LEP TASK AND FINISH:
START UP AND SCALE UP

SUMMARY

THE ISSUE:

GM performs moderately well for the numbers of overall start-up businesses relative to other UK cities. In 2016 there were 20,535 new businesses created in GM. There is, however, significant variation between local authorities.

In contrast, there are approximately 1,500 “scale-up” firms in GM, employing a total of 141,856 people and with a total turnover of £19.2 billion. The majority are concentrated in the centre and south of the City region, plus Bolton - including most LA primary town centres (Trafford Park, Leigh, Northenden, Irlam and Sale). However, the evidence also again reveals significant variation between the districts - rates in Trafford are more than twice those of Wigan.

To date, GM has maintained a good general record of being an attractive place to begin operating a new business, both because of the general support available but also because of an environment that values enterprise. Start-Ups continue to play an important part in economic growth, and success has been reinforced by an overall long-term strategic approach at the policy level, with a shared understanding of their value. They are important for innovation, competition and enterprise. It is nevertheless critical partners in GM avoid treating start-ups as a homogenous group but instead begin to disaggregate where possible - recognising that different types of start-up have different support needs if they are to succeed.

THE OPPORTUNITY:

The opportunity for GM going forward is about ensuring more local businesses scale-up, as this is where the greatest overall gain to the economy (in terms of GVA and employment) is likely to be. More can and should be done. While there has been awareness of the potential of scale-up to date, there is real value in GM partners collectively identifying this as shared priority and overall ambition, so that the message filters through consistently at every level.

We have 1,500 scale ups in GM employing 141,856 people with a total turnover of £19.2bn. The return from improving the growth of our top 100 scale up companies by just 1% would be the equivalent to +£65.5 m (using the fame database).

This “deep-dive” work into start up and scale ups has shown that the economic returns are gained from targeting growth in scale-ups. 60% of UK’s nominal GDP comes from small companies, 75% in Germany. We have all major UK Banks and insurance company business plans targeting growth in SMEs in the North. Indeed whilst looking into start-ups and scale ups thinking in Government and major financial institutions on growth has also coalesced around scale-ups. Indeed, the University of Manchester itself has started to focus on scale ups and the work it does with SME’s.

THE ACTIONS:

GM policy going forward across all partners should be more clearly orientated to supporting scale-up alongside start-up, and setting a clear GM ambition to be collectively worked towards. This message
should be embedded within the GM Local Industrial Strategy, currently under development – with the suggestion to establish a “Scale Up pilot” working through BEIS.

This report suggests that the LEP endorse a number of targets for GM to become:

- The best place in the world at scaling up businesses;
- The best place in the world at commercialising IP; and
- The best place in the world for bottom-up economic data.

A stronger attempt needs to be recognise the importance of peer-led advice models, where the peer can act as a gateway and help to signpost towards wider support or tailored interventions. Central to this is understanding how each partner within the GM eco-system plays a role in that to avoid duplication and an over-complex landscape. This report therefore recommends convening a scale-up cluster group under the LEP which would bring together all the work on scale-ups across the City-Region by organisations operating through public money so we can coordinate efforts and optimise impact.

We also recommend that we should put a pilot in our Local Industrial Strategy so we can pave the way in the UK on optimising growth in scale-up companies in GM. Working with the major Banks on harvesting the data they have on local companies, their supply chains and improving market knowledge and connectivity.

It’s also critical to consider the issue around the general quality of data which limits the ability of GM partners to make fully accurate decisions around start-up and scale-up. The main concern being that not all records represent operational firms, but also that no currently available data source can break down companies’ turnover or employment by area. In terms of next steps the report recommends initiating a further piece of work to consider what can be done to improve the data, particularly to check and challenge the data at a local/ district level. This must also include reaching out to the banks who will have excellent data, particularly in relation to SMEs – and will help us better understand supply chain relationships. Recommend that this report back to the LEP by the end of the year.

It’s important that partners continue to work together to maximise the number of such spin-outs. This report recommends that a cluster group also be established on the issue of IP to bring back some specific actions to the LEP. This should not be chaired by a LEP member but rather the suggestion is that this be led by the Vice Chancellor of Manchester Metropolitan University. Again, recommendation is that this group report back to the LEP by the end of the year.
INTRODUCTION

1.1 The Greater Manchester LEP established a Task and Finish Group (TFG) in November 2017 to identify ways that the City-Region can most effectively support start-up activity. The Group has been chaired by Lorna Fitzsimons, and membership includes Mark Hughes (The Growth Company), Clive Memmot (GM Chamber of Commerce), Sarah McKenna (MSB Leaders), Sue Hodgkiss (William Hare Ltd), and Lees Whitehead (Newhey Carpets).

1.2 The aim of this TFG has been to develop a better understanding of for example online support, direct advice, premises support); and identify what the data tells us about the role and performance of both start-up and scale-up businesses in the GM economy. As part of this, it has aimed to get a more precise understanding about the perceived and actual barriers to start up and scale-up, and to recommend a series of actions in response to accelerate the change.

1.3 The work of the TFG will particularly help to support the delivery of at least two priorities within the recently refreshed Greater Manchester Strategy. More specifically it will support the GMCA ambition for GM to have “good jobs, with opportunities for people to progress and develop” (Priority 4), and “a thriving and productive economy in all parts of GM” (Priority 3).

1.4 This report is based on some recent research conducted at the GM level, but has also drawn upon a number of recent surveys and reports, with as far as possible a GM perspective overlaid. It has subsequently been tested with local business leaders and partners to help determine where action should be focused going forward.

START-UPS

Why are start-ups important?

1.5 It is widely accepted at the national and city-regional level that the volume and rate of business start-ups is indicative of a more productive economy and prosperous society. Moreover, high volume of start-ups can be seen in some ways as a more helpful indicator than business survival rates of a dynamic and growing economy (GM’s business survival rates, for example, are better than London’s). In recent years, attention nationally has increasingly also focused on scale-up businesses, based on the premise that these more established/larger but still rapidly growing businesses deliver the greatest bang for buck in terms of both GVA and employment.¹

1.6 A good volume of start-ups are potentially significant because:

- They indicate that they are operating within an economy where entry to the market is relatively simple/easy;
- Start-ups are more likely to be faster growing and more productive than established companies (although not necessarily employ more people);
- The more there are, the more survive to become successful/growing companies and employers, and therefore make a long-term contribution to the local economy.

¹ Scale Up Report cites that increasing the UK’s scale-up population by 1% should drive an additional 238,000 jobs and £38 billion to GVA within three years.
1.7 A higher proportion of scale-ups are important because these are potentially the companies that are most likely to deliver the best combination of employment numbers and productivity. At the same time it can also increase resilience in an economy, reducing dependence on a small number of large corporates.

1.8 Although business birth rates in the North of England are lower than those in the Midlands and London they remain higher than those for the East of England and the south outside the capital. Survival rates for Northern businesses compare relatively well to those for the UK as a whole. The North West has a slightly higher rate of one year survival than the national rate. [FSB]

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1.9 In order for GM to achieve the overall ambitions set out in the Greater Manchester Strategy, we need significantly larger volume, value and density of start-up (and scale-up) businesses. Specifically, the GMS commits to a target of 117 start ups per 10,000 by 2020. This equates to at least 5,000 more start-ups per year by 2020. The GMS does not contain a specific target on scale-ups, but references feedback from businesses that we need to do more to support business growth, particularly in high value start-ups and SME ‘scale ups’, and commits to work with businesses to overcome key barriers to growth – including skills, innovation, access to finance, export promotion, and leadership and management – by aligning all services around the needs of the employer.

1.10 In 2016 there were 20,535 new businesses created in GM, and around 14,110 business deaths; the net business birth to deaths was 6,425. Business density (i.e. the number of businesses per head of population) is relatively lower in GM than the rest of the UK. There were around 115.3 new businesses started per 10,000 resident working age population in GM in 2016; this compares to 100.0 for the UK. In total there were around 631 companies per 10,000 resident working age population in GM in 2016; this compares to 683 in the UK.

1.11 Greater Manchester (GM) continues to be an attractive place to start a new business. Business births in GM grew by 29% in 2016, up from 15% in 2015, outpacing the UK (8%) and Core Cities’ (11%) average, and making GM the best performing city region in the UK in terms of growth. Business births per 10,000 working age population rose from 90 in 2015 to 115 in 2016, marking growth of 28% and once again placing Manchester ahead of the UK (100 births/10,000 population, 8% growth) and Core Cities’ (85 births/10,000 population, 10% growth) averages. This extends the recent trend of strong growth in Greater Manchester, with business births per

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2 Core Cities are defined as Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham, and Sheffield. These cities together are represented in the Core Cities UK group as major urban areas outside London working together and facing similar challenges. [https://www.corecities.com/](https://www.corecities.com/)
10,000 working age population more than doubling from climbing from 53 in 2010, and propels the conurbation to the best performing city region outside of London.

1.12 There is significant variation between local authorities within Greater Manchester, with start-up rates in 2016 three times higher in Bury (the highest performing area with 189.6 start-ups per 10,000 working age population) than Tameside (the lowest performing area, with 63.2 start-ups per 10,000 working age population). Although all areas have seen consistent growth in start-up rates, Wigan and Tameside lag behind other areas, seeing both the lowest levels of growth and lowest rates of start-ups between 2011 to 2016 of all areas.

1.13 Despite a strong performance for rates of start-ups across most of Greater Manchester, survivability of these firms is nevertheless something to watch. First year survival rates for start-ups have been dropping steadily from 2011 to 2015 across all areas, and are below the national average. Three-year survival rates remain more steady between years, but still less than two thirds of start-ups survive their first three years in Greater Manchester (58.2%, below the national average of 60.8%, also less than two thirds). The major challenge for Greater Manchester remains in ensuring the survival of new firms, and helping scale up these fledgling businesses.

Figure 1: Business births per 10,000 working age population across Greater Manchester, 2016

Source: ONS Business Demography 2017
What are the barriers to start-ups in GM?

1.14 There are a range of barriers to business growth in general that have been identified in consecutive GM Business Surveys, including: workforce skills, access to finance, growing trade and new markets, investing in innovation; and implementing digital technologies and resource efficiency. Barriers to trade are also reflected by the fact that for a conurbation of its size, the level of exporting from GM is half the value that would be expected. All of these could form part of an explanation of why also GM has fewer scale-up companies.

1.15 The 2017 GM Business Survey conducted by the GMCA on behalf of the Growth Company found that the number of respondents identifying a lack of staff or skills as a main barrier to growth has decreased significantly from 30% in 2016 to 19% in 2017. While there has also been a reduction in the proportion of businesses that reported that they trade internationally 16% in 2017 (down from 24% in 2016) there has been a significant reduction in the number of respondents citing barriers to trading such as lack of knowledge, taxation/tariffs and compliance with local regulations.

1.16 Fewer firms have reported barriers to innovation – 81% reported that there were no barriers to innovation in 2017 compared to 71% in 2016. There is also a pattern of interaction with trade, innovation and engagement in training and development (skills active activities). Positively it has also demonstrated that business support users are more likely than non-business support users to have experienced growth in employment and to anticipate growth over the next 12 months.

1.17 Over the series of surveys run since 2012, the main barriers to growth have been access to finance (up to 30% in 2017 from 22% in 2016), a lack of staff or skills (19%, significantly down from the 2016 figure of 30%) and access to markets/sales opportunities (23%, down from 27%). Note that in the 2017 survey, these factors are joined by business location and premises (21% in 2017, an increase from 10% in 2016) which is the third most significant factor ahead of workforce and skills in fourth. Barriers to trade are also reflected by the fact that for a conurbation of its size, the level of exporting from GM is half the value that would be expected. The GM Business Survey 2016 and HMRC data also reveal low levels of understanding and take-up of tax incentives currently available for research and development.

1.18 The GM 2016 Deep Dive concluded that “more research needs to be undertaken to understand the characteristics of business start-ups in GM, in particular whether different types of firm and ownership face different barriers to growth, including: women entrepreneurs, family ownership, BME owned businesses; and enterprise start-up and growth firms owned by young people, and older residents (50+yrs). At present, data from the Longitudinal Small Business Survey provides UK level data on women-led, minority ethnic group-led and family-owned SMEs, finding that, while family-owned businesses account for 69% of all UK SMES, women-led firms accounted for only 21% of UK SMES and minority ethnic group-led just 5%.”

Areas where a start-up might need help

Note, however, that the question wording in 2017 was changed from ‘lack of staff skills’ to ‘your workforce and skills’ (to create consistency with the wording of the question around drivers of growth). This will influence the findings and may explain the drop from 30% to 19%.
1.19  Mentoring is important: In the very early days, individuals need to understand all the
different aspects of running a business, but in order to be fully effective, the mentoring has to be
delivered by someone who is still in business and operating, and/or is still current to business
and has gone through the hoops very recently. It may very challenging for something like a
Growth Hub to constantly have refreshed people to deliver this kind of service. To do it better
could potentially mean using more people with direct business experience. Could consider role
of established and successful business owners being paid ‘consultancy’ to deliver such
mentoring as an incentive.

1.20  Access to affordable finance is also important. As well as managing issues around employees
such as recruiting, training, upskilling, managing, and disciplining within the constraints of
employment law. Sales and marketing is a consideration, especially for new businesses. With
the introduction of GDPR in 2018, awareness around fully legal types of marketing would also be
helpful. Bitesize courses could help - available outside of working hours, that business owners
can pick and choose either for them or their employees based on what they need to enhance
their knowledge, would be a good way to address the above, and help ‘fill in the skills gap’.

1.21  Getting the right advice for growth is important, as knowledge prevents people from taking
the next step; a business may not know the next step or where to go to find out what the next
step is, so this prevents growth. There can be trust issues as to whether or not a business is
getting the right advice. Some people start out not knowing business basics such as PR. Meeting
the right people is also vital – but time spent networking needs to be balanced against time
directly engaged on business.

1.22  Resources that are generally available for support are often good at helping growth in the
businesses so that can survive without the “entrepreneur”, but more is help is needed to grow
small businesses that are currently heavily reliant on one central figure. Business owners may
hope their enthusiasm carries through to employees at every level, but in reality it can dilute as
more layers are added, which can cause difficulty in growing the business. The growth of the
business is therefore inevitably reliant on the capacity of the entrepreneur to run and grow
business at the same time. The ability of the person who set up to be able to delegate so that
the business can continue to grow is also a factor; finding the right Managing Director to put in
place so the entrepreneur can focus on growing the business

SCALE-UPS

Why are Scale-Ups Important?

1.23  ‘Scale-up’ companies play an important role in driving overall economic growth and
aggregate productivity. Scale-ups do this by increasing allocative efficiency, or in other words, by
helping to concentrate resources such as labour and capital towards more productive activities.
Aggregate productivity growth has stagnated in the UK over the past ten years, leaving
productivity no higher now than before the financial crisis.

The OECD defines scale-up companies as:

Enterprises with average annualised 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 observation period.

1.24  One of the reasons put forward to explain this so-called ‘productivity puzzle’ has been a shift
towards smaller companies that are less likely to employ capital investment (and associated
revenue investment) than previously would have happened through major PRIME manufacturing companies, that typically led a lot of investment (R&D, training etc.) within local economies.

1.25 **The ScaleUp Institute’s The Scale-Up Report on UK Economic Growth** (2014) highlights that since 2000, while there has been an increase in the overall business population, this has been driven by an increase in the number of businesses without employees. Further, there has also been a drop in the number of large firms in the UK – both absolutely and in relative terms – and the UK has a lower share of large businesses than many international peers, including the US.

1.26 While the UK has a strong track record of being an excellent place to start a business, it continues to lag behind the US and other leading economies in terms of scale-ups. As The Scale-Up Report on UK Economic Growth highlights, closing this ‘scale-up gap’ can play an important role in driving productivity growth and raising the overall performance of the UK economy.

1.27 **The Scale-Up Report on UK Economic Growth** reports that:

- 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, research by NESTA shows a possible boost of £96 billion per annum;
- Long-term analysis by Deloitte shows a potential of £225 billion additional GVA and 150,000 net jobs by 2034.

1.28 Evidence from The ScaleUp Institute’s Annual Review 2017 shows that scaling businesses generate more productive jobs than the average and provide employment opportunities across a spectrum, including: work experience, apprenticeships, graduate jobs, and non-executive directorships.

**Characteristics of Scale-Ups**

1.29 The ScaleUp Institute’s (SUI) *Annual Scale Up Review 2017*, draws upon the data from their 2017 business survey, their ScaleUp Index 2017 (based on data provided by Beauhurst), as well as ONS Inter-Departmental Business Register datasets from 2013 to 2015. The Review identifies the following as characteristics of scale-ups:

- **They are productive**: High levels of productivity are twice as common among scale-ups; scale-ups are highly productive averaging £235,000 turnover per employee.
- **They create jobs**: Scale-ups create jobs across all communities, and have both UK and international employees.
- **They are innovative and international**: Two-thirds of scale-ups are involved in international trade, and are twice as likely as their peers to be trading internationally. Scale-ups are twice as likely as their peers to have innovated in the past three years.
- **They are across all sectors**: Scale-ups span the economy; the majority of them operate in sectors outside of technology.
- **They are high quality**: Scale-ups help create high-quality jobs with more satisfied employees.
- **They are diverse**: 47% of all scale-ups have at least one female director.
• **They are good corporate citizens**: 74% of scale-ups offer opportunities to young people through work experience, internships, or apprenticeships.

• **They plan to grow**: Most scale-ups expect to grow again in the coming year. 77% expect to achieve 20%+ turnover growth; 52% expect to achieve 20%+ employee growth.

![Figure 2: Expected Growth](source: ScaleUp Institute, 2017 Scale-up Survey)

**Current National Scale-Up Landscape**

1.30 ONS data covering 2013 to 2016 indicate that the number of businesses classified as scale-ups in the UK has risen from 26,985 in 2013 to 35,210 in 2016, 30% growth over the two year period. In 2016, these businesses generated around £985bn in turnover and over 3.5 million jobs. However, when differentiating between types of scale-up, ONS data reveals that, from 2013 to 2016, the number of scale-ups growing by turnover increased by 43%, while the number of scale-ups growing by employment only grew by 9%. Further, there is little overlap between the two types of scale-up businesses, with just 21% of companies scaling both workforce and turnover.

1.31 Despite witnessing strong performance in recent years, the SUI’s Review notes that a number of barriers to scale-ups persist, and identify five ‘Key Gaps’:

**THE TALENT AND SKILLS GAP**: *Finding employees to hire who have the skills they need*

- In 2017, 90% of scale-ups said that access to talent was “vital” or “very important” to their business continuing to grow.
- Whether that is the social and technical skills of their workforce, **being able to recruit from overseas, or having the talent to win overseas business, is the main challenge reported by scale-ups**.
- Key future skills identified by scale-ups are: critical thinking (57%) and being service/customer orientated (44%). 6 in 10 with overseas staff say it is vital they can continue to bring in this talent.

**THE MARKETS GAP**: *Accessing customers other markets/home market*
• In 2017, **82%** of scale-ups said that access to UK markets was “vital” or “very important” to their business continuing to grow, and **56%** of scale-ups said that access to UK markets was “vital” or “very important” to their business continuing to grow.

• **Being able to access UK and international markets is the second most important factor for the future growth of scale-ups.** Many firms already do business with large corporates and/or Government but see the complex procurement processes and the time involved in bidding as key barriers to doing more. Scale-ups are more international than other SMEs and keen to expand more overseas but continue to cite challenges in being able to access customers and partners. A key barrier is having the people/skills and connections to win the business.

• Selling into both government and large corporates is made more complicated by complex procurement processes (49%), the time it takes to win a contract (37%) and being able to spot relevant contracts to bid for (32%).

• There is appetite to move more into India, Latin America and Africa. Key barriers to international trade are access to markets and partners overseas (41%) and having the staff with the right skills to win overseas sales (40%).

**THE LEADERSHIP CAPACITY GAP: Building their leadership capability**

• In 2017, **65%** of scale-ups said that leadership development was “vital” or “very important” to their business continuing to grow.

• **Scale-ups highlight their need for greater connections to those who know what it is like to grow a business** – whether this is staff, peer to peer networks, or those who have also grown a business, and mentors or non-exec directors. Support from Growth Hubs and local leadership programmes, or from local business schools and universities, is preferred over help from large corporates or the private sector. **Peer to peer networks are seen as the most vital support.**

• Scale-ups are looking for support from people who know what it is like to grow a business, whether as employees (52%), a network of peers (48%) or as non-exec directors (30%) and mentors (29%).

**THE INFRASTRUCTURE GAP: Navigating infrastructure**

• In 2017, **64%** of scale-ups said that access to infrastructure was “vital” or “very important” to their business continuing to grow. Infrastructure remains a critical component to get right for our fastest growing companies, particularly access to scale-up space as the firms grows. The infrastructure challenge is complimentary to other challenges, for example, scale-ups seek much greater support for R&D facilities and university links.

**THE FINANCE GAP: Accessing the right combinations of finance**

• In 2017, **51%** of scale-ups said that access to finance was “vital” or “very important” to their business continuing to grow. While scale-ups use a wide variety of finance, four in ten do not feel they have the right amount of bank and equity finance in place for their needs. Around four in ten use, or plan to use, equity as a source of funding while a quarter have reservations about using it as a source of finance, citing lack of control and knowledge as hindering factors.

• Three quarters of scale-ups are using external finance (75%). But 4 out of 10 do not feel they have the right finance in place for their business. A quarter (28%) are currently using equity finance and 13% plan to use it in the near future. The rest, (59%) cite a fear of losing control, thinking it is not a suitable form of finance, or not really knowing much about equity finance as their reasons for not using this funding.
Are there any key sectors in GM for scale-ups?

1.32 Whilst there is a popular focus on scale-ups in the digital sector, the ScaleUp Institute’s Annual Scale Up Review 2017 highlights that scale-ups operate across all sectors of the economy – rather than any specific sectors - and the majority of them operate in sectors that are not defined as Digital / technology sectors. That said, separate analysis by Beauhurst shows that between November 2011 and September 2017, the UK sectors in which scale-ups were most prevalent were:

- Property/Land Development: (14%);
- Distribution: (7%);
- Misc. Manufacturing & Engineering: (7%);
- Builders: (7%);
- Food and Drink Processors: (6%).

1.33 For GM, the ScaleUp Institute lists key sectors for scale-ups as Manufacturing & engineering, Property/land development and construction. GM’s key sectors are common in scale-ups across all comparator cities, with only builders being more specialised to the city.

1.34 Data from Bureau van Dijk’s FAME database (based on Companies House financial returns) also provides evidence supporting the wide variety and range of industries in which scale-ups operate. For 2017 only, the five largest sectors for scale-ups were wholesale and retail (15% of scale-ups), Business admin & support services (14%), Health (12%), Manufacturing (10%), and Professional, scientific, & technical services (10%). Aside from public administration, there were scale-ups in every broad sector in GM in 2017.4 It should be noted however that while scale-ups are present across all sectors of the economy and therefore it may not be appropriate to target specific sectors, different types of business may require different models of support. Nevertheless, there are a range of common challenges and opportunities for scale-ups which are explored later.

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4 Due to limitations in the reliability of this data, there is no further analysis of sector-specific data in this report. Outside of sources such as Beauhurst and Bureau van Dijk’s FAME that use Companies House data, there is no sector-specific scale-ups data widely available.
Scale-Ups in Greater Manchester

Figure 3: Business births per 10,000 working age population

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*Source: ONS Business Demography 2017 (Core Cities definitions)*

2.1 There are approximately 1,490 scale-ups in Greater Manchester employing a total of 141,856 people and with a total turnover of £19.2 billion. This is equivalent to 83.7 scale-ups per 100,000 working age residents. This is below the UK average (85.0), but above the North West (81.4) and the UK average if London is excluded (79.8).

Figure 4: Headline scale-up stats for Greater Manchester, 2016

<table>
<thead>
<tr>
<th>Total Scale-Ups</th>
<th>Number by Employee Growth</th>
<th>Number by Turnover Growth</th>
<th>No by both Employee and Turnover Growth</th>
<th>Total Employees in Scale-Ups</th>
<th>Total Scale-Ups Turnover (£’000s)</th>
<th>Scale-Ups per 100,000 working age population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,490</td>
<td>570</td>
<td>1,245</td>
<td>325</td>
<td>141,856</td>
<td>19,150,807</td>
<td>83.7</td>
</tr>
</tbody>
</table>

*Source: ONS IDBR 2016*

2.2 A larger proportion of businesses scale-up on the basis of turnover growth rather than growth in the number of employees. In 2016 around 570 business in GM (38% of all scale-ups) qualified as scale-ups based on growth in employees and 1,245 (84%) based on turnover, with 325 (22%) falling into both categories.
2.3 All other areas nationally followed similar trends. This is, however, a marked change from previous years. In 2013 in GM, 540 (48%) qualified as scale-ups on the basis of employee growth and 855 (76%) on the basis of turnover, with 270 (24%) in both categories. Again, all other areas nationally followed almost identical trends. Whilst the number of businesses in GM that qualify as scale-ups by turnover growth has grown by 46% between 2013 and 2016, those qualifying by employee growth has grown only 6%.

2.4 There is significant variation between local authorities within Greater Manchester for scale-ups, with scale-up rates in 2016 over twice as high in Trafford (the highest performing area with 124.0 scale-ups per 100,000 working age population) than Wigan (the lowest performing area, with 59.3 scale-ups per 10,000 working age population).

2.5 Notably, many districts that performed well for start-ups perform less well for scale-ups. Bury, for example, while seeing by far the highest rates for start-ups is among the lowest for scale-ups. Manchester, Salford, and Stockport perform favourably in both measures, although not as strongly for scale-ups. Only Trafford performs well in both measures.

Figure 5: Scale-ups per 100,000 working age population across Greater Manchester, 2016

Source: ONS IDBR 2016
Figure 6: Where are the Scale-ups?

How does Greater Manchester compare against others?

2.11 GM performs well compared both to other Core Cities and the national average (excl. London) in number of scale-ups for the working age population, second only to Bristol amongst Core Cities. GM also performs well in value of these scale-ups (as measured by turnover per employee), sitting behind only Newcastle and Cardiff amongst other core cities. However, at £135,002 average turnover per employee, GM’s scale-ups are significantly lower value than London (£606,481 per employee), national averages (£159,224 per employee, excluding London), and regional average - £150,354 per employee for the North West.

2.12 GM scale-ups are close to the national average (excl. London) in the average number of employees, suggesting it is mid-level businesses primarily that are scaling up, as opposed to Nottingham, Newcastle, and Glasgow where it appears that it is smaller businesses primarily that are scaling up. While scale-ups in most core cities have a higher average number of employees than national rates, Birmingham in particular stands out as significantly above the UK average, with 130.9 compared to 93.8 for the UK excluding London.
Figure 7: Scale-ups in Core Cities and London with national and regional comparators, 2016

<table>
<thead>
<tr>
<th></th>
<th>Scale-Ups per 100,000 working age population</th>
<th>Average Scale-Up Employees</th>
<th>Average Scale-Up Turnover (£'000s)</th>
<th>Average Scale-Up Turnover per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Manchester</td>
<td>83.7</td>
<td>95.2</td>
<td>12,853</td>
<td>£135,002</td>
</tr>
<tr>
<td>Birmingham</td>
<td>75.6</td>
<td>130.9</td>
<td>15,422</td>
<td>£117,860</td>
</tr>
<tr>
<td>Bristol</td>
<td>98.0</td>
<td>106.8</td>
<td>9,901</td>
<td>£92,739</td>
</tr>
<tr>
<td>Leeds</td>
<td>78.9</td>
<td>108.6</td>
<td>12,803</td>
<td>£117,892</td>
</tr>
<tr>
<td>Liverpool</td>
<td>62.7</td>
<td>95.9</td>
<td>7,580</td>
<td>£79,020</td>
</tr>
<tr>
<td>Newcastle</td>
<td>62.6</td>
<td>87.5</td>
<td>14,100</td>
<td>£161,105</td>
</tr>
<tr>
<td>Nottingham</td>
<td>63.7</td>
<td>70.1</td>
<td>7,417</td>
<td>£105,757</td>
</tr>
<tr>
<td>Sheffield</td>
<td>73.6</td>
<td>95.8</td>
<td>10,842</td>
<td>£113,137</td>
</tr>
<tr>
<td>Glasgow</td>
<td>48.8</td>
<td>89.2</td>
<td>10,842</td>
<td>£121,593</td>
</tr>
<tr>
<td>Cardiff</td>
<td>58.4</td>
<td>108.1</td>
<td>15,138</td>
<td>£139,990</td>
</tr>
<tr>
<td>Core Cities combined</td>
<td>72.8</td>
<td>104.9</td>
<td>12,590</td>
<td>£119,999</td>
</tr>
<tr>
<td>London</td>
<td>115.5</td>
<td>134.5</td>
<td>81,542</td>
<td>£606,481</td>
</tr>
<tr>
<td>North West</td>
<td>81.4</td>
<td>97.8</td>
<td>14,701</td>
<td>£150,354</td>
</tr>
<tr>
<td>UK</td>
<td>85.0</td>
<td>101.8</td>
<td>27,982</td>
<td>£274,922</td>
</tr>
<tr>
<td>UK (excl. London)</td>
<td>79.8</td>
<td>93.8</td>
<td>14,939</td>
<td>£159,224</td>
</tr>
</tbody>
</table>

= Above UK average (excluding London)
= Below UK average (excluding London)

Source: ONS IDBR, NOMIS Population Estimates
Conclusions

3.1 This report has given some initial exploration to the current climate for scale-ups in Greater Manchester and the UK, however there are gaps in the evidence and much more work that could be done in the field to inform research and policy-making to support businesses to grow.

3.2 Business start-up rates have risen by 116% in GM and 72% in the UK since 2010, however business deaths and the number of low productivity and low employment firms are also growing. Although encouraging start-ups has been given strong focus in national policy and research, scale-ups have been given less focus. Particularly in the context of faltering productivity growth in the UK, the challenge remains in scaling up these fledgling businesses and encouraging the conversion of small start-ups and struggling smaller firms to larger, more productive businesses.’

3.3 Stability of data – ONS data on scale-ups is volatile between years, in particular for turnover and employment. The data presented in this report is from the best sources currently available, however sit should be used as indicative of overall trends rather than for fine-grained exploration of differences. There is a need to locating and exploring alternative data sources outside of administrative databases. Similarly, ONS data becomes less reliable at lower geographies and does not reach below local authority level. Finding alternative sources that could give a more local view of relative performance would improve GM’s ability to explore these issues.

3.4 Headline figures in this report do not explore many sector specific issues for scale-ups. This is in part as scale-ups appear to exist across all industries and there are many shared issues between scale-ups in different sectors, however there could be merit in examining more specific challenges in each sector. Much of the wider literature explores scale-ups in digital industries, however there is little exploration of any other sectors.