



Department
for Business
Innovation & Skills

Unleashing the potential of mid-sized businesses

26 November 2012

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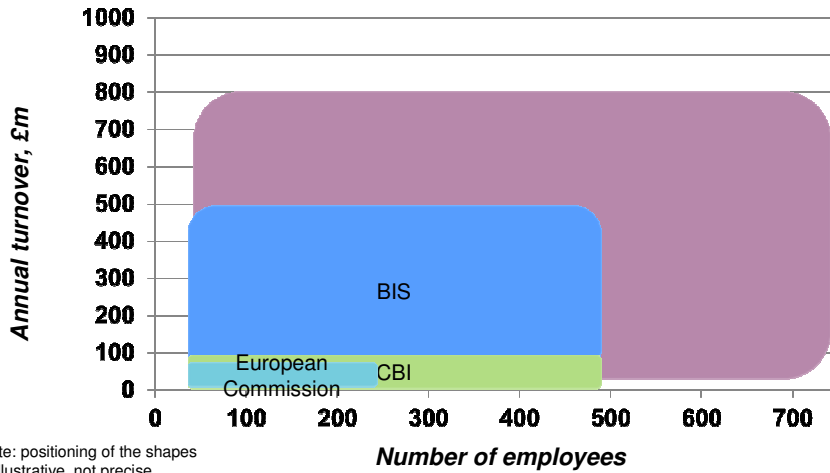
Department for Business, Innovation & Skills 2

Unleashing the potential of mid-sized businesses: today's discussion

- Mid-sized businesses are an important part of the UK economy, with many attractive characteristics
- However, mid-sized businesses face specific challenges that limit their current potential
- Addressing these challenges is fundamental to achieving strong, sustainable and balanced growth
- The government has put in place a number of programmes to help unleash this potential

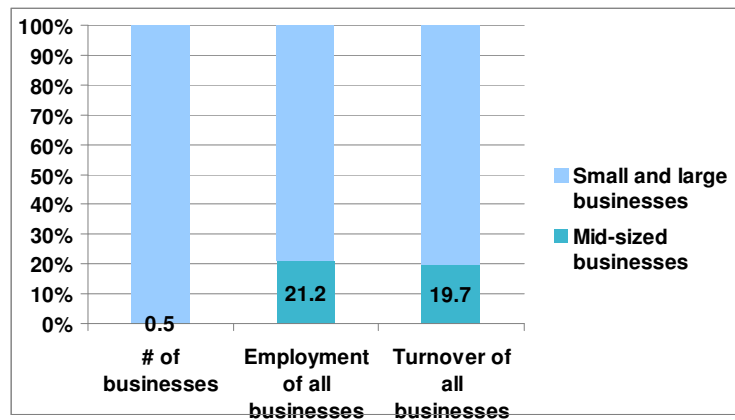
The definitions of “mid-sized” vary but refer broadly to turnover of £25-£500m

Definitions of mid-sized businesses

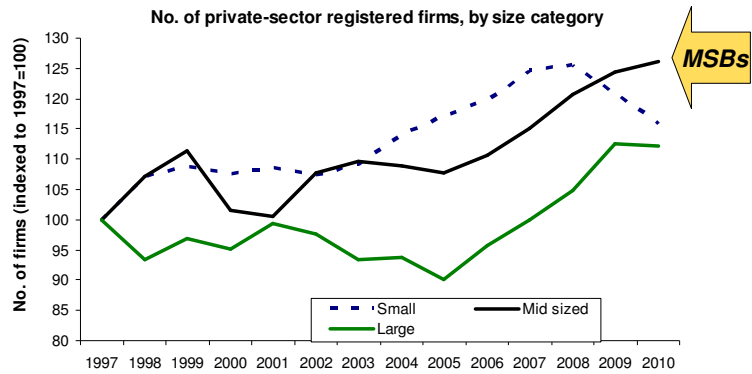


Mid-sized firms contribute around a fifth of employment and turnover in the UK

Contribution of mid-sized businesses to all businesses in the UK



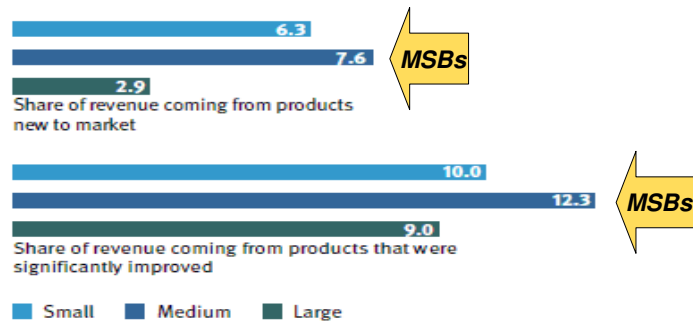
The number of mid-sized businesses has grown rapidly since 2005



Source: Growth review: Mid-sized businesses evidence base. Department for Business, Innovation and Skills. November 2011

Innovation is a key driver of growth for mid-sized businesses in the UK

% of revenue derived from innovation by company size 2009

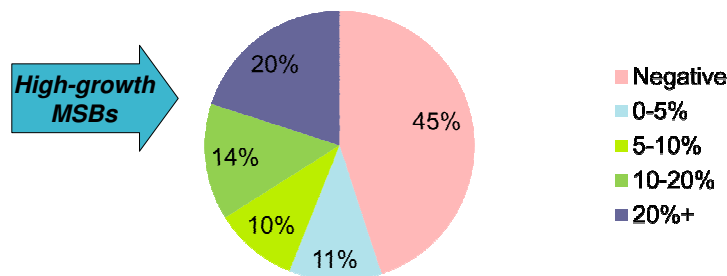


Source: UK Innovation Survey, BIS 2009

Source: Future champions: Unlocking growth in the UK's medium-sized businesses. CBI, October 2011

Within a mixed picture, some mid-sized businesses achieve very high growth

Proportion of firms with different levels of turnover growth among UK mid-sized businesses 2009-10



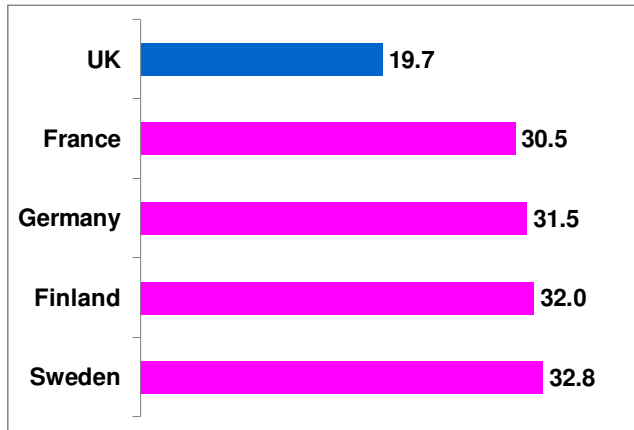
Source: Growth review: Mid-sized businesses evidence base. Department for Business, Innovation and Skills, November 2011

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Relative to comparator countries, the UK mid-sized business sector is under-weight

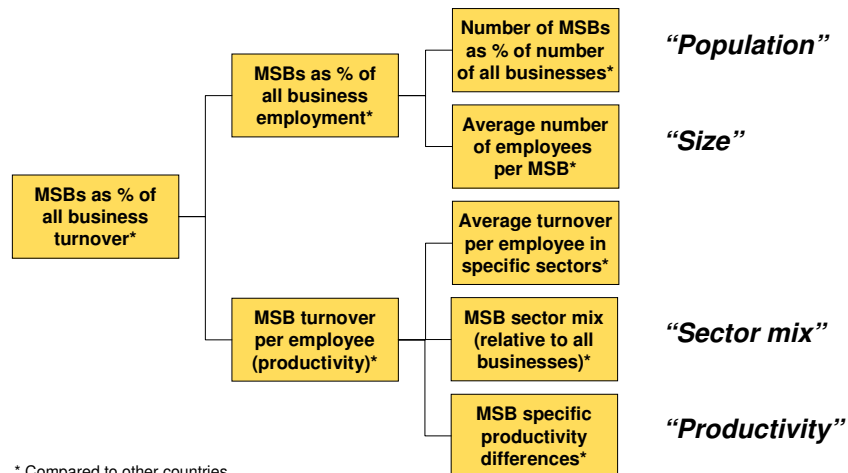
Mid-sized businesses as % of turnover of all businesses



Source: Mid-sized Businesses in Finland, France, Germany, Sweden and the UK – General Statistics, NIESB, December 2011

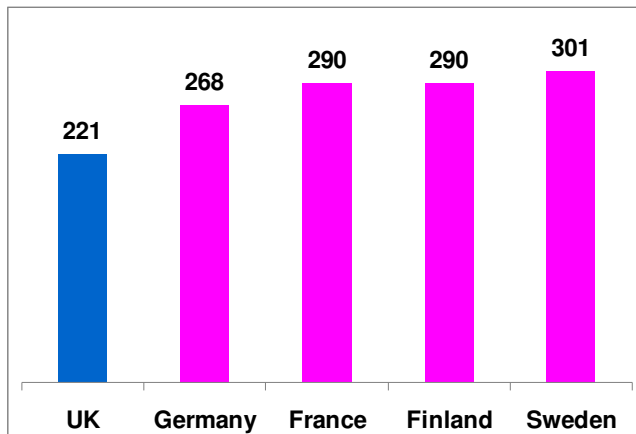
A number reasons may be responsible for the relative “under-performance”

Drivers of mid-sized business (MSB) sector contribution



UK mid-sized firms' productivity is considerably lower than other countries

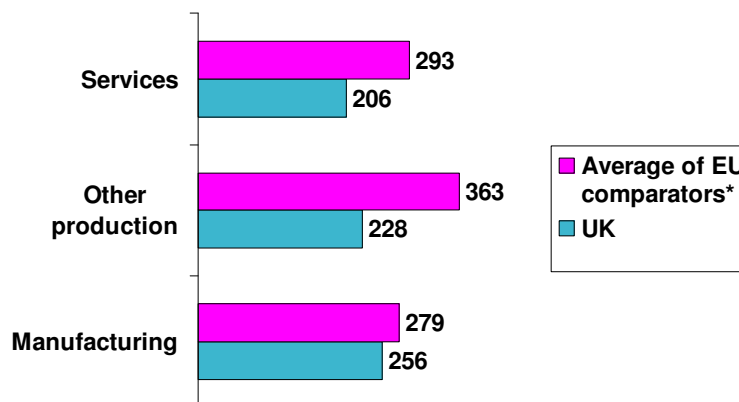
Turnover (in €) per employee of mid-sized businesses 2009/10



Source: Mid-sized Businesses in Finland, France, Germany, Sweden and the UK – General Statistics, NIESB, December 2011

UK mid-sized businesses' productivity is relatively poor in all sectors

Turnover (in €) per employee of mid-sized businesses 2009/10

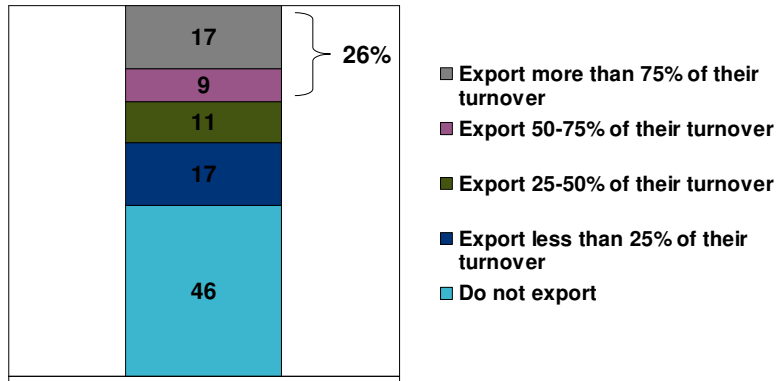


* Finland, France, Germany, Sweden

Source: Mid-sized Businesses in Finland, France, Germany, Sweden and the UK – General Statistics, NIESB, December 2011

Only 26% of UK mid-sized businesses export more than 50% of their turnover

Mid-sized businesses' export intensity in the UK
% of total mid-sized business population



Source: The Financial Times, 23 October 2012; BIS analysis

UK mid-sized companies employ fewer graduates than those in other countries

% of managers in mid-sized firms with a degree 2011



Source: McKinsey & Company, Management Matters

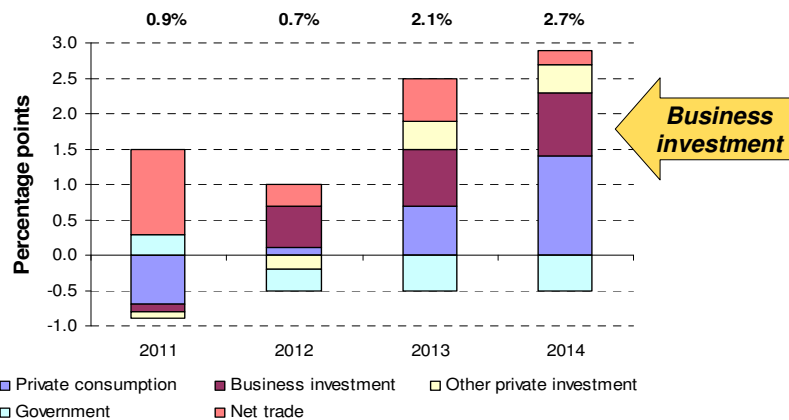
Source: Future champions: Unlocking growth in the UK's medium-sized businesses, CBI, October 2011

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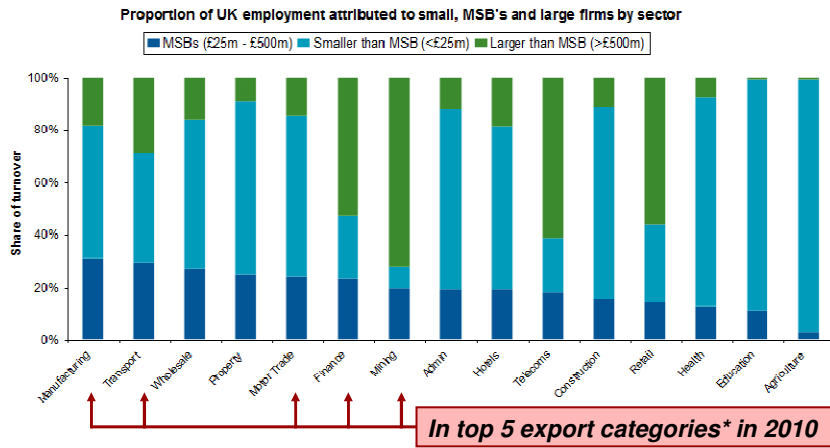
Business investment and trade are instrumental to UK's economic recovery

OBR forecast of contributions to GDP growth 2011-2014*



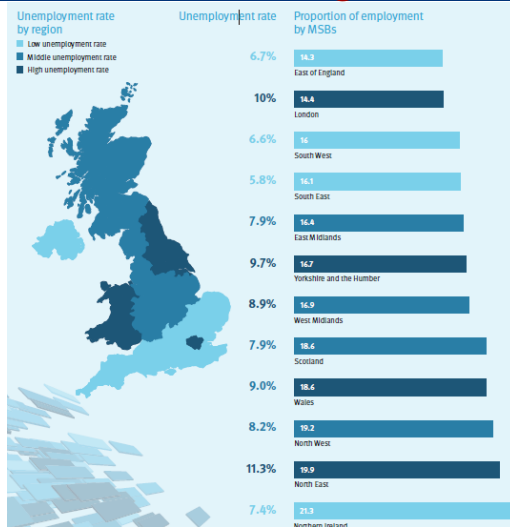
* The independent Office for Budget Responsibility

Mid-sized businesses are particularly important in our key export sectors



Source: Growth review: Mid-sized businesses evidence base, Department for Business, Innovation and Skills, November 2011; Industrial Strategy: UK Sector Analysis, Department for Business, Innovation and Skills, September 2012; * UK Exports by Category of Goods and Services, ITC Trade Database

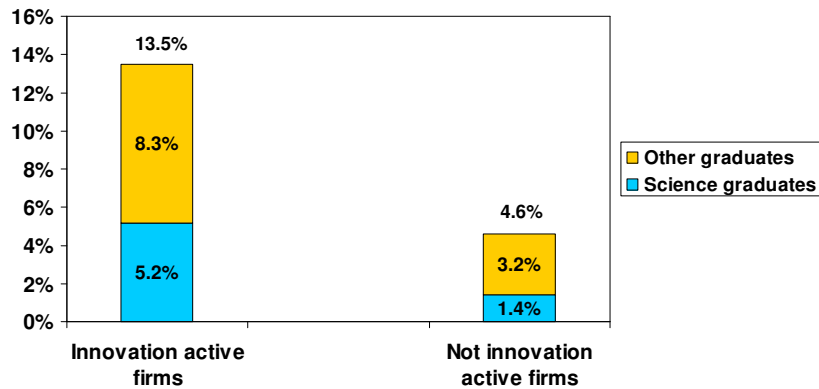
Growth of existing mid-sized businesses would contribute to regional rebalancing



Source: Future champions: Unlocking growth in the UK's medium-sized businesses, CBI, October 2011

Employing graduates is correlated with innovation and firm growth

Graduates as a proportion of all employees in innovation active and not innovation active firms 2008



Source: UK Innovation Survey 2009

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The Plan for Growth sets out the government's strategy under 4 ambitions

Competitive tax system



Best place to start and grow a business



Support investment and exports



Educated and flexible workforce



A number of initiatives are driving our support to mid-sized businesses

Spring 2011

Plan for Growth

- Examples:
- New equity for MSBs: Business Growth Fund
 - Red Tape Challenge
 - Presumption in favour - planning
 - Reducing main corporation tax rate from 28% in 2011 to 22% by 2014.

Autumn 2011

Mid-sized businesses growth review

- Examples:
- Export support for MSBs across English regions, eg IP advice and 'mini-MBA'
 - 8 LEPs agree pathfinders to raise MSB profile
 - Business School Task Force – report 22 Nov

Spring 2012

Industrial strategy

- Examples:
- Advanced Manufacturing Supply Chain Initiative: £125m
 - Breedon review, development of £1bn Business Bank

Autumn 2012

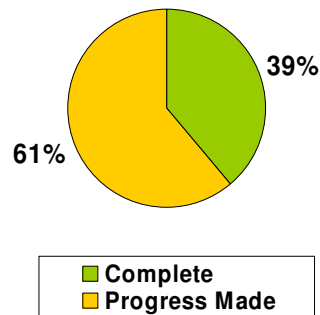
Lord Heseltine review and response

- Examples:
- Strengthened role for Chambers, esp. in exports
 - Stronger LEP capability and influence

Implementation

Good progress is being made on growth measures and commitments

**Status of Plan for Growth
Phase 1 and 2 deliverables**
100% = 250+ measures



Examples of impact

Apprenticeships

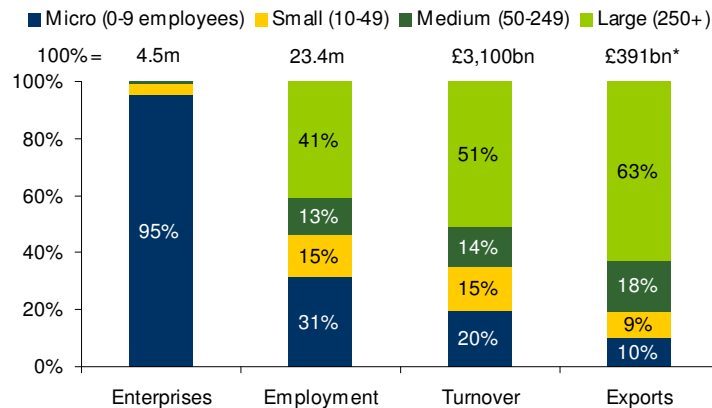
- Over 500,000 took up apprenticeships in 2011/12, in over 200,000 workplaces
- Extending 'Higher Apprenticeships'
- 2/3 better paid on completion

Investment and exports

- 23,000 companies supported by UKTI in 2011/12; on target for 32,000 in 2012/13
- Over £1.5bn High Value Opportunity wins since launch in 2010
- Securing over 1,400 investments from 58 countries in 2011/12

These and other actions can boost mid-sized businesses' contribution further

UK economic statistics by size of firm 2011*



**Key
source of
growth
potential**

Source: BIS Business Population Estimates 2011; * DTI Economics Paper 18 2006 & OECD Statistics Brief Feb 2011



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