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The UK's high growth firms and their resilience over the Great Recession

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During the last decade High-Growth Firms (HGFs) – sometimes referred to as 'Scale-Ups' – have increasingly become an established feature of the UK business policy landscape. Indeed, HGFs are mentioned in the government's recently published policy document "Building our Industrial Strategy", and are now considered sufficiently important that the Minister for Small Business has taken on the role of "Scale-Up Champion". Whilst we know something of the characteristics of these firms – about their age, size, sector and location – we know relatively little about the dynamics of the HGF population as it evolves over time. For the most part attention is focused simply on the annual count which, as we shall see, is not an entirely appropriate measure of HGF activity.

Our point of departure is to develop a measurement framework which distinguishes the first High-Growth Episode (HGE) and marks the 'birth' of an HGF (i.e., the first time it can be categorised as a HGF) from its subsequent repeat HGEs. Tracking HGFs over their lifetime, we show that almost two-thirds of HGEs recorded during a growth period, and conventionally referred to as HGFs, are actually repeat episodes being recorded by HGFs 'born' some years previously. By making the firm/episode distinction we are able to calculate the age of HGFs more appropriately (average HGF age at birth not average age at which an HGE is recorded). Finally, we are able to show that because the population of HGFs is relatively long-lived, by about age 15 HGFs make up around 40% of all firms with more than 10 employees, or to put it slightly differently, by age 15 40% of all firms with more than 10 employees have experienced at least one HGE.

With the onset of the Great Recession the number of HGEs declined quite markedly. Initially, there was a fall in HGF births, which was (necessarily) followed by a reduction in repeat episodes (induced by the fall in births). However, in the upswing repeat episodes recovered first: existing HGFs recorded an unusually large number of repeat episodes; and this was followed by a return of HGF birth numbers to their pre-Recession level. What our analysis of the Great Recession period shows is that there is, apparently, a relatively stable mechanism producing HGEs period by period.