News release

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Nations and regions outpace London for high growth firms

Number of high growth firms – seen as indicator of economic health – reaches nearly 12,000, highest level since the dotcom boom.

The number of companies achieving high growth in the nations and regions of the UK is rising more than twice as fast as in London, new research suggests.

Analysis by the Enterprise Research Centre (ERC), the UK's leading independent institute for research into small and medium size businesses, shows that the number of 'high-growth firms' (HGFs) across the UK has risen to 11,855 – the largest number since the dotcom boom of the early 2000s.

According to the OECD's definition, a HGF is a firm that has at least 10 employees and records an annual average growth of 20% in employment over three years. In 2012-15, HGFs accounted for 7.5% of all firms of this size in the UK.

HGFs are regarded as important 'bellwethers' of economic vitality because, despite accounting for a small proportion of all firms, they generate a disproportionately large share of the increase in jobs. ERC research has shown that HGFs create around a third of the increase in private sector jobs in the three-year periods over which they are measured.

London continues to have the largest number of HGFs both in absolute terms and as a proportion of its population of 10+ employee-businesses among the English Local Enterprise Partnership (LEP) areas (2,430 in 2012/15 or 9.5% of all firms of 10+ employees in the capital).

However, a striking trend since the recession of 2008/9 has been the rapid increase in HGF numbers in areas outside London. The data shows that some parts of England are displaying a dynamic not previously observed that is enabling them to close the longstanding gap with the capital.

Excluding London, England saw its number of HGFs rise by 36% from 2009-12 to 2012-15, from 5,755 to 7,855, making up 7.2% of all 10+ employee-businesses. Over the same period, the number of HGFs in London rose by just 15%, from 2,105 to 2,430.

Scotland increased its number of HGFs by 35% over the same period, from 534 to 722, while Wales' figure went up by 38%, from 265 to 365. In both nations, HGFs formed 6.5% of all businesses of 10+ employees in 2012-15.

Looking at individual LEP areas:

- Liverpool saw the number of its firms classed as HGFs increase by 56% between 2009 and 2015, from 141 to 220. Merseyside now has the second-highest rate of HGFs as a proportion of its total firms with 10 or more employees in England (8.5%), behind only London.
- Other LEP areas with big rises in the number and rate of HGFs include the West of England – covering Bristol and Bath - (up 62% from 154 to 250), Solent – covering Southampton and Portsmouth (up 64% from 185 to 304) and Leeds City Region (up 40% from 384 to 538). These three areas climbed into the national 'top 10' LEPs by 2012-2015, from relatively low rankings in 2009-12, as their proportion of HGFs as a share of the total stock of businesses with 10 or more employees rose substantially.
- Many LEP areas in the South East, meanwhile, saw more modest increases in HGF numbers: Buckinghamshire Thames Valley saw its number of HGFs rise by just 2% between 2009 and 2015 (from 97 to 99), while Oxfordshire's HGF numbers went up from 110 to 122 (11%). As a result their HGF incidence rate ranking fell quite dramatically over the period.

Professor Mark Hart, Deputy Director of the Enterprise Research Centre, said:

> "The number of HGFs in the UK is now at its highest level in well over a decade and it's particularly notable that both urban and rural parts of the English regions are seeing much more rapid rises in such firms than London.
>
> "These are exactly the sort of firms we need more of in our economy, because they create a huge proportion of overall jobs relative to their small size in the business population.
>
> "Some Local Enterprise Partnership areas appear to be creating the right environment in the recovery period for the emergence of more HGFs. We need to learn the lessons of what's working to support fast-growing businesses in these areas so we can replicate it more widely."

Irene Graham, CEO of the Scale-Up Institute, said:

> "Scaling businesses are vital to our local economies, driving jobs, productivity and opportunity. Supporting these high growth firms in their expansion is crucial. Our large corporates, financiers, universities, local authorities, advisors, and LEPs all have critical roles to play in leaning in to support scaling firms.
>
> "We have a tremendous opportunity. Let's make sure we are developing the skills, fostering the talent, and creating the international connections to enable the UK's high growth firms to realise their fullest potential."

CASE STUDY – ChargePoint Technology, Liverpool

One company that has seen explosive growth since the recession has been ChargePoint Technology, based in Liverpool.
Starting with 12 employees in 2009 from a management buy-out, the firm has grown to 63 now and plans to reach 100 staff by 2018. Turnover has grown strongly too, from £4.7m in 2012-13 to £8.3m in 2015-16.

ChargePoint makes specialised valves used in pharmaceuticals and bio-pharmaceutical manufacturing and supplies most of the major drugs firms.

Managing Director Chris Eccles said a key change for ChargePoint was bringing its manufacturing capabilities in-house in 2010: “It’s given us much more flexibility to respond to the market and much more control over our quality and our costs.”

The firm has spent around £2.5m equipping its current production facility and later this year plans to relocate to a new 220,000 sq ft unit with more office and conferencing space.

The company weathered the recession better than most and Eccles believes this is principally due to specialisation and an export-focused outlook: around 85% of the company’s sales are exports.

He also thinks Liverpool’s business support system is working well, helping to nurture firms and allowing them to scale. Liverpool’s Local Enterprise Partnership (LEP), Liverpool Vision and Liverpool City Council had all helped ChargePoint with advice and accessing pots of grant funding.

Many of the jobs the firm has created require high value engineering skills.

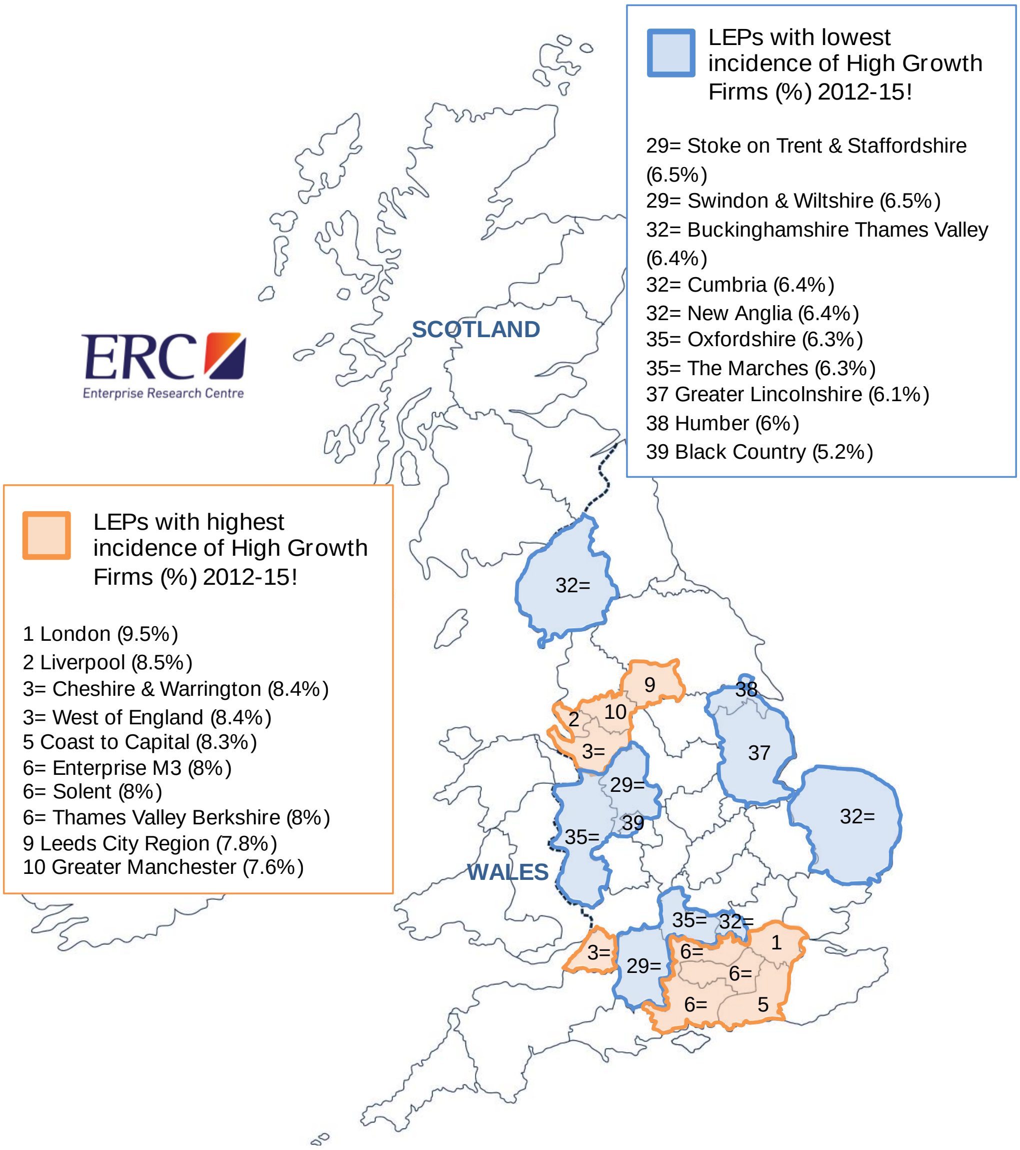
The company has also avoided outsourcing, partly because the costs of running a business with so much high-tech equipment would be similar in emerging markets like China and India.

“The decision to keep our business in the UK is mainly about cost and control. I’m a great fan of making things in Britain and British entrepreneurs and innovators always find ways of doing things more efficiently. I really don’t think we’d be better off elsewhere.”

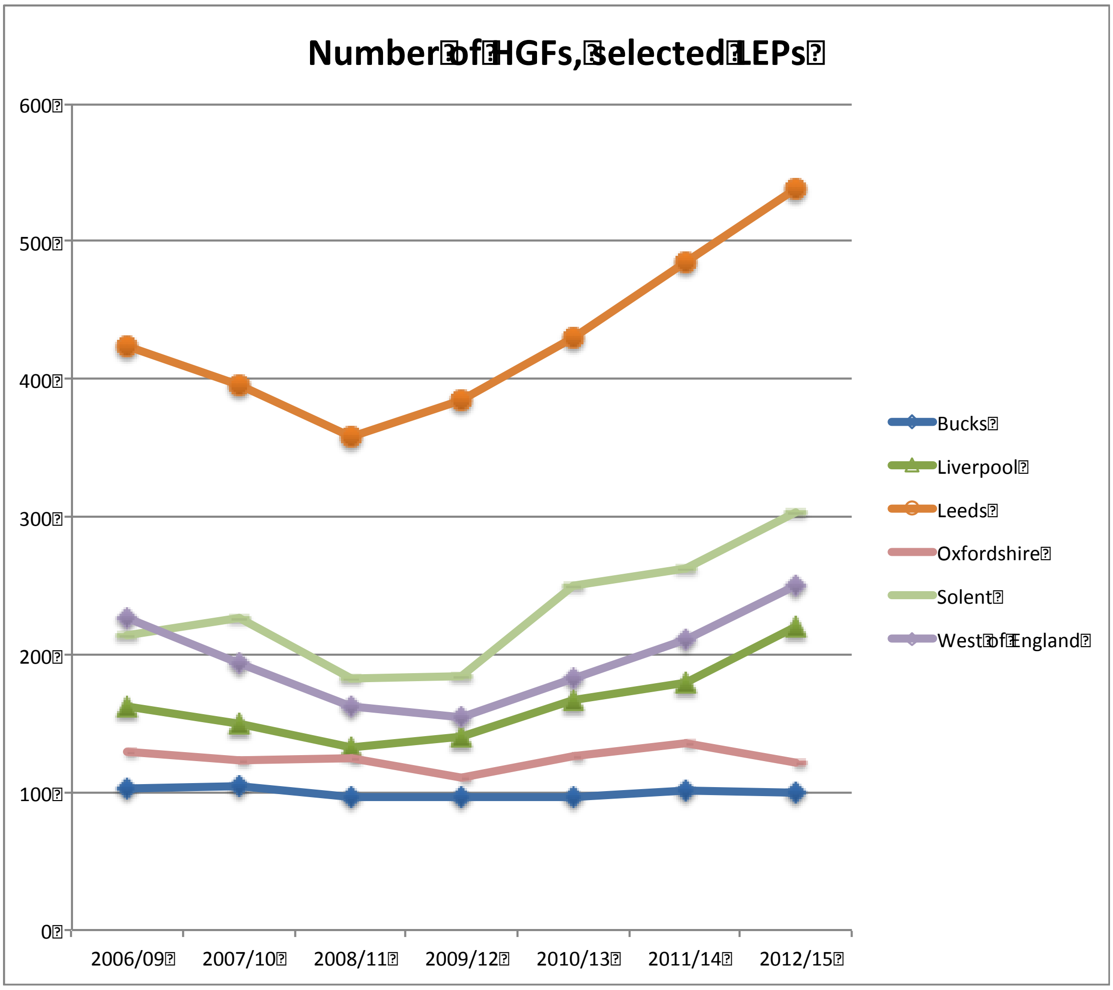
ENDS

1. The OECD High-Growth Firm (HGF) metric has a very precise definition. It includes ‘continuing firms’ (firms which are born before the beginning of a designated three year period and are alive at its end) with at least 10 employees at the beginning of the period, and which record average growth of 20% in employment per annum over the three-year period. We define the HGF incidence rate as the number of HGFs divided by the number of continuing firms with 10+ employees expressed as a percentage of continuing 10+ employee firms.

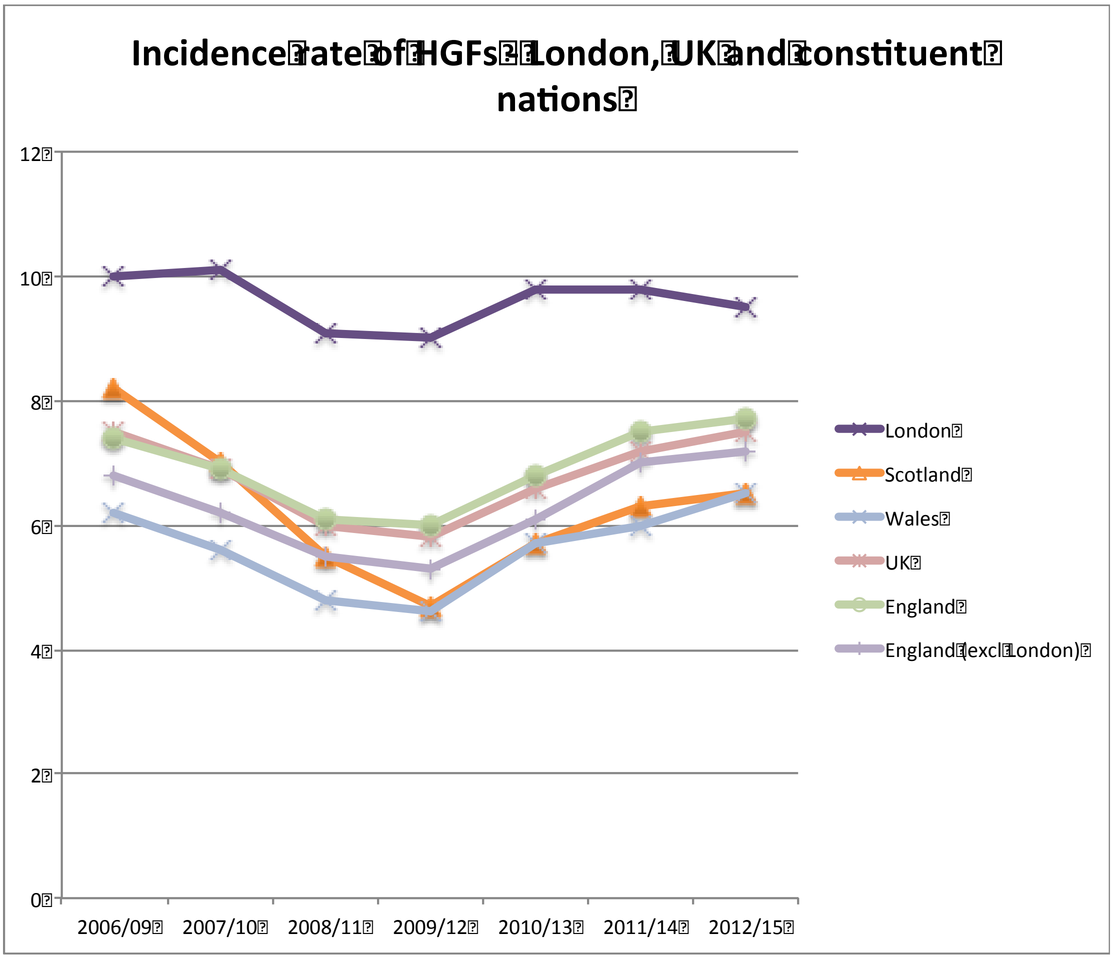
2. Map – English LEPs with highest and lowest incidence of High Growth Firms (HGFs) as a proportion of all firms with 10+ employees, 2012-15.



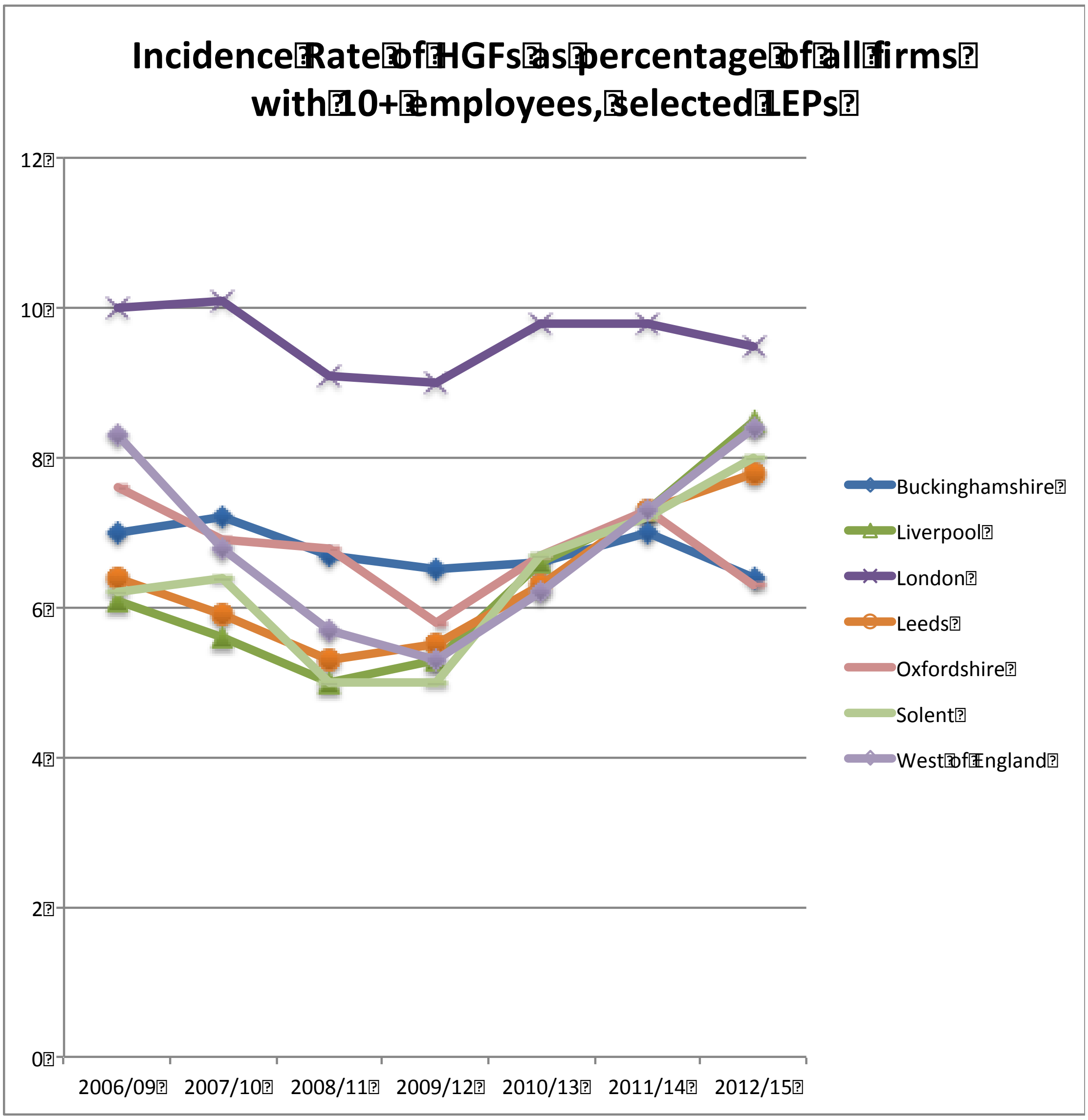
3. Graph – number of HGFs, selected LEPs, 2006-09 to 2012-15:



4. Graph – Incidence Rate of HGFs as proportion of all firms of 10+ employees, London vs England, Scotland, Wales, UK, 2006-09 to 2012-15:



5. Graph – Incidence Rate of HGFs as proportion of all firms of 10+ employees, selected LEPs, 2006-09 to 2012-15:


Incidence Rate of HGFs as percentage of all firms with 10+ employees, selected LEPs
12
10
8
6
4
2
0
2006/09
2007/10
2008/11
2009/12
2010/13
2011/14
2012/15
Buckinghamshire
Liverpool
London
Leeds
Oxfordshire
Solent
West of England

6. Table –Local Enterprise Partnership (LEP) areas of England and UK devolved nations by **number** of High Growth Firms, **ranked by % change between 2009-12 and 2012-15** (UK average = +30%):

LEP	HGF Number 2009-12	HGF Number 2012-15	% Change
Solent	185	304	64%
New Anglia	158	256	62%
West of England	154	250	62%
Sheffield City Region	170	265	56%
Liverpool City Region	141	220	56%
Cornwall and the Isles of Scilly	61	95	56%
Worcestershire	65	100	54%
York and North Yorkshire	128	194	52%
Coast to Capital	254	378	49%
Cumbria	63	93	48%
Heart of the South West	186	274	47%
Northamptonshire	91	131	44%
Humber	86	123	43%
Greater Birmingham and Solihull	220	312	42%
Leeds City Region	384	538	40%
North Eastern	188	263	40%
South East	420	582	39%
Greater Lincolnshire	104	145	39%
Derby, Derbyshire, Nottingham and Nottinghamshire,	261	354	36%
Lancashire	185	252	36%
South East Midlands	224	303	35%
Hertfordshire	165	222	35%
Cheshire and Warrington	144	192	33%
The Marches	75	100	33%
Tees Valley	60	80	33%
Enterprise M3	291	382	31%
Greater Manchester	362	470	30%
Leicester and Leicestershire	140	181	29%
Swindon and Wiltshire	85	107	26%

Stoke-on-Trent and Staffordshire	124	151	22%
Coventry and Warwickshire	130	157	21%
Black Country	115	137	19%
Greater Cambridge & Greater Peterborough	221	259	17%
Dorset	106	124	17%
London	2,105	2,430	15%
Thames Valley Berkshire	186	213	15%
Gloucestershire	97	112	15%
Oxfordshire	110	122	11%
Buckinghamshire Thames Valley	97	99	2%
ENGLAND	7,860	10,285	31%
ENGLAND (EXCL LONDON)	5,755	7,855	36%
SCOTLAND	534	722	35%
WALES	265	365	38%
UK	9,037	11,855	30%

7. Ranking of Local Enterprise Partnership (LEP) areas of England and UK devolved nations by **incidence** (rate as percentage of all firms of 10+ employees) of High Growth Firms, 2012-15 (UK average = 7.5%):

LEP	HGF Rate (Percentage of all firms of 10+ employees) 2009-12	Rank 2009-12	HGF Rate (Percentage of all firms of 10+ employees) 2012-15	Rank 2012-15
London	9%	1	9.5%	1
Liverpool City Region	5.3%	19	8.5%	2
Cheshire and Warrington	6.4%	4	8.4%	3
West of England	5.3%	19	8.4%	3
Coast to Capital	5.8%	9	8.3%	5
Enterprise M3	6.2%	6	8%	6
Solent	5%	27	8%	6
Thames Valley Berkshire	7.4%	2	8%	6
Leeds City Region	5.5%	15	7.8%	9
Greater Manchester	6%	7	7.6%	10
Coventry and Warwickshire	6.4%	4	7.5%	11

Greater Birmingham and Solihull	5.3%	19	7.5%	11
Hertfordshire	5.6%	13	7.4%	13
Lancashire	5.4%	16	7.4%	13
Derby, Derbyshire, Nottingham and Nottinghamshire,	5.4%	16	7.3%	15
Leicester and Leicestershire	5.7%	11	7.3%	15
North Eastern	5.1%	25	7.3%	15
South East Midlands	5.4%	16	7.3%	15
Northamptonshire	5.2%	23	7.2%	19
Tees Valley	5.1%	25	7.2%	19
Sheffield City Region	4.4%	33	7%	21
Greater Cambridge & Greater Peterborough	5.3%	7	6.9%	22
Worcestershire	4.5%	31	6.9%	22
Cornwall and the Isles of Scilly	4.4%	33	6.8%	24
South East	5%	27	6.8%	24
York and North Yorkshire	4.5%	31	6.8%	24
Dorset	5.7%	11	6.7%	27
Heart of the South West	4.6%	29	6.7%	27
Gloucestershire	5.6%	13	6.5%	29
Stoke-on-Trent and Staffordshire	5.2%	23	6.5%	29
Swindon and Wiltshire	5.3%	19	6.5%	29
Buckinghamshire Thames Valley	6.5%	3	6.4%	32
Cumbria	4.4%	33	6.4%	32
New Anglia	4%	39	6.4%	32
Oxfordshire	5.8%	9	6.3%	35
The Marches	4.6%	29	6.3%	35
Greater Lincolnshire	4.4%	33	6.1%	37
Humber	4.1%	38	6%	38
Black Country	4.2%	37	5.2%	39
ENGLAND	6%	n/a	7.7%	n/a
ENGLAND (EXCL LONDON)	5.3%	n/a	7.2%	n/a
SCOTLAND	4.7%	n/a	6.5%	n/a
WALES	4.6%	n/a	6.5%	n/a

UK	5.8%	n/a	7.5%	n/a

7. **Data**
The dataset used in the production of the HGF metric is the Business Structure Database (BSD). This is a dataset produced by the Office of National Statistics (ONS) and is an annual snapshot of the Inter-Departmental Business Register (IDBR) which is a live register of data collected by HM Revenue and Customs via VAT and Pay as You Earn (PAYE) records. If a business is liable for VAT (turnover exceeds the VAT threshold) and/or has at least one member of staff registered for the PAYE tax collection system, then the business will appear on the IDBR (and hence in the BSD).

About the Enterprise Research Centre
ERC is the UK's leading independent research institute on the drivers behind the growth and productivity of small and medium-sized enterprises (SMEs).
ERC is producing the new knowledge around SMEs that will allow us to create a business-friendly environment nationwide, grounded in hard evidence. We want to understand what makes entrepreneurs and firms thrive so we can spread the lessons from best practice and make the UK a more successful country.
Funded by the Economic & Social Research Council, the Department for Business, Innovation & Skills, Innovate UK and the British Business Bank, our projects for 2016-18 reflect our key themes: growth ambition, UK business demography, diversity in the business population, finance & governance, innovation & exporting and leadership. Our core research team is centred at Warwick Business School and Aston Business School and draw on a network of world-class academics from across our partner Universities including Imperial College London, Queens University Belfast, Birmingham Business School and the University of Strathclyde.
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