

Research Paper No. 63

EXECUTIVE SUMMARY

October 2017

(full paper link: <http://enterpriseresearch.ac.uk/publications/erc-research-papers/>)

Fast-growth firms in the UK: definitions and policy implications

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This research note aims to establish an evidence-based understanding about how fast-growth firm definitions differ and what they mean to policy. Employing the UK business population data over 1998-2013, we compare and contrast several popular fast-growth firm definitions based on their coverage in the business population, the contribution to the aggregate economy and their key characteristics, all discussed in context of the conceptual grounds of these definitions. The key message from our finding is that definition matters. Fast-growth definitions in terms of employment and productivity capture rather different sets of firms, indicating potential conflict in goals. It is possible that policies supporting fast-growth of employment may impair productivity growth, and likewise productivity-driving measures may lead to dwindling employment growth. On the whole, employment-based fast-growth firms generate lots of jobs but have mixed productivity records, while productivity-based fast-growth firms have lower job creation records but show productivity superiority.