

Institution: Aston University		
Unit of Assessment: 17 Business and Management		
Title of case study: Maximising High Growth Entrepreneurship and Driving Small Business Growth – the Enterprise Research Centre at Aston		
Period when the underpinning research was undertaken: 2008-2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Professor Mark Hart	Professor of Small Business & Entrepreneurship	2008 – present
Professor Jun Du	Senior Lecturer, Reader, Professor	2010-present
Professor Tomek Mickiewicz	Professor	2012-2020
Dr Michael Anyadike-Danes	Senior Research Fellow	2011-2018 (deceased)
Professor Ben Clegg	Reader, Professor	2003-2020
Period when the claimed impact occurred: 2014-2020		
Is this case study continued from a case study submitted in 2014? No		
1. Summary of the impact		
<p>The Enterprise Research Centre (ERC), a joint venture between Aston and Warwick Business Schools, is the leading UK centre of excellence for research into the growth of small and medium-sized enterprises (SMEs). The ERC researchers at Aston have:</p> <ul style="list-style-type: none"> • Changed small business support strategy nationally through government, the English LEP network, Scottish Enterprise and Invest NI, and in the Greater Birmingham and Solihull region through its Local Enterprise Partnership (LEP) and Growth Hub. • Directly impacted small business growth, job creation and profitability, shaping the design and delivery of programmes for the Aston Centre for Growth (CfG), Goldman Sachs <i>10,000 Small Businesses</i> and the new BEIS Small Business Leadership Programme (2020). It has also set up research projects with participating companies, positively impacting their growth and productivity. 		
2. Underpinning research		
<p>High-growth firms (HGFs) have attracted huge attention as economies emerge from a period of deep recession and policymakers show renewed interest in firms generating jobs on a large scale (R1 to R4). But surprisingly little is known about HGFs' longer-term performance and their growth outside periods which lead to their classification as HGFs.</p> <p>Aston's ERC research has developed a distinction between "high-growth firms" and "high-growth episodes" (R3, R4). This is critical as failing to recognise the difference provides a misleading picture of the actual numbers of HGFs and their contribution to job creation – and potentially confuses related policy. This distinction has now been recognised by HM Treasury, the Department for Business, Energy and Industrial Strategy (BEIS) and the British Business Bank (BBB) as well as Scottish Enterprise.</p> <p>The concern about the definition of HGFs has led to the production, since 2014, of the ERC's annual UK Local Growth Dashboard report which developed a range of business growth metrics and breaks them down geographically by Local Enterprise Partnership (LEP) area. The data shows that only a handful of firms in the country record growth in either jobs or revenue across the UK. It also challenges preconceptions about where the UK's business growth hotspots are. The data shows that firm growth and job creation are spread right across the UK rather than limited to a just a few cities or regions.</p> <p>As regional inequalities rise across the UK, it is vital to understand what the fast-growth phenomenon means for overall regional growth – and the ERC's research focuses on this (R5).</p>		

Indeed, while policy seeks to assist firms in achieving fast growth, it is important to know whether this causes any “side effects” that impact jobs and business productivity in the same region or sector. Consequently, the research contributes to ongoing debates around the “productivity conundrum” – overall growth in the economy but an absence of productivity growth – and meeting the challenges of the UK’s new industry strategy.

There is evidence in the manufacturing sectors, for example, that a higher incidence of fast employment growth firms has an overall negative effect on the employment growth of other firms in the same industry and region. A higher incidence of fast labour productivity growth firms, however, has an overall positive effect on other firms’ labour productivity in the same region (R5).

This suggests that policies promoting jobs and those promoting productivity are not always complementary, and may in fact conflict. To explore this link further within firms, a survey was conducted with 206 Centre for Growth firms participating in growth programmes run by the centre. The survey found the most important organisational factors associated with productivity were people recruitment and development, specifically in areas that underpinned: internal operations of the business and the speed with which they can change; product and service innovation; and information technology to automate information systems which are focused at customer interaction and market beneficiaries. Indeed, focusing on simple headcount and turnover productivity measures alone will not stimulate growth, but rather using more sophisticated “growth rocket” activity metrics. This is further demonstrated by an in-depth action research case study (R6).

3. References to the research

R1 Mason, C., Brown, R., Hart, M., Anyadike-Danes, M. (2015). High-growth firms, jobs and peripheral regions: the case of Scotland. *Cambridge Journal of Regions, Economy and Society*. Volume 8, Issue 2, July 2015, pp 343–358, <https://doi.org/10.1093/cjres/rsu032>

R2 Anyadike-Danes, M., Hart, M. (2018). All grown up? The fate after 15 years of the quarter of a million UK firms born in 1998. *Journal of Evolutionary Economics*. Special issue entitled "Firm Age & Performance, 2018 <https://doi.org/10.1007/s00191-017-0549-x>

R3 Anyadike-Danes, M., Hart, M. (2017). Firm and job dynamics in the UK before during and after the great recession: getting in under the hood. Chapter 4 in volume on the OECD Dynemp Project Business *Dynamics and Productivity* (pp. 87-109). OECD.

R4 Hart, M; Prashar, N and Ri, A (2020) “From the Cabinet of Curiosities: The misdirection of research and policy debates on small firm growth”, *International Small Business Journal*, Vol 39,1 <https://doi.org/10.1177/0266242620951718>

R5 Du, J and Vanino, E. (2019) “Fast-growth firms and their wider economic impact: UK evidence” ERC Research Paper No. 73

R6 Clegg, B.T., Little, P., Govette, S., Logue, J., (2017) ‘*Transformation of a small-to-medium-sized enterprise to a multi-organisation product-service solution provider*’. *International Journal of Production Economics*. [CABS 3]. 2017. Vol.192, pp.81-89. <http://dx.doi.org/10.1016/j.ijpe.2017.01.012>

4. Details of the impact

ERC research at Aston has had three major impacts.

1. Business Support Policy

The ERC works closely with key global institutions including the Organisation for Economic Cooperation and Development (OECD), HM Treasury and HM Revenue & Customs and our funders: BEIS, Innovate UK, BBB, Intellectual Property Office (IPO) and the Economic and Social Research Council (ESRC). Among them, the ERC is recognised as having unrivalled expertise in SME datasets, analysis and interpretation. BEIS have noted that the ERC is a “trusted brand” and “the go-to experts” on small business data (S1). As a senior BEIS official noted: “*The Enterprise Research Centre have led the way in understanding business microdata*

and firm level trends and motivations for a number of years now, driving real insight for my team and the Government more broadly.” Another official in the same team stated that “ERC research has added to our understanding of management skills/practices, SME resilience, firm growth patterns and evaluation methodology which has directly influenced the design of the ‘Business Basics Programme’, the ‘Business Productivity Review’, our work through ‘Be The Business’ and the development of the BEIS ‘Business Support Evaluation Framework” (S2) This expertise has led to an on-going stream of annual funding from additional sources such as the JPMorgan Chase Foundation, Scottish Enterprise and the Design Council.

Hart has been a key member of several high-level expert groups and consultations across UK government departments, including the Patient Capital Review, the Industrial Strategy White Paper, the Entrepreneurship Review, the Scale-up Taskforce, the Business Productivity Review, the Rose Review and the Youth Entrepreneurship Review, illustrating the ERC’s key contributions to policymaking.

The ERC research team at Aston (**Hart and Anyadike-Danes**) worked with Sherry Coutu on her 2014 Scale-up report, which led to the creation of the Scale-up Institute. The institute has since developed a programme of work across the UK exploring the importance of HGFs to the health of local economies and the ERC was instrumental in providing statistical support in the first 2-3 years (**S3**). Following on from this **Hart** was invited by BEIS to advise the Data Enhancing Challenge Accelerator (DECA) project which was a collaborative project between BEIS, HMRC and the ONS with the objective of determining the feasibility of identifying potential HGFs from purely administrative data sources.

The British Business Bank’s annual SME Finance Markets Report regularly carries analysis and commentary from the ERC on firm growth, productivity and access to finance (**S4**).

ERC has undertaken a number of Evaluations of the Scottish Enterprise Account Managed Clients (ACM) system of business support as well as new research on HGFs and this has provided invaluable insights into the development of future business support in Scotland (**S5**)

The ERC holds a major research conference on an annual basis: The State of Small Business Britain. This showcases ERC research and generates debate. Six conferences have been held (2014-2019), with over 100 senior delegates attending, primarily local, national and international policymakers. This has led directly to the development of new perspectives on policy by these key individuals – especially with a critical review of HGF policy while the ground-breaking international ‘*Micro-business Britain*’ survey, funded by BEIS, has also filled vital evidence gaps, with the data used to directly inform policy.

2. Thought Leadership and Impact on SMEs

The Aston Centre for Growth CfG), which includes the ERC, is central to Aston Business School’s (ABS) strategy of leading research and programmes designed to scale up the region’s SMEs. Since 2015 the CfG, informed by research in the ERC on leadership and management, has provided specialist growth support to over 1,500 small and medium-sized enterprises (SMEs), and delivered over 23,000 hours of peer-to-peer learning through courses such as the national Productivity through People programme of Be the Business, the Aston Programme for Small Business Growth, the national BEIS Growth Vouchers initiative, the Midlands regional Goldman Sachs *10,000 Small Businesses* programme and the new BEIS Small Business Leadership Programme (2020).

Over 100 entrepreneurs have been put in front of investors by the CfG through the Pitchfest West Midlands programme, helping them to secure over £3million of angel investment. Evidence shows the programmes had significant impact in the region, including on social enterprises and marginalised business communities (**S6**). It had a positive impact on firm-level growth with a 29 per cent boost to employment over and above what would have been expected (an additional 173 jobs created for these early-start businesses) and an additional 6 per cent turnover generated (£1.33m).

The insights into productivity from the CfG survey of 206 Aston alumni businesses by **Clegg** led to an EPSRC Productivity Innovation network grant to look at perceptions and measurement of

productivity in automotive, aerospace, food, and pharmaceuticals as well as KEEN projects (S7).

Aston and the ERC are partners in the delivery and assessment of the economic impact of the Goldman Sachs *10,000 Small Businesses* Programme as it evolved from a regional programme led by ABS in the Midlands to a national programme in 2016. The impact of this programme on the growth and productivity of small businesses was highlighted in the Building Small Business Britain joint Goldman Sachs/Aston Centre for Growth report in November 2018 – a 28% increase in productivity in excess of what they would have achieved without participation in the programme, five years after graduating (S8). Further, there is a positive and significant employment effect of 23% and revenue effect of 25% over two years following graduation. This evidence that practical, theory-informed peer learning develops participants' core business skills and equips them with the tools to make significant strategic changes so they can deliver further growth on their already strong business potential was used to provide evidence to the UK Government's Business Productivity Review. The policy announcements coming from the Review included £31m in the November 2018 Budget to boost firm level leadership and management through a business-led package of initiatives aimed at driving up firm-level productivity. The research in the impact reports of the Goldman Sachs *10,000 Small Businesses* Programme (2014; 2016 and 2018), as well as the Unlocking Productivity Report (2015) written by the ERC research team, was used as part of the BEIS business case for the Small Business Leadership Programme launched in August 2020 which drew on the 2018 £31m budget allocation and provided support to over 2,000 small business in Q4 of 2020 across England. The SBLP provided the design principles for the Help to Grow: Management programme announced in the 2021 budget statement on 3rd March which will provide a 12 week intensive management programme to over 30,000 small business by 2024 (S8).

ERC research insights also impact individual SMEs. The Centre influences the behaviour and performance of SMEs via policymakers and intermediaries such as the Federation of Small Businesses - the July 2020 Unlocking Opportunity Report on Ethnic Minority Businesses in the UK and the 2015 report on Local Growth (S9). Both reports led to a series of recommendations for Government developed in partnership with the FSB.

Between July 2018 and July 2020, the ERC achieved 262 pieces of media coverage across print, broadcast and online media, reaching an estimated audience of 31 million people, evidence of an established pathway to impact. This includes, the Financial Times, BBC and The Times (S11). [ERC Communications Strategy Evaluation Reports for 2018-2019 and 2019-2020]

3. Local Industrial Strategies

At the local level, metrics included in the ERC's Local Growth Dashboard and Innovation Benchmarks reports have informed local growth plans and been adopted as performance benchmarks by a number of Local Enterprise Partnerships including Greater Birmingham & Solihull, New Anglia, Teeside, North East, Liverpool City Region and Greater Manchester LEPS (S10). The ERC is currently advising individual LEPS on their data needs so that they can better monitor and understand specific challenges. The ERC is represented by Hart on the GBSLEP Recovery Taskforce set up due to the COVID-19 crisis to provide insights and develop policy instruments to aid survival and recovery – especially the Pivot and Prosper grant scheme.

The Local Growth Dashboard has also been used to help LEPS engage with the new round of Regional Entrepreneurship Action Plan (REAP) projects led by Massachusetts Institute of Technology (MIT) and funded by BEIS. The Financial Times has incorporated ERC Local Growth Dashboard data into its annual Special Report on Small Business. Case studies have been provided to illustrate the trends in the data (S11).

5. Sources to corroborate the impact

S1 *Towards an Intelligence-led industrial strategy: ERC stakeholder consultation report*, K. Hathaway and V. Belt, April 2017.

S2 Testimonial statement from BEIS Deputy Director, Business Growth Directorate and Local Growth Analysis Team, August 2019

S3 Coutu, S. (2014) *The Scale-up Report on UK Economic Growth*, November

<https://www.scaleupinstitute.org.uk/reports/the-scale-up-report-2014/>

S4 See for example, British Business Bank (2019) *Small Business Finance Markets 2018/19 Report* <https://www.british-business-bank.co.uk/research/small-business-finance-markets-report-2019/>

S5 Testimonial Statement from Scottish Enterprise

S6 Aston Programme for Small Business Growth Impact Assessment Report, Prepared by Wavehill Ltd on behalf of Aston Centre for Growth

S7 KEEN Projects testimonials

S8 Stimulating Small Business Growth: progress report on Goldman Sachs 10,000 small businesses <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/news-and-events/multi-media/10ksb-impact-report-2018.pdf> ; UK Government (2018) Budget 2018 Policy Paper, Government Announcement of Small Business Leadership Programme, section 5.9, October 29 <https://www.gov.uk/government/publications/budget-2018-documents/budget-2018#productivity> ; statement from HMT on influence of SBLP on design principles for 'Help to Grow' programme

S9 Federation of Small Businesses Reports: *Unlocking Opportunity* (July 2020), and *2015 A new design: making local support work for business* (February 2015)

S10 Testimonial statement from North East LEP Business Growth Director

S11 Financial Times Special Issue coverage on Entrepreneurship: Financial Times, *Number of UK start-ups rises to new record*, 12 October 2017; Financial Times, *Belfast stands out for start-up productivity*, 2 November 2018; Mark Hart's comments in Financial Times article referenced by Lord Mendelsohn in House of Lords debate on Business Start-Ups, 20 November 2017 (Hansard) <https://hansard.parliament.uk/Lords/2017-11-20/debates/830EF386-D18B-4C49-A590-B6028BAF2EA9/BusinessesStart-Ups?highlight=mark%20hart#contribution-C7C5F03A-D96F-44B2-AEAD-A45533337407>