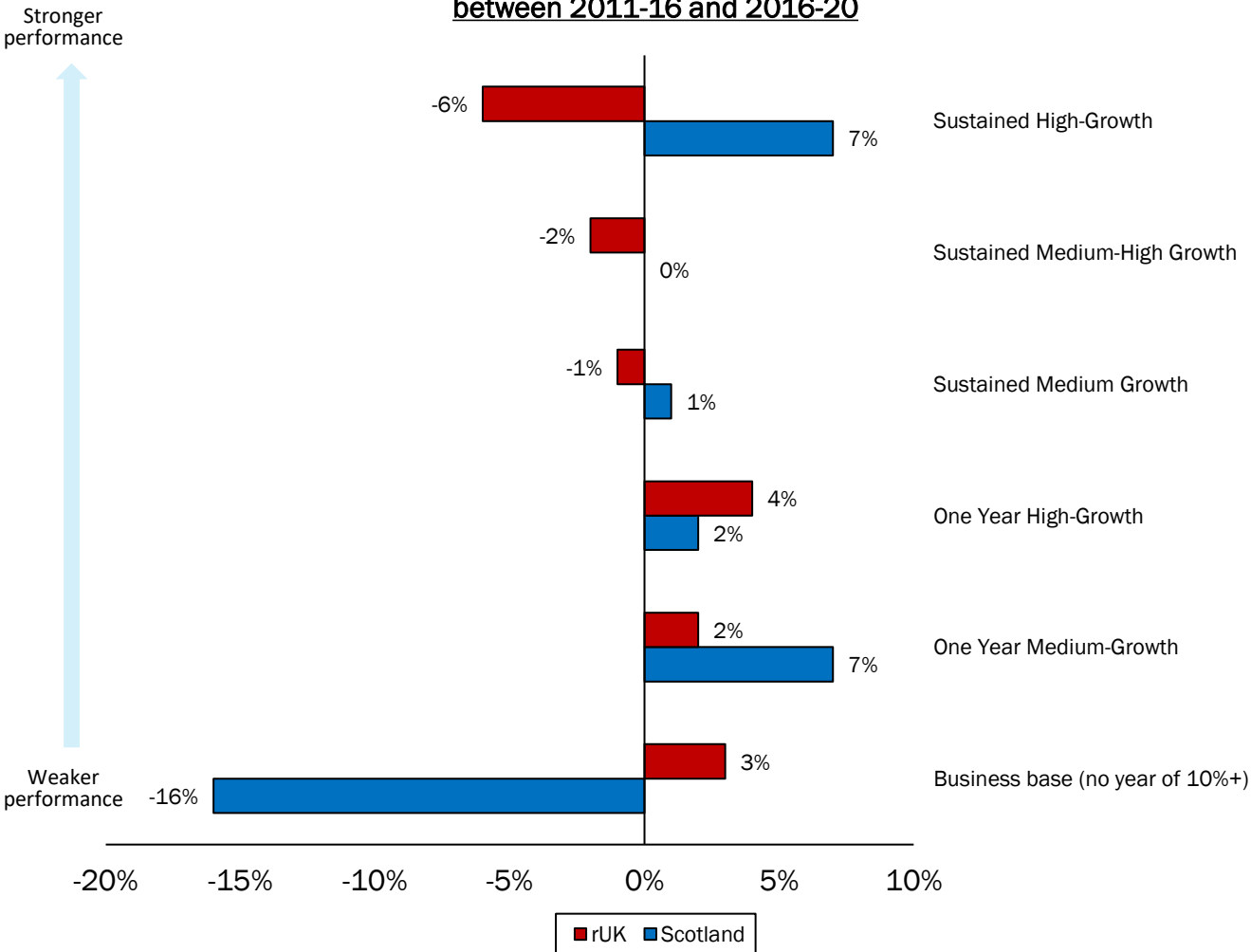
Significant reduction in Scotland in businesses with low growth, and small increase in rUK makes performance similar.

Growth patterns (£1m-£70m businesses) 2016-20. Scotland vs rUK



SCOTLAND HAS CAUGHT UP AND THE RUK HAS SLOWED, BUT A (NOW SMALLER) GAP REMAINS

Change in growth patterns (£1m-£70m businesses) Scotland vs the rUK between 2011-16 and 2016-20



Scotland has only seen declines in the 'business base' category over 2016-20 compared to 2011-16, as overall performance has improved.

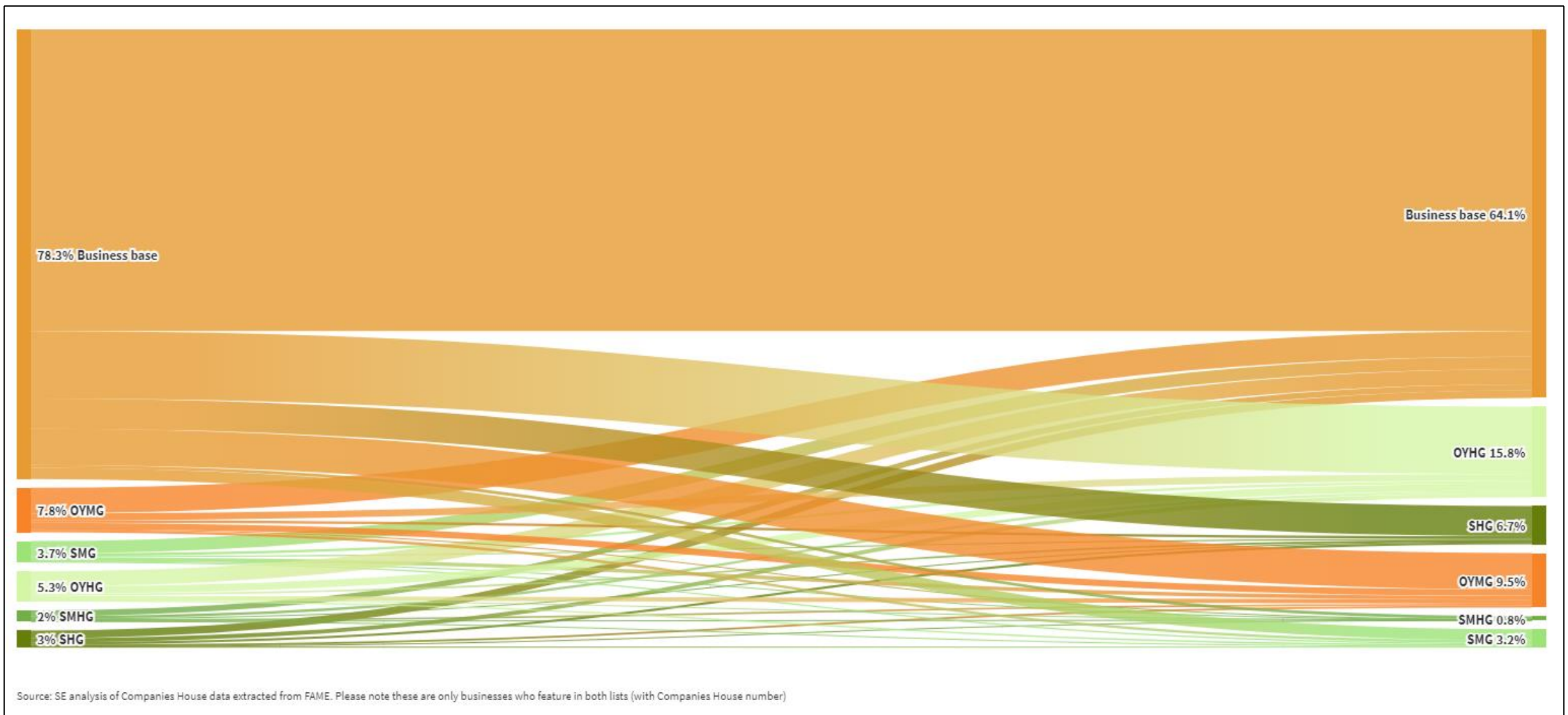
The increase has been greatest (+7 percentage points) in the One Year Medium Growth, and the Sustained High-Growth categories.

The rUK has seen declines in all of the categories where growth (be that medium and/or high) is sustained, and increases in the categories with lower performance and no element of sustaining medium growth or high-growth.

This has led to a smaller gap between Scotland and rUK than in the 2011-16 analysis.



THE FLOWS AMONGST BUSINESSES FEATURING IN *BOTH* 2011-16 AND 2016-20 CONFIRM THE POSITIVE DIRECTION AMONGST SCOTTISH BUSINESS



Source: SE analysis of Companies House data extracted from FAME. Please note these are only businesses who feature in both lists (with Companies House number)

SHG – Sustained High-Growth; SMHG – Sustained Medium-High Growth; SMG – Sustained Medium Growth; OYHG – One Year High-Growth; OYMG – One Year Medium Growth

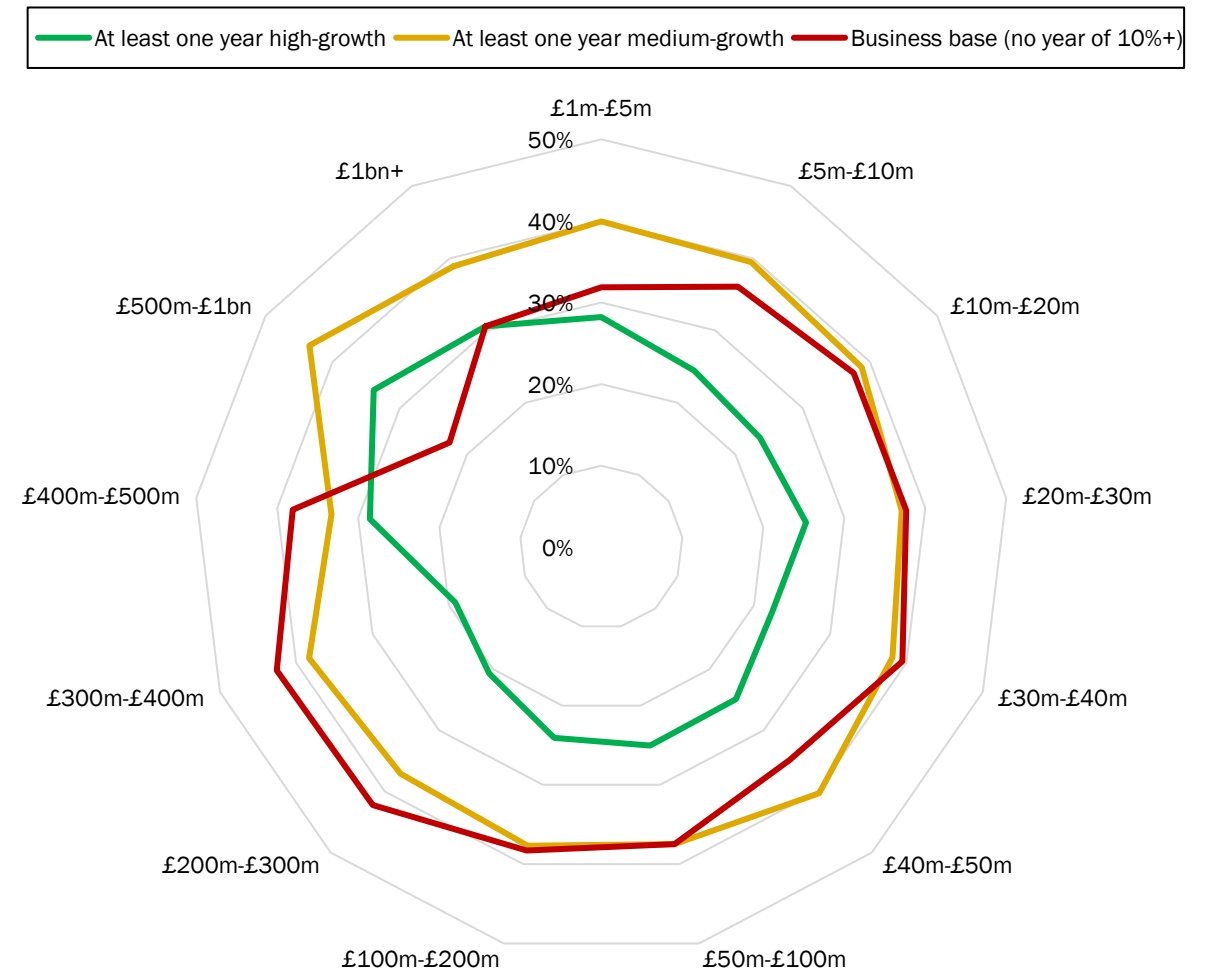
Flows to and from each growth category can be seen in the appendices.

PERFORMANCE IS STILL SKEWED TOWARDS LOWER GROWTH

Despite the improved picture from 2011-16, around 40% of all businesses in each turnover band, did not achieve 10% turnover growth at least once from 2016-20.

High-growth is achieved more frequently (in percentage terms) amongst the largest businesses in Scotland.

Growth performance in Scotland (2016-2020).

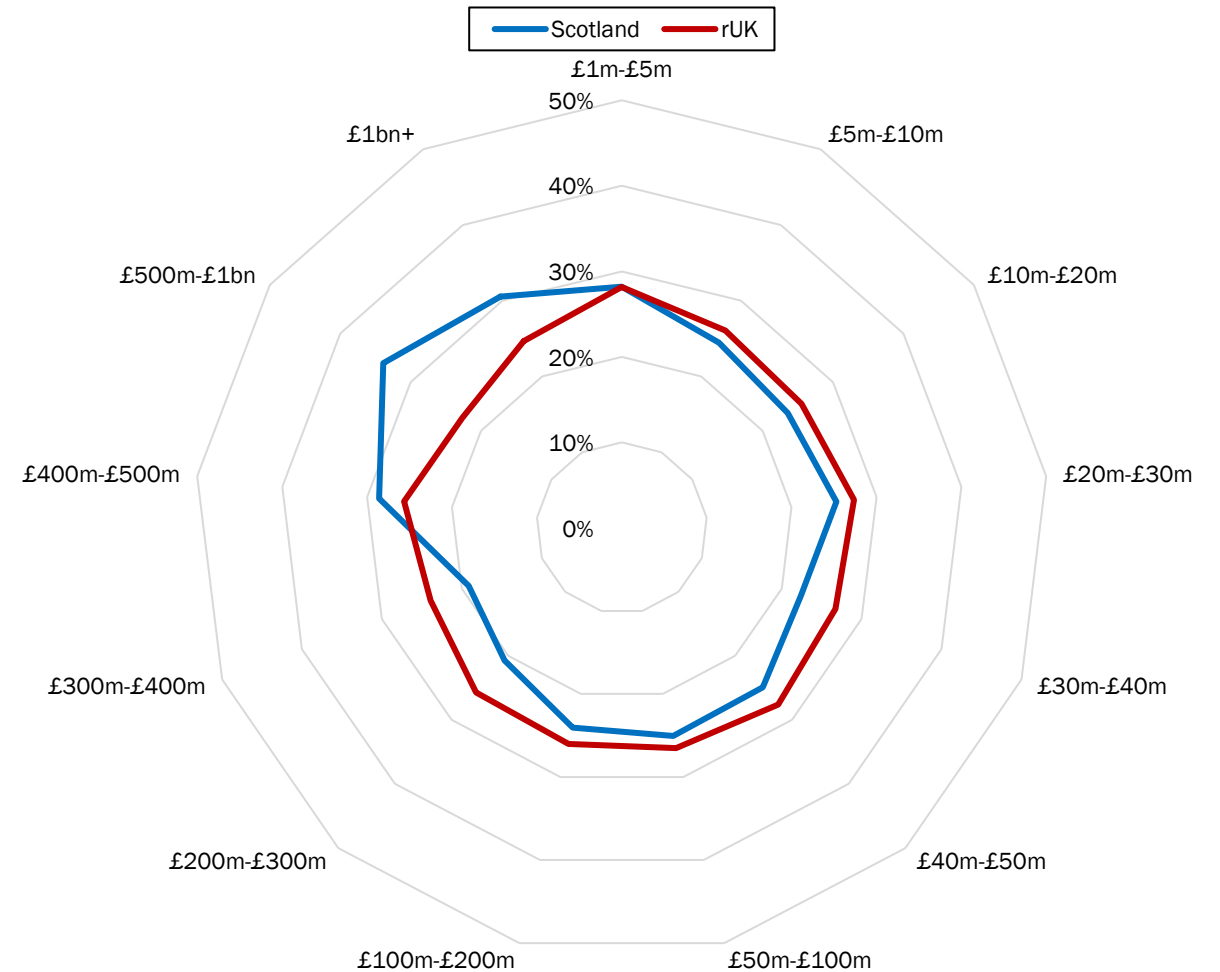


THE RUK CONTINUES TO SEE HIGH-GROWTH WITH GREATER FREQUENCY, ALTHOUGH THE GAP HAS DECLINED

High growth continues to be achieved in lower levels in Scotland and the rest of the UK than lower forms of growth.

In the post £5m turnover bands, Scottish businesses are less likely to achieve high-growth. This gap has decreased since 2011-16, but still remains, indicating one of the principal bottlenecks identified, has weakened, but still is having a negative impact.

At least one year high-growth (2016-2020). Scotland vs rUK



SCOTLAND AND RUK SEES VERY SIMILAR LEVELS OF MEDIUM GROWTH ACROSS ALL TURNOVER BANDS

The percentages of businesses achieving medium-growth, is much closer between Scottish and rUK business performance.

Reflecting the improvement across 2016-20 compared to 2011-16, Scottish businesses are more likely to achieve medium-growth up to £10m, indicating a weakening of the bottleneck previously identified, as smaller businesses have begun to achieve and/or sustain medium growth.

In the £10m-£40m turnover bands however, Scottish business remains (marginally) behind rUK, indicating perhaps that older businesses are not achieving growth to the levels of younger ones*.

As with high-growth, Scotland sees medium-growth amongst more of its largest businesses than the rest of the UK. The gap is not as great in medium compared to high-growth.

At least one year medium-growth (2016-2020). Scotland vs rUK



* Age of growth businesses is considered in the next section.

WHILST THE GAP HAS DECLINED, SCOTLAND STILL SEES A GROWTH BOTTLENECK EMERGE AROUND £5M

Except in the early £1m-£5m and the £500m+ turnover bands, Scottish businesses are more likely to not achieve medium or high-growth at all.

This confirms the continued presence and consequential impact of the bottleneck around the £5m turnover range, for the Scottish business base.

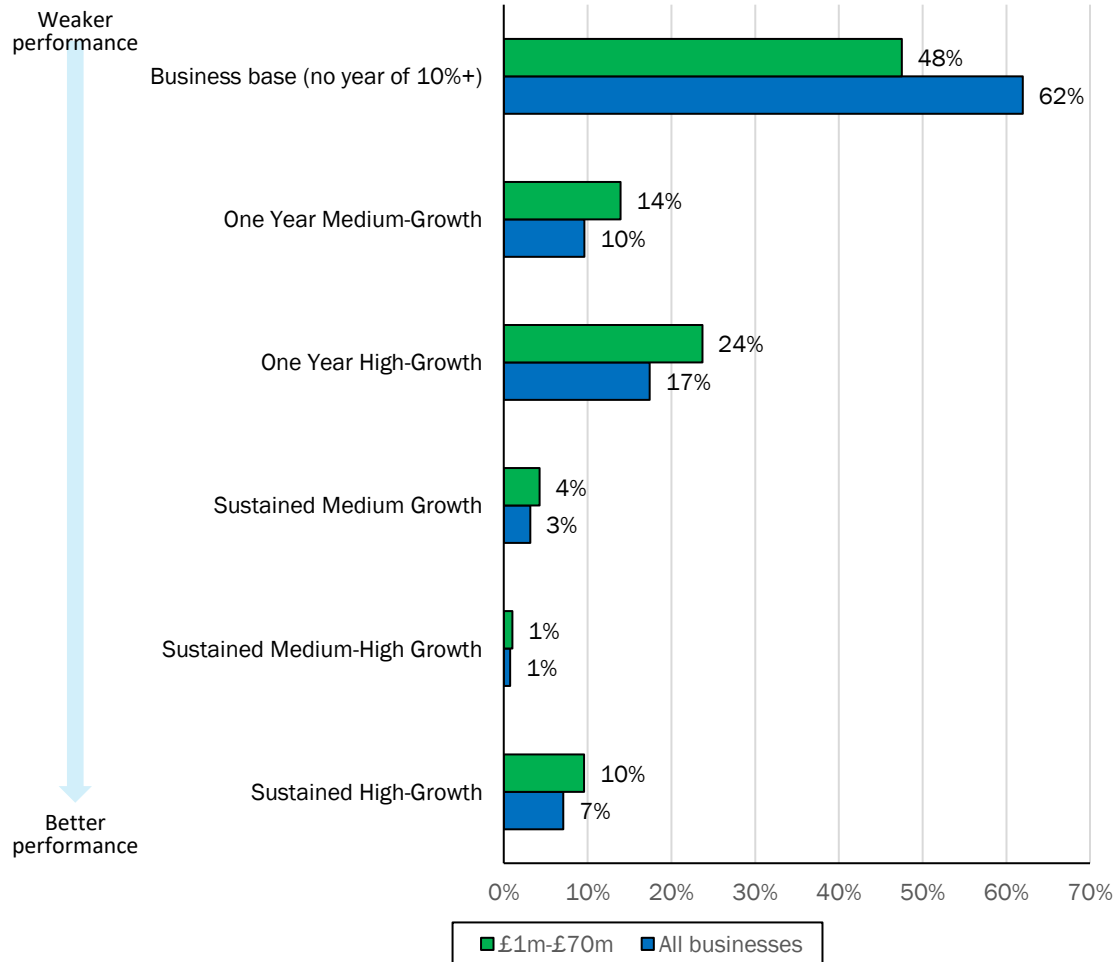
Whilst it has weakened, as noted in the previous slides, the legacy of its existence can be seen in the later turnover bands. But this may not be the sole cause of the lower growth seen in Scotland, as factors such as competition may also play a role.

No year of at least 10% growth (2016-2020), Scotland vs rUK



SMALL AND MEDIUM SIZED BUSINESSES ARE MORE LIKELY TO SEE HIGHER AND SUSTAINED GROWTH

Growth patterns in Scotland 2016-20
(£1m-£70m businesses vs all businesses)



SMEs of £1m-£70m turnover* in Scotland were more likely to achieve growth – of any kind.

They are more likely to achieve one year growth than the overall business base used in this research, reflecting still the challenge that Scotland has around businesses achieving *and then* sustaining growth.

Growth appears to have been strongest amongst the £1m-£70m turnover band, given the findings in this table, alongside the previous slides highlighting the (still) strong growth performance in Scotland of £500m+ turnover businesses.

It suggests that smaller and medium sized businesses in Scotland began to grow and sustain growth, at a much higher rate in 2016-20 than before.

The next section of the report considers the impact of business age on growth, and how this relates to turnover size.

* This category of £1m-£70m emerged from the previous research as a consequence of its initial data collection to assist in prospecting. It has been repeated here to enable the comparison over time.

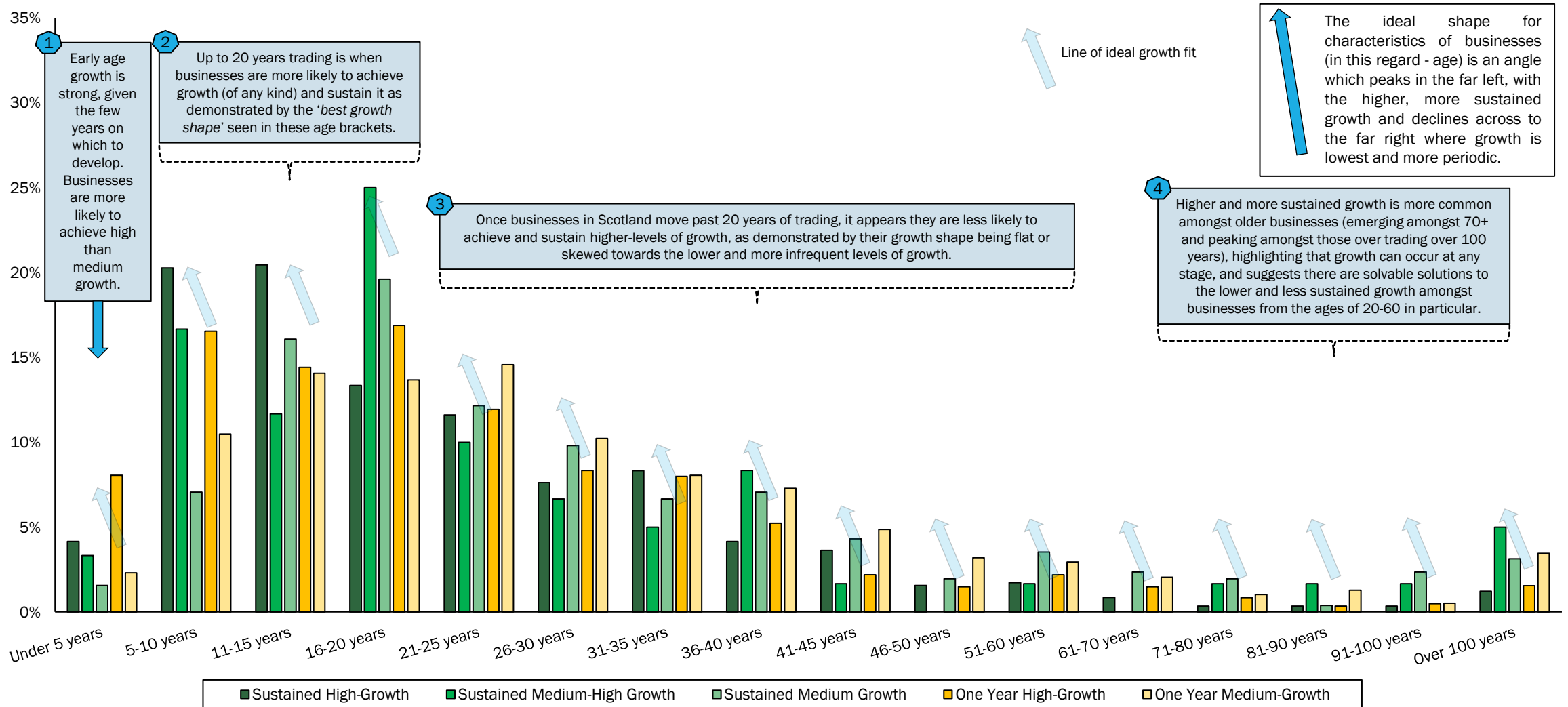
ANALYSIS BY BUSINESS AGE

- **Early age growth is strong, given the few years on which to develop. Businesses are more likely to achieve high than medium growth.**
- **Up to 20 years trading is when businesses are more likely to achieve growth (of any kind) and sustain it (as demonstrated by the '*best growth shape*' seen in these age brackets). This appears to be the time when support could be maximised to enable more businesses do this, and achieve and sustain even higher performance.**
- **Once businesses in Scotland move past 20 years of trading, they are less likely to achieve and sustain higher-levels of growth, as demonstrated by their growth shape being flat or skewed towards the lower and more infrequent levels of growth.**
- **Higher and more sustained growth is more common amongst older businesses (emerging amongst 70+ and peaking amongst those over trading over 100 years).**
- **This highlights growth can occur at any stage and suggests one of the most immediate targets for focus, in order to continue to improve Scotland's business performance, is those established businesses in the age range of 20 to 60 years trading. These are businesses who have grown to a considerable size but whose growth trajectory has slowed and plateaued compared to its early years.**



GROWTH (OF ANY KIND BUT PARTICULARLY HIGHER AND MORE SUSTAINED GROWTH) PEAKS IN THE FIRST TWENTY YEARS OF TRADING

Business age performance in growth (2016-20) (%s reflect the contribution to Scotland's overall % of these businesses).



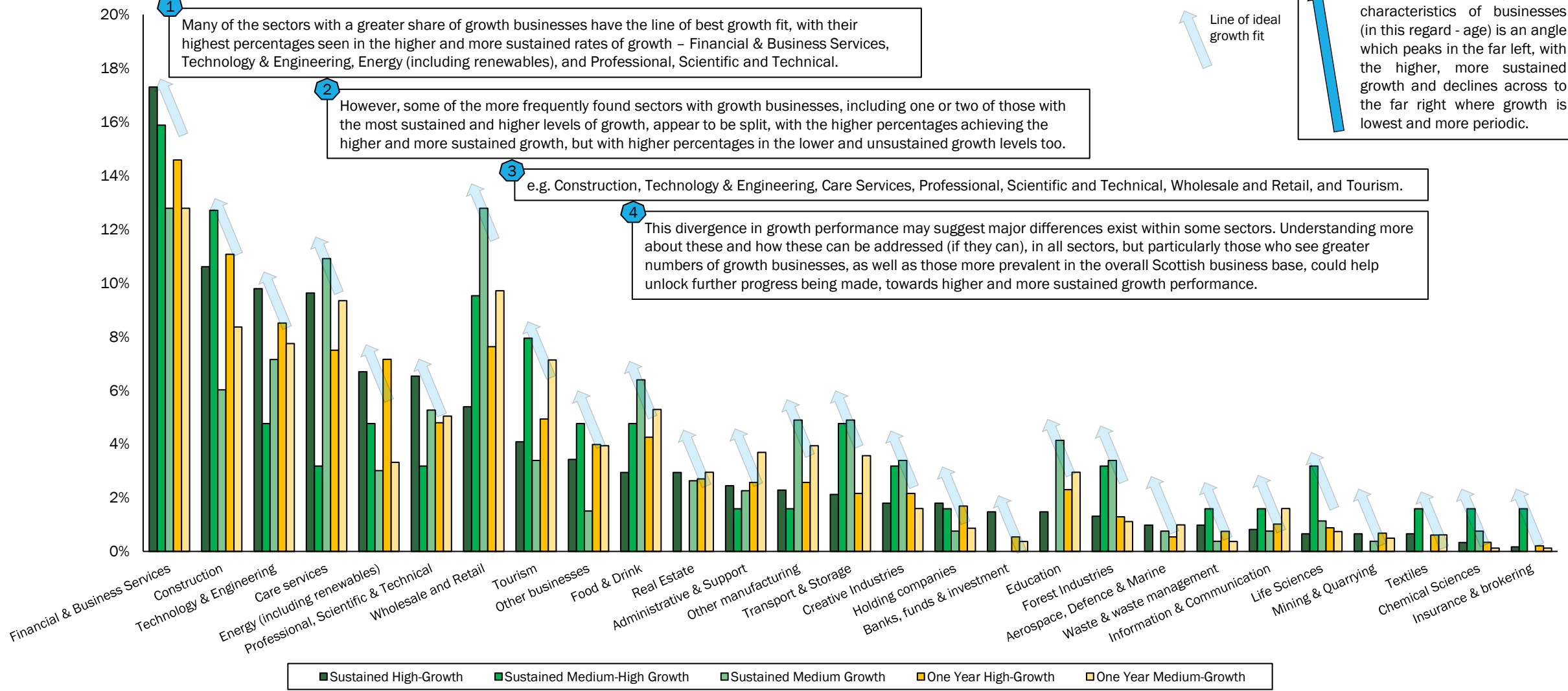
SECTOR ANALYSIS

- **Many of the sectors with a greater share of growth businesses have the line of best growth fit, with their highest percentages seen in the higher and more sustained rates of growth – Financial & Business Services, Technology & Engineering, Energy (including renewables), and Professional, Scientific and Technical.**
- **However, some of the more frequently found sectors with growth businesses, including one or two of those with the most sustained and higher levels of growth, appear to be split, with the higher percentages achieving the higher and more sustained growth, but with higher percentages in the lower and unsustained growth levels too.**
- **For example: Construction, Technology & Engineering, Care Services, Professional, Scientific and Technical, Wholesale and Retail, and Tourism.**
- **This divergence in growth performance within some sectors may suggest major differences exist within some sectors. Understanding more about these and how these can be addressed (if they can), in all sectors, but particularly those who see greater numbers of growth businesses, as well as those more prevalent in the overall Scottish business base, could help unlock further progress being made, towards higher and more sustained growth performance.**



SOME SECTORS ARE MORE DISPOSED TO PRODUCE GROWTH BUSINESSES WITH SOME DISPLAYING SECTOR-SPECIFIC GROWTH TENDENCIES

Growth business performance in Scotland 2016-20. Sector performance by growth category.



REGIONAL ANALYSIS

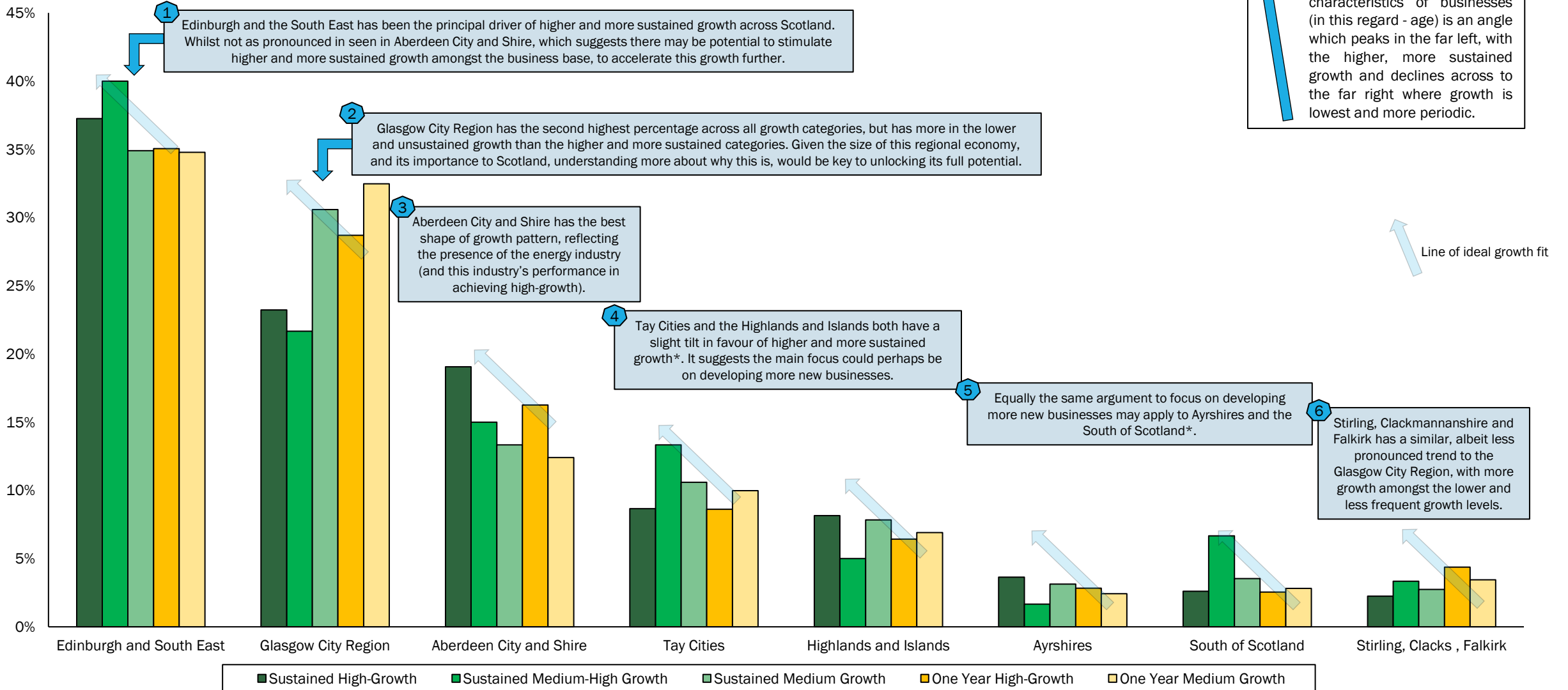
- The regional composition of Scotland's growth businesses corroborates [previous research](#) which indicated the major cities and urban areas performed better, but within them, City of Edinburgh and its regions were seeing growth accelerate more than anywhere else.
- Edinburgh and the South-East has been the principal driver of higher and more sustained growth across Scotland. Whilst not as pronounced in seen in Aberdeen City and Shire, which suggests there may be potential to stimulate higher and more sustained growth amongst the business base, to accelerate this growth further.
- Glasgow City Region has the second highest percentage across all growth categories but has more in the lower and unsustained growth than the higher and more sustained categories. Given the size of this regional economy, and its importance to Scotland, understanding more about why this is, would be key to unlocking its full potential.
- Aberdeen City and Shire has the best shape of growth pattern, reflecting the presence of the energy industry (and this industry's performance in achieving high-growth).
- Tay Cities and the Highlands and Islands both have a slight tilt in favour of higher and more sustained growth*. It suggests the main focus could perhaps be on developing more new businesses.
- Equally the same argument to focus on developing more new businesses may apply to Ayrshires and the South of Scotland*.
- Stirling, Clackmannanshire and Falkirk has a similar, albeit less pronounced trend to the Glasgow City Region, with more growth amongst the lower and less frequent growth levels.

* The lower numbers of Sustained Medium-High Growth has made the percentage appear high in some places e.g. Edinburgh and South East, Tay Cities and South of Scotland. Whilst accurate, remember this is of lower overall numbers than each of the other categories.



GROWTH IS CONCENTRATED IN THE LARGE CONURBATIONS OF SCOTLAND. BUT WITH SIGNIFICANT DIFFERENCES AMONGST THESE FOR THEIR ABILITY TO ACHIEVE AND SUSTAIN HIGHER GROWTH

Regional performance in growth (2016-20) (%s reflect the contribution to Scotland's overall % of these businesses).

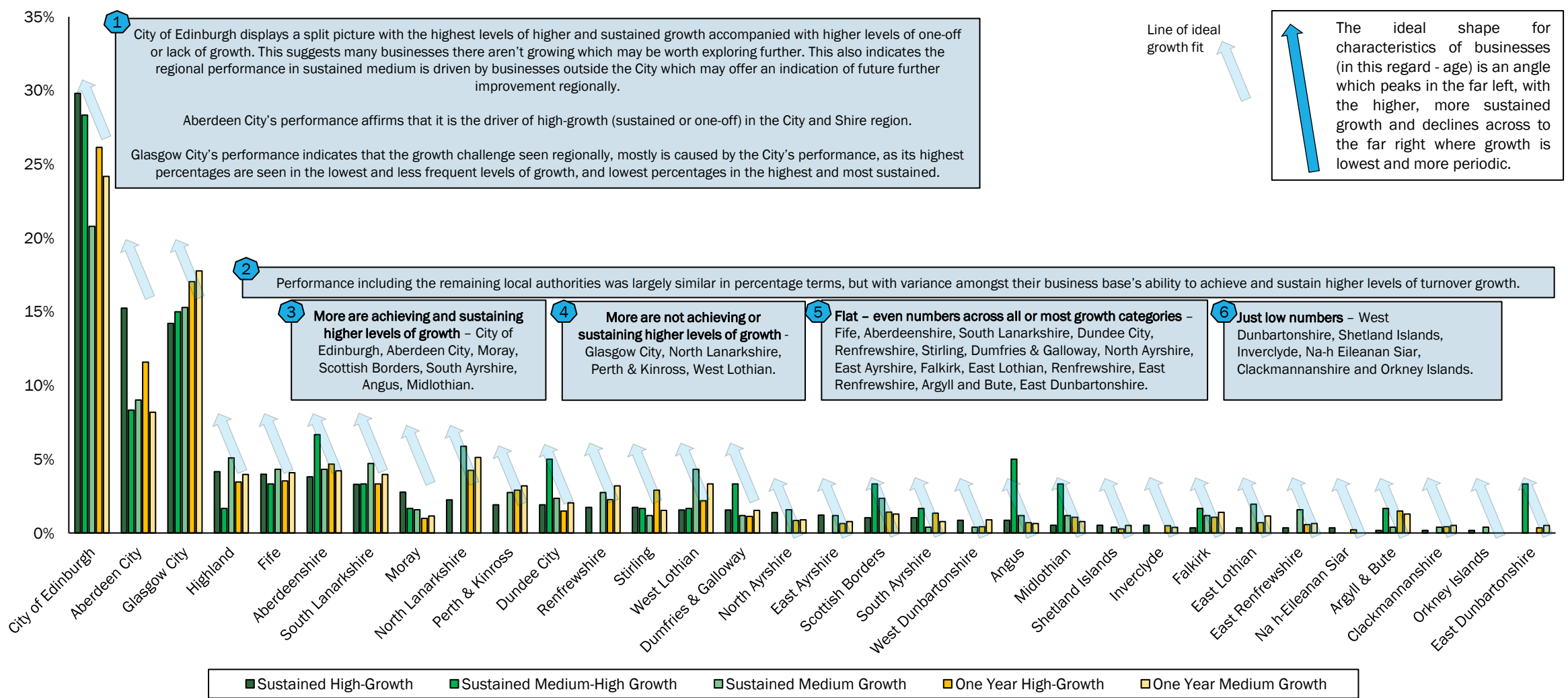


* The lower numbers of Sustained Medium-High Growth has made the percentage appear high in some places e.g. Edinburgh and South East, Tay Cities and South of Scotland. Whilst accurate, remember this is of lower overall numbers than each of the other categories. Remember Scottish Borders and Fife both feature in two regions each.



EVEN WITHIN REGIONS, THERE ARE DIFFERENCES IN THEIR ABILITY TO ACHIEVE AND SUSTAIN HIGHER GROWTH

Local authority performance in growth (2016-20) (%s reflect the authority's contribution to Scotland's overall % of these businesses).



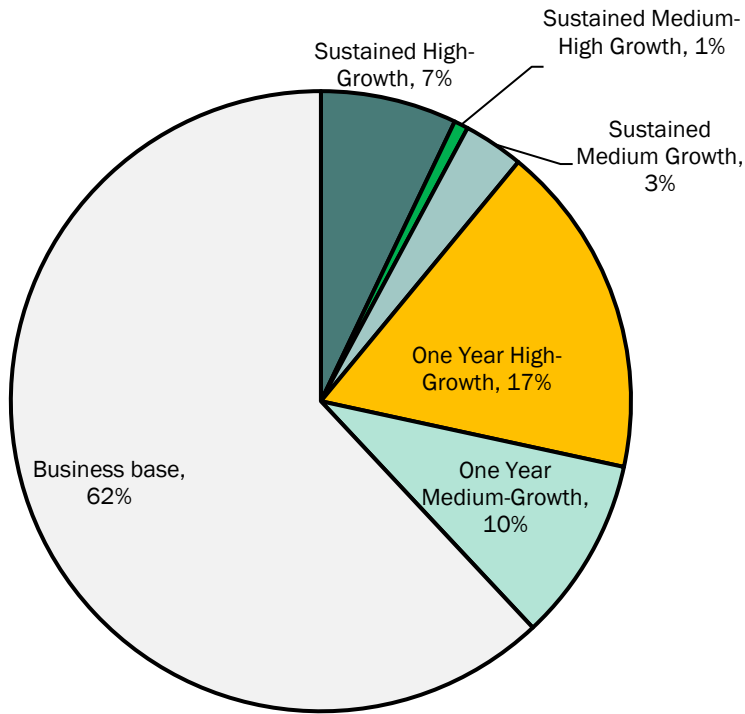
* The lower numbers of Sustained Medium-High Growth has made the percentage appear high in some places e.g. Aberdeenshire, Dundee City, Angus, Midlothian, East Dunbartonshire. Whilst accurate, remember this is of lower overall numbers than each of the other categories.

APPENDICES – FURTHER BREAKDOWNS

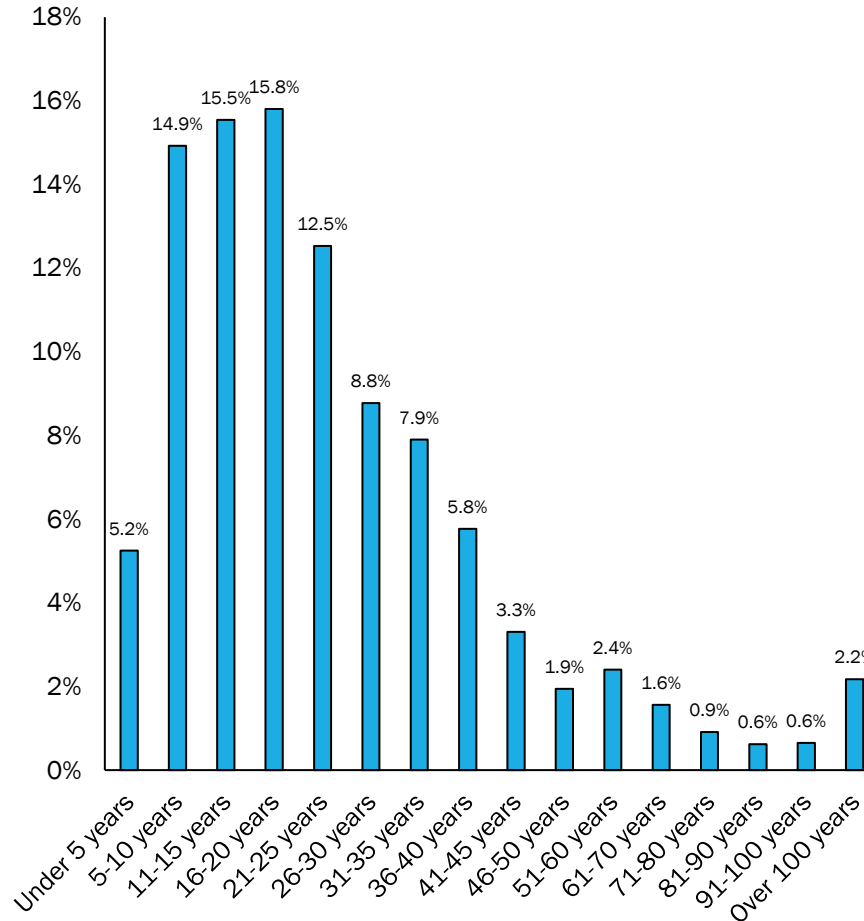
- Demographics of growth businesses 2016-20 (two slides)
- Flows from and to Business Base (2011-16 to 2016-20)
- Flows from and to One Year Medium Growth (2011-16 to 2016-20)
- Flows from and to One Year High-Growth (2011-16 to 2016-20)
- Flows from and to Sustained Medium Growth (2011-16 to 2016-20)
- Flows from and to Sustained Medium-High Growth (2011-16 to 2016-20)
- Flows from and to Sustained High-Growth (2011-16 to 2016-20)
- Growth business performance by business age
- Growth business performance by sector
- Growth business performance by region
- Age breakdown of growth business performance
- Regional breakdown of growth business performance

DEMOGRAPHICS OF GROWTH BUSINESSES 2016-20

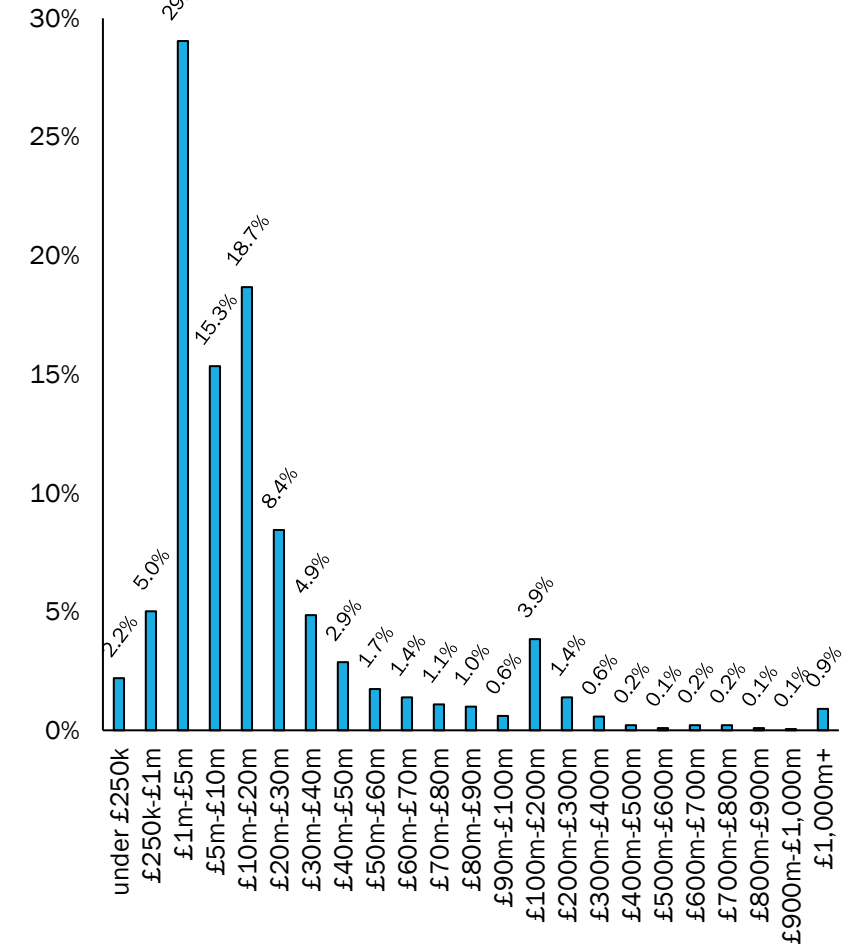
Share of businesses from 2016-20 by growth category.



Share of growth (10%+ turnover growth in any year) businesses from 2016-20 by business age.



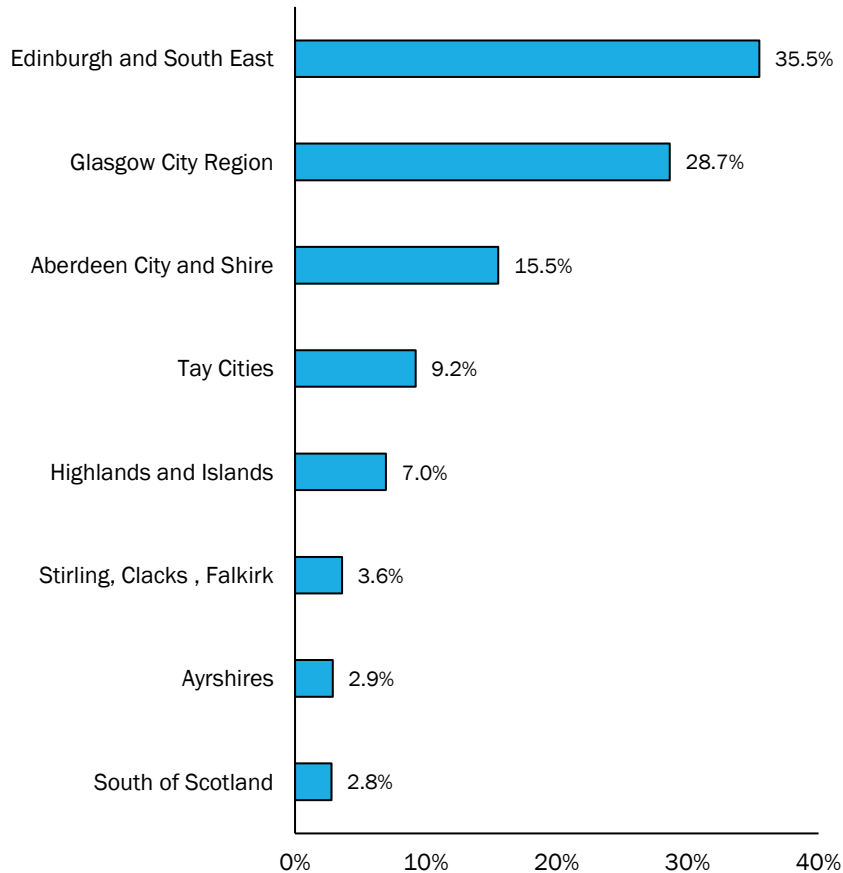
Share of growth (10%+ turnover growth in any year) businesses from 2016-20 by turnover (in most recent year).



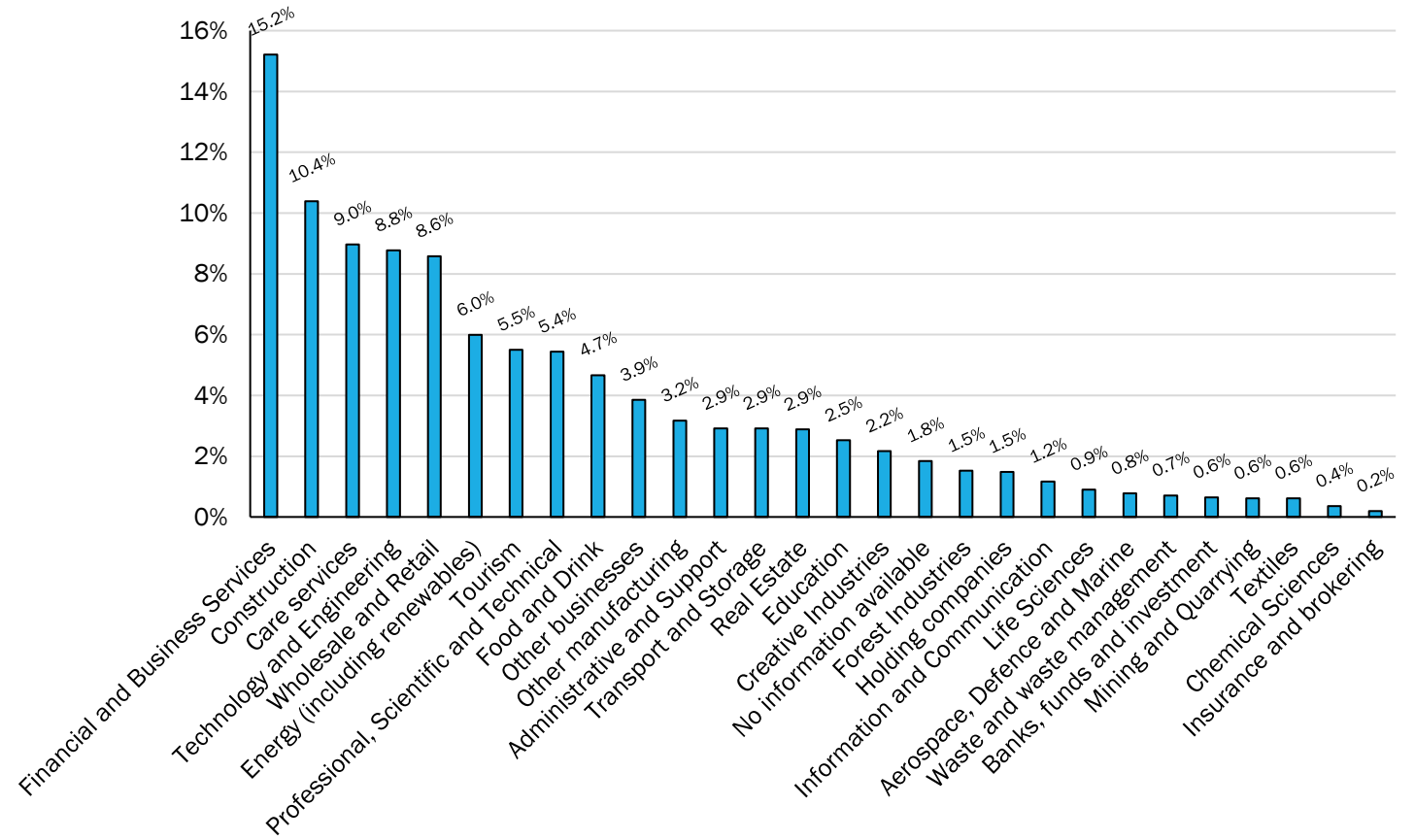
* All figures excluding breakdown by growth category excludes business base. Businesses in Fife and the Scottish Borders feature in two regions each. Some businesses appear in more than one industry.

DEMOGRAPHICS OF GROWTH BUSINESSES 2016-20

Share of growth (10%+ turnover growth in any year) businesses from 2016-20 by region.



Share of growth (10%+ turnover growth in any year) businesses from 2016-20 by sector.



* All figures excluding breakdown by growth category excludes business base. Businesses in Fife and the Scottish Borders feature in two regions each. Some businesses appear in more than one industry. Remember Scottish Borders and Fife both feature in two regions each.



FLOW FROM AND TO BUSINESS BASE 2011-16 to 2016-20



Source: SE analysis of Companies House data extracted from FAME. Please note these are only businesses who feature in both lists (with Companies House number)

[Click to see the flow from business base \(2011-16\) and to business base \(2016-20\)](#)



FLOW FROM AND TO ONE YEAR MEDIUM GROWTH (OYMG) 2011-16 to 2016-20





FLOW FROM AND TO ONE YEAR HIGH GROWTH (OYHG) 2011-16 to 2016-20

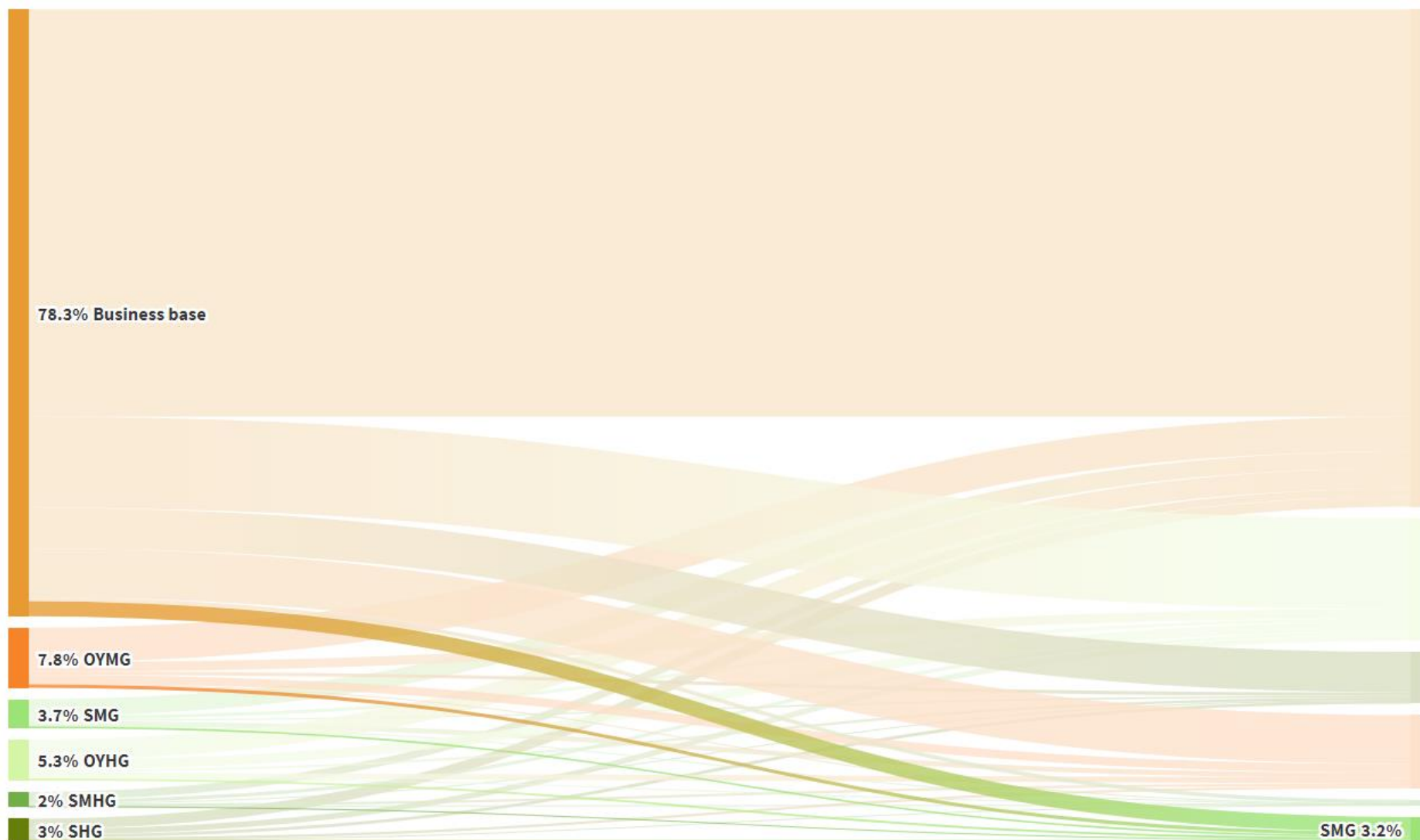


Source: SE analysis of Companies House data extracted from FAME. Please note these are only businesses who feature in both lists (with Companies House number)

[Click to see the flow from OYHG \(2011-16\) and to OYHG \(2016-20\)](#)



FLOW FROM AND TO SUSTAINED MEDIUM GROWTH (SMG) 2011-16 to 2016-20

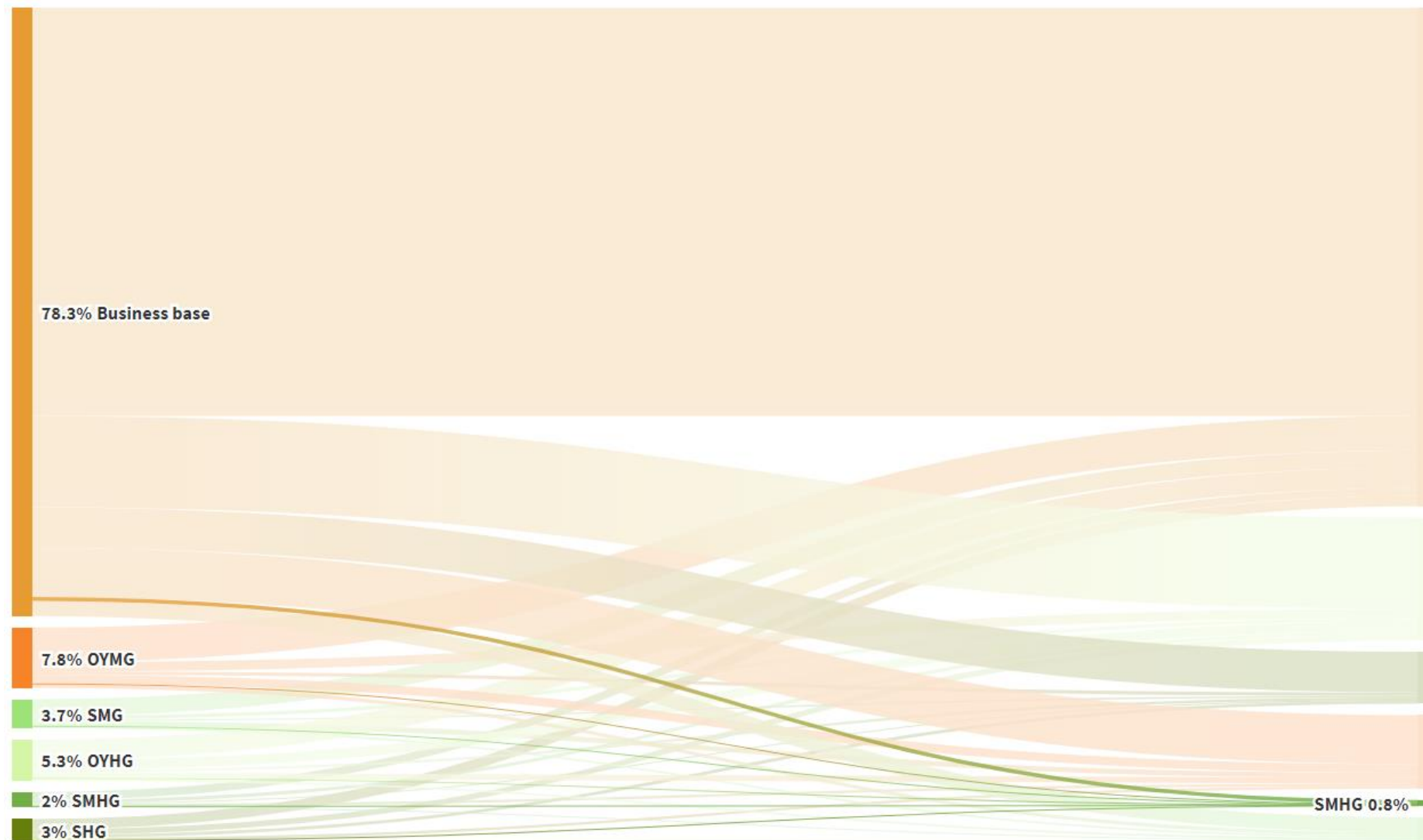


Source: SE analysis of Companies House data extracted from FAME. Please note these are only businesses who feature in both lists (with Companies House number)

[Click to see the flow from SMG \(2011-16\) and to SMG \(2016-20\)](#)



FLOW FROM AND TO SUSTAINED MEDIUM-HIGH GROWTH (SMHG) 2011-16 to 2016-20



Source: SE analysis of Companies House data extracted from FAME. Please note these are only businesses who feature in both lists (with Companies House number)

[Click to see the flow from SMHG \(2011-16\) and to SMHG \(2016-20\)](#)



FLOW FROM AND TO SUSTAINED HIGH GROWTH (SHG) 2011-16 to 2016-20

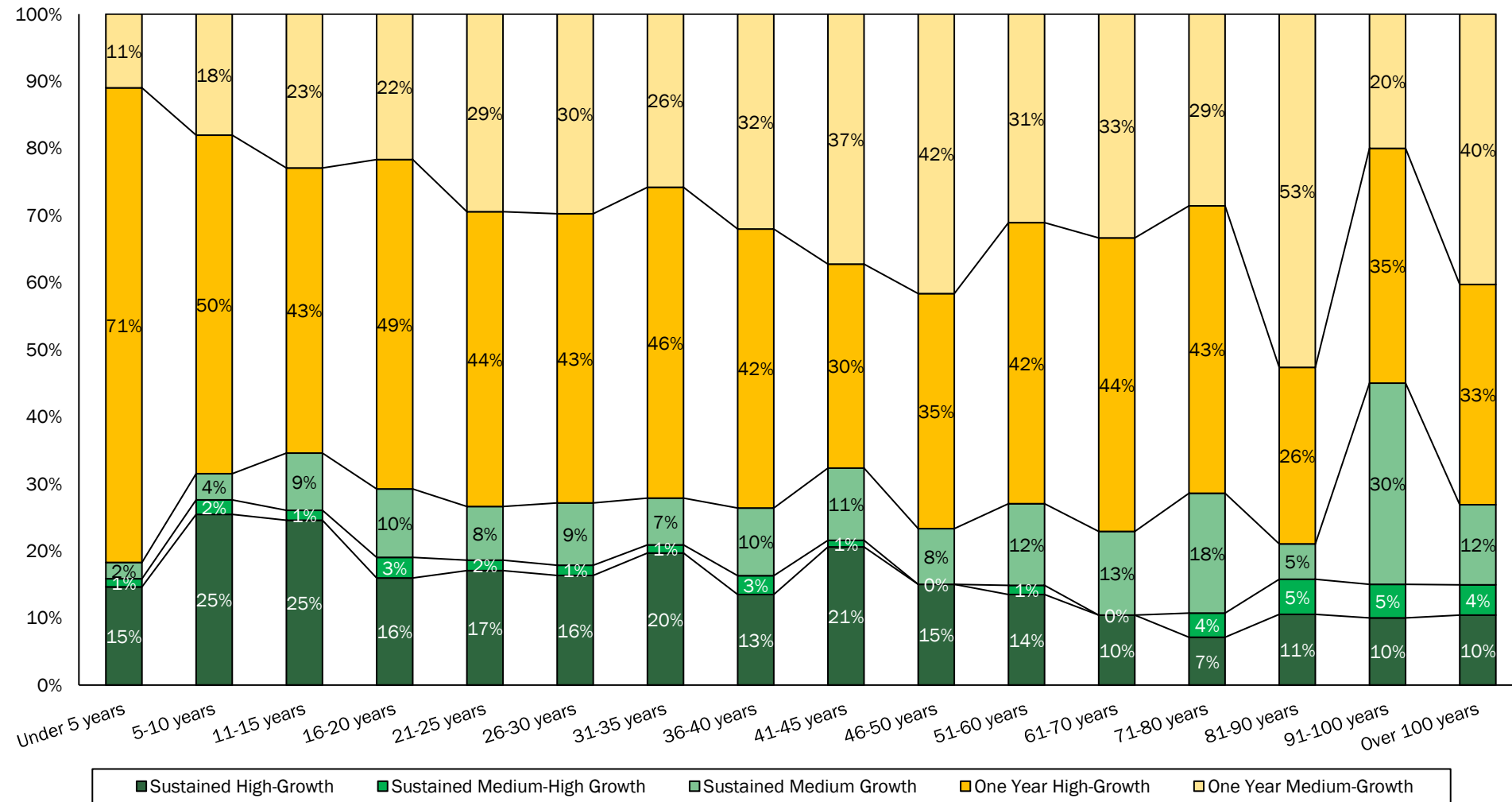


Source: SE analysis of Companies House data extracted from FAME. Please note these are only businesses who feature in both lists (with Companies House number)

[Click to see the flow from SHG \(2011-16\) and to SHG \(2016-20\)](#)

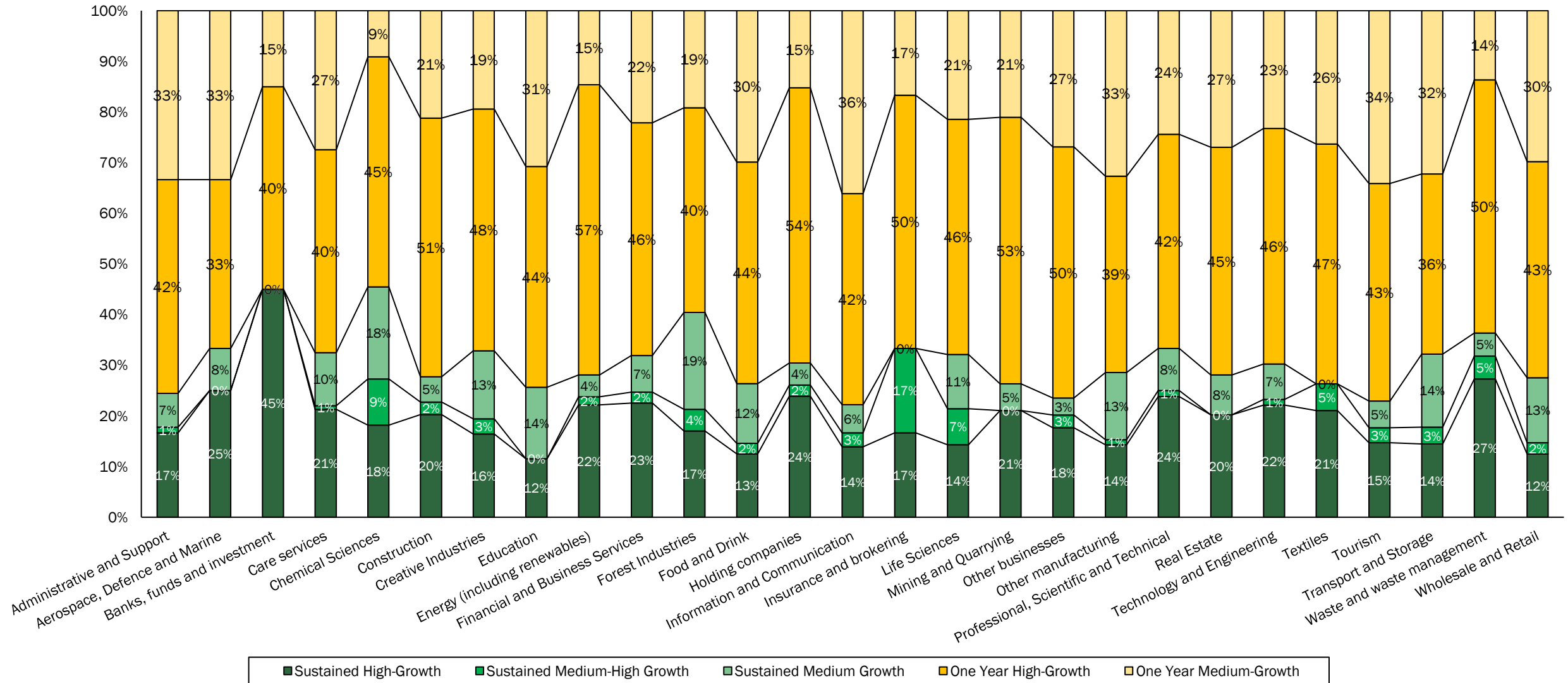
GROWTH BUSINESS PERFORMANCE BY BUSINESS AGE

Growth business performance in Scotland 2016-20. By age (businesses of £1m-£100m turnover).



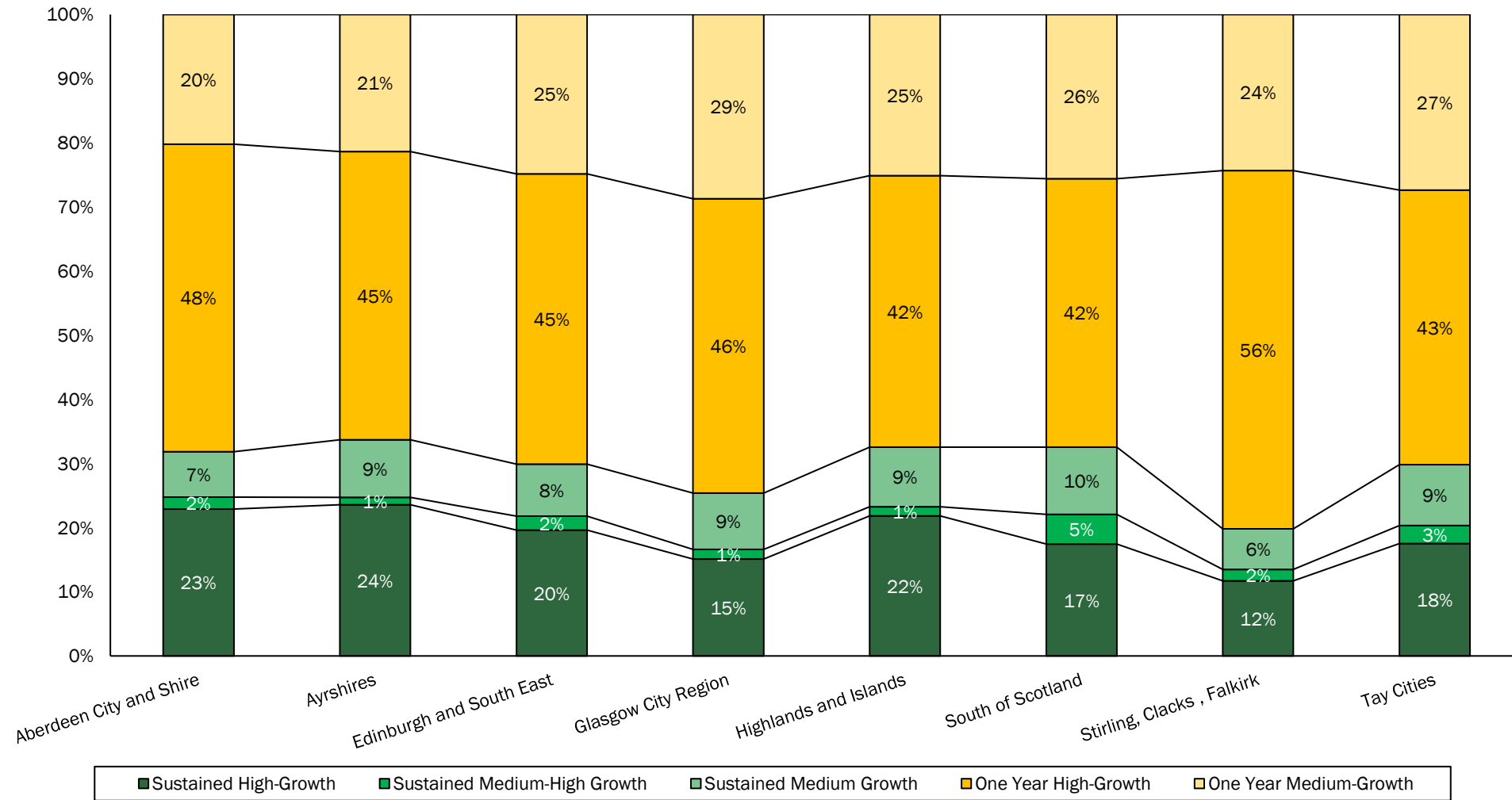
GROWTH BUSINESS PERFORMANCE BY SECTOR

Growth business performance in Scotland 2016-20. By sector.



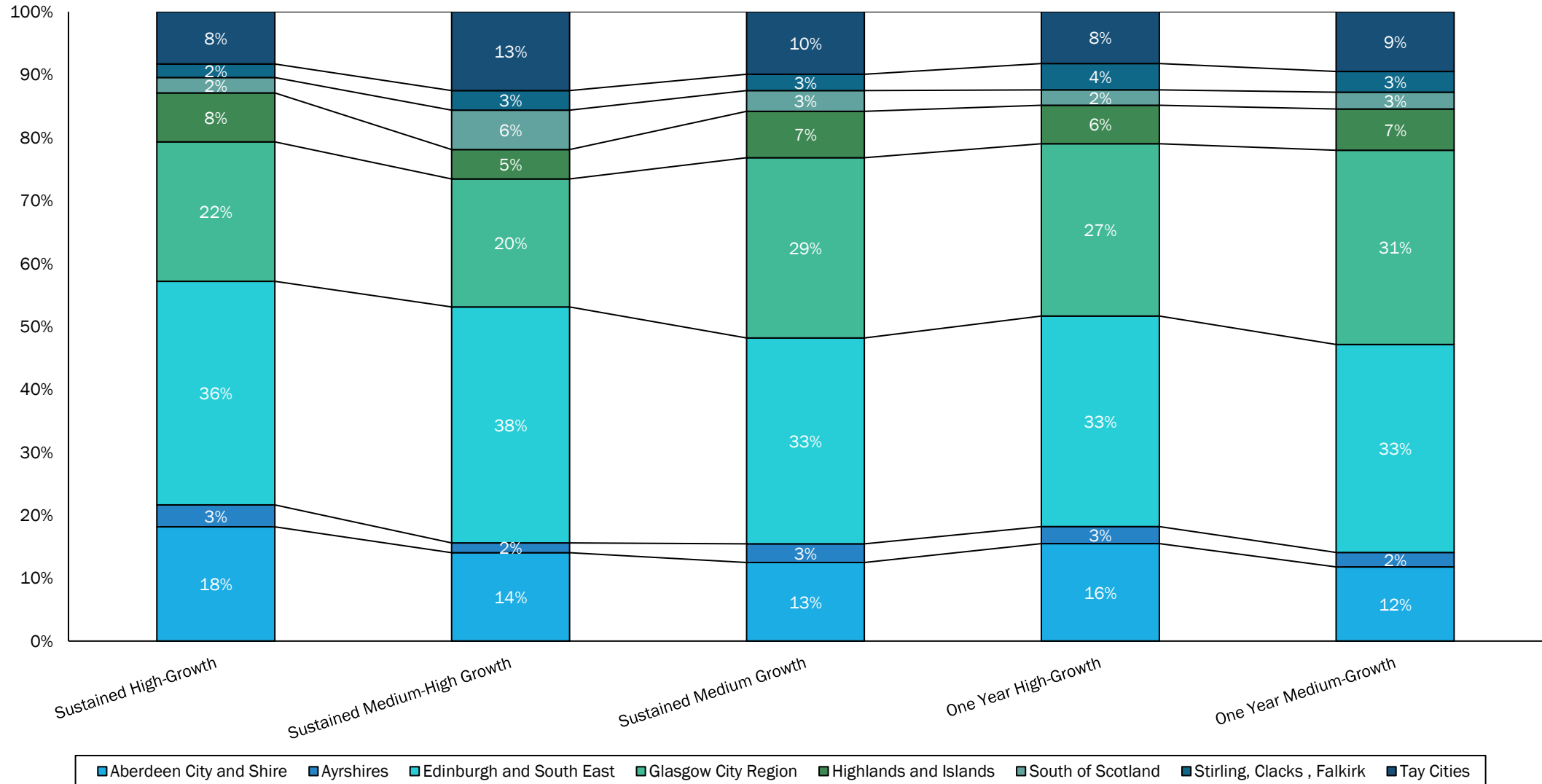
GROWTH BUSINESS PERFORMANCE BY REGION

Growth business performance in Scotland 2016-20. By region.



REGIONAL BREAKDOWN OF GROWTH BUSINESS PERFORMANCE

Growth business performance in Scotland 2016-20. Regional performance by growth category.



A 3D illustration of a road with a red arrow pointing forward and three white arrows pointing in different directions, set against a maze background. The road is dark asphalt with yellow and white dashed lines. The maze is made of white blocks. The red arrow is the largest and is in the center. The three white arrows are smaller and are on either side of the red arrow.

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