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David Prosser

Small Talk



British firms suffer from 'ambition gap' – Goldman

Goldman Sachs has joined the campaign to persuade small and medium firms to begin or to expand their exporting activities. A report from the investment bank, published today, suggests more than 110,000 SMEs have the potential to begin selling overseas or to sell more: encouraging them to do so would add £1.15bn of value to the economy, Goldman said.

The report, published jointly with the British Business Bank, the Enterprise Research Centre, the Scale-Up Institute and the Saïd Business School at Oxford University, argues that while SMEs generate 20 per cent of jobs growth in the UK, too few are exploiting innovation and internationalisation in order to boost productivity. It describes a "growth ambition gap" between SMEs in the UK and other G8 economies.



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SME growth ambition key to UK productivity puzzle

Britain's productivity is falling behind other economies because it is slower to turn ambitious smaller firms into exporters of innovative new products and services, according to a new report.

With more support, it is estimated that up to 110,000 SMEs could become regular exporters, adding an extra £1.15 billion in Gross Value Added (GVA) to the economy in the first year alone in the form of new and higher value jobs.

The report published today, *Unlocking UK Productivity* has been co-authored by Goldman Sachs, the [Enterprise Research Centre](#) (ERC) and the British Business Bank (BBB). Its findings draw heavily on the core research themes of ERC for the past three years.

Up to 2008, UK productivity – the amount of economic output each worker creates per hour – was on a strongly upward trend. But since then, it has flatlined and the UK has fallen behind many of its international counterparts.

The 'productivity gap' with other G8 economies is now around 6 percent. It is estimated that the UK's productivity is around 16 percent lower than it would have been if it had stayed on its pre-2008 trajectory.

The issue has confounded economists and led to the Government publishing a 15-point plan in July this year to tackle the problem.

But the new report highlights ERC and wider research showing a crucial but underexplored factor affecting productivity – the ambition of entrepreneurs to grow.

Firms led by 'growth inclined' owners are most positive towards exporting and open to innovation – the two factors which drive productivity in UK businesses.

While the UK has seen the highest number of start-ups of OECD countries, more than half fold within three years. Growing enough firms with ambitions to scale would have a significant impact on UK overall productivity, but just 18 percent of UK SMEs express high ambitions to grow, compared to 27 percent in the US. Data from the Global Entrepreneurship Monitor (GEM) shows that early-stage entrepreneurs in the UK have the second-lowest growth ambitions among G8 economies.

One outcome of low growth ambition is that too few UK SMEs are bringing new products and services to market. Just 28 percent of British firms innovate, placing the UK 24th out of 34 European countries and making the UK's innovation rate comparable to that of Turkey and Serbia – and way behind leading countries such as Germany, Belgium and Iceland.

In addition, British SMEs are exporting less than other countries. While the Government wants 25 percent of UK firms to be exporting, since 2008 this figure has in fact been declining and now stands at just 18 percent. And of these, only 17 percent are 'persistent exporters' that regularly sell abroad.

Innovation and exporting are strongly linked to highly productive firms: SMEs that produce new goods and services are around 7 percent more likely to export than non-innovators and exporters grow more than twice as fast as those that do not.

The report calls for greater support and education for entrepreneurs, citing the success of programmes such as

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Goldman Sachs' 10,000 Small Businesses programme in creating an environment where business owners can learn from mentors and peers over a significant time period.

Prof Mark Hart, ERC Deputy Director and Programme Director for 10,000 Small Businesses UK, Aston University, said: "Although economic growth has returned, UK productivity since 2008 has been almost flat. This means we're producing less per worker than our international competitors and taking longer to create the same amount of economic value.

"Our research shows that there is huge untapped potential out there and that if we could build the confidence of innovative businesses that have high growth ambitions to start exporting regularly, we could generate an enormous boost to our economy.

"The challenge for those providing this support – whether government or the private sector – is to make sure it lands in the right places. A scattergun approach won't work, because only a relatively small proportion of firms combine a high-growth mindset with innovation and a capability to export."

Michael Sherwood and Richard Gnodde, co-CEOs of Goldman Sachs International added: "We are very pleased to continue our commitment to supporting high-growth small businesses in the UK through our '10,000 Small Businesses' programme. We believe the private sector can make important contributions to supporting small business growth, creating jobs and boosting economic growth."

Ron Emerson, Chairman, British Business Bank, said: "As a champion for smaller businesses in the UK, we are well aware of the importance of high growth SMEs to the nation's economy. We are therefore delighted to have contributed to this report and welcome the expansion of Goldman Sachs Small Business 10,000 programme."

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<http://www.bmmagazine.co.uk/news/sme-growth-ambition-key-to-uk-productivity-puzzle/>

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[Journalistname]Business Matters[/Journalistname]

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Small businesses might be the solution to UK's productivity woes

Written by Josh Russell on Monday, 16 November 2015. Posted in Finance

Britain's productivity is lagging far behind other G8 nations. But new research has revealed that turning its SMEs into innovative exporters may just be the shot in the arm the UK needs

No small amount of attention is paid to making the UK as competitive as possible on the international stage. And yet despite no end of government initiatives, corporate support programmes and plucky entrepreneurs starting their own businesses, over the last few years UK productivity has dropped far below that of its contemporaries, falling 6% behind the rest of the G8. Fortunately it seems we're a step closer to finding a meaningful solution, with new research suggesting that small businesses will be the key to bolstering Britain's productivity.

According to *Unlocking UK Productivity*, a report co-authored by Goldman Sachs, the [Enterprise Research Centre](#) and the British Business Bank, with the right support 110,000 SMEs could become regular exporters, something that would potentially add an additional £1.15bn in gross value added GVA to the UK economy. In 2014, just 18% of SMEs were exporting, down from 24% pre-recession, with just 17% regularly selling their services abroad.

Additionally it seems insufficient numbers of British SMEs are introducing new products and services to market. The UK currently innovates less than the average for an EU country, with just 28% of SMEs innovating compared to a European average of 30% and falling far short of nations such as Luxembourg, Germany, Belgium, Netherlands and Finland, all of whom have at least 40% of their SMEs innovating. It's hard to overstate the impact this has, with the report revealing that small businesses that produce new goods or services are 7% more likely to export than those that don't and that exporters grow twice as fast as non-exporters.

Professor Mark Hart, deputy director of the [Enterprise Research Centre](#), said: "Although economic growth has returned, UK productivity since 2008 has been almost flat. This means we're producing less per worker than our international competitors and taking longer to create the same amount of economic value. Our research shows that there is huge untapped potential out there and that if we could build the confidence of innovative businesses that have high growth ambitions to start exporting regularly, we could generate an enormous boost to our economy."

Clearly this throws down the gauntlet for the UK's SMEs: it's time to get innovating and get exporting.

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<http://elitebusinessmagazine.co.uk/finance/item/small-businesses-might-be-the-solution-to-uk-s-productivity-woes>

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Client: Journalista
Source: Start Your Business Magazine (Web)
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UK mid-market firms expecting to outperform German Mittelstand

UK medium-sized firms are expecting to outperform their counterparts in Germany, France and Italy in 2016.

A survey of 1,000 mid-market companies in the EU4 – that is the UK, Germany, France and Italy – found that UK firms are predicting growth of 4.9 per cent next year, while German and Italian firms are looking for growth of 3.8 per cent and medium-sized businesses in France believe they will grow 2.7 per cent.

Professor Stephen Roper, of Warwick Business School and Director of the [Enterprise Research Centre](#), led the research and despite the common consensus that the German Mittelstand leads the rest of Europe he has found UK businesses are expecting to outperform them next year.

“This year UK mid-market firms are looking at growth of 3.9 per cent,” said Professor Roper, who revealed the research at a networking event with UK Trade and Investment (UKTI) held at Warwick Business School. “While Germany’s medium-sized companies are just ahead at four per cent, but the UK’s firms are slightly more confident about 2016 and will overtake their German rivals in terms of sales growth.”

French mid-market firms grew by 3.7 per cent, but are expecting to see that fall by one per cent in 2016, while Italy is expecting a jump in growth of 1.3 per cent to continue its rapid rise, as it had just 0.2 per cent growth in 2013. (See attached graph .)

Professor Roper said: “The UK firms have notably less manufacturing than in Germany. In the UK 18 per cent of mid-market firms are family-owned, with the majority of these also being family-led. In Germany 38 per cent are family-owned, around half of which are also family-led and operated.

“UK mid-market firms remain less export oriented than their German and continental counterparts. On average export sales account for 34 per cent of the revenues of UK firms compared to 40 per cent in Germany and around 35 per cent in France and Italy.

“Around two thirds of UK mid-market firms export with professional services firms being the most likely to, followed by ICT then manufacturing.”

Across the UK there are around 30,000 mid-market firms – that is those with sales of between £10 million and £500 million – and they represent two per cent of the nation’s firms but around a third of all private sector jobs and wealth creation.

“Our survey revealed that UK mid-market companies see management and structure and employee skills as the two main drivers of growth,” said Professor Roper. “But they see finding talent with the right skills as the biggest inhibitor to growth, which is similar to Germany, who also find attracting the right skills as the main problem. In France, though, having sufficient working capital is the main concern for mid-market firms, while in Italy it is keeping costs down.”

The survey found the Eurozone is still UK’s medium-sized firms preferred market to export to, with 79 per cent exporting to it.

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But despite the Chancellor of the Exchequer, George Osborne, recently outlining his aim of making China the UK's second largest trading partner by 2025, the UK's medium-sized companies have lower Chinese revenue growth expectations than their German, French and Italian counterparts.

Professor Roper found 48 per cent of UK mid-market firms had no plan to export or operate in China. Meanwhile, the survey found the figure was 33 per cent in Italy, and 45 per cent in France and Germany.

"In terms of China the UK's mid-market presence lags marginally behind that of our EU competitors," said Professor Roper.

"Mr Osborne is keen on the UK improving its trading links with China, but the evidence from our survey shows the country's mid-market firms face significant barriers to achieving that vision.

"There is some evidence in the survey that a lack of local knowledge is hindering any thoughts of exporting there plus a lack of interest in international expansion, but this is something we need to look into further."

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<http://www.startyourbusinessmag.com/uk-mid-market-firms-expecting-to-outperform-german-mittelstand/>

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Client: Journalista
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□ **New report finds smaller businesses are key to solving UK's 'productivity gap'**

As UK productivity levels have slowed, smaller businesses remain engines for growth. Goldman Sachs, in partnership with the British Business Bank and the [Enterprise Research Centre](#) with support from the Scale-Up Institute and Saïd Business School, Oxford University today released a new report detailing the critical role UK SMEs (small and medium-sized enterprises) can play in addressing the UK's 'productivity gap', a deficit identified in the UK Government's Productivity Plan (July 2015).

The report, *Unlocking UK Productivity – Internationalisation and Innovation in SMEs*, finds that smaller businesses have the potential to contribute to UK economic growth in three key ways:

- stimulating innovation
- spurring competition
- accelerating job creation.

UK smaller businesses are key contributors to UK growth, with around 10,000 high growth SMEs representing less than 1% of established businesses in the UK but generating 20% of all UK job growth. Despite this, innovation and internationalisation represent largely unexplored opportunities for boosting productivity growth in the sector.

More than 110,000 UK SMEs have the potential either to start exporting or expand their existing exports. If successfully encouraged, £1.15bn gross value ('GVA') could be added to the UK economy in the first year.

There is also evidence of a clear 'growth ambition gap' between UK SMEs and their counterparts in other G8 economies. In order to close this gap, the report recommends improvements in the entrepreneurial ecosystem to help build growth ambition – with improved access to capital and expanded business education being identified as critical enablers.

Alongside the report, Goldman Sachs today announced the expansion of the 10,000 Small Businesses programme in the UK. At a time when further engagement is needed to support the UK economy and boost productivity, the programme will be opened up to businesses throughout the UK, beyond the four current hubs. By expanding the programme's reach, developing new partnerships and leveraging technology to deliver a new online and residential learning experience, including new modules on internationalization and innovation, 10,000 Small Businesses will support the entrepreneurial community and the UK's overall growth agenda. This week in partnership with Bloomberg L.P. and Programme Co-Chair Michael Bloomberg, we are also hosting the inaugural 10,000 Small Businesses UK Coaching Session, which brings together hundreds of high-growth small businesses for a day-long series of training sessions with experts from Goldman Sachs and Bloomberg L.P. experts designed to give these entrepreneurs the confidence and skills to tackle and overcome challenges and accelerate growth.

READ Investors join the in-crowd: The House Crowd announces £700,000 investment milestone

The Rt Hon Sajid Javid MP, Secretary of State for Business, Innovation and Skills said:

“ This report by Goldman Sachs and the British Business Bank highlights the important role that small firms can play in boosting productivity across the UK. Small businesses are the backbone of the British economy and I want to see more of them growing and creating jobs. There is support out there from Government and from programmes like the Goldman Sachs 10,000 Small Businesses initiative, and I would urge any small firm with big ambitions to consider it.

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Michael Sherwood and Richard Gnodde, co-CEOs of Goldman Sachs International added:

“ We are very pleased to continue our commitment to supporting high-growth small businesses in the UK through our '10,000 Small Businesses' programme. We believe the private sector can make important contributions to supporting small business growth, creating jobs and boosting economic growth .”

Ron Emerson, Chairman, British Business Bank, said:

“ As a champion for smaller businesses in the UK, we are well aware of the importance of high growth SMEs to the nation's economy. We are therefore delighted to have contributed to this report and welcome the expansion of Goldman Sachs Small Business 10,000 programme. ”

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Tags: business , productivity gap , smes , uk economy , unlocking uk productivity

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<http://www.economicvoice.com/new-report-finds-smaller-businesses-are-key-to-solving-uks-productivity-gap/>

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SME growth ambition key to UK productivity puzzle

UK productivity could be boosted by increasing exporting and innovation among small and medium sized firms. Britain's productivity is falling behind other economies because it is slower to turn ambitious smaller firms into exporters of innovative new products and services, according to a new report.

With more support, it is estimated that up to 110,000 small to medium-sized enterprises (SMEs) could become regular exporters, adding an extra £1.15 billion in Gross Value Added (GVA) to the economy in the first year alone in the form of new and higher value jobs.

The report published today, *Unlocking UK Productivity* has been co-authored by Goldman Sachs, the [Enterprise Research Centre \(ERC\)](#) and the British Business Bank (BBB). Its findings draw heavily on the core research themes of ERC for the past three years.

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But the new report highlights ERC and wider research showing a crucial but underexplored factor affecting productivity – the ambition of entrepreneurs to grow.

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READ Another North-South Divide – Northern Britain embraces entrepreneurial spirit shunned by the south

One outcome of low growth ambition is that too few UK SMEs are bringing new products and services to market. Just 28 percent of British firms innovate, placing the UK 24th out of 34 European countries and making the UK's innovation rate comparable to that of Turkey and Serbia – and way behind leading countries such as Germany, Belgium and Iceland.

In addition, British SMEs are exporting less than other countries. While the Government wants 25 percent of UK firms to be exporting, since 2008 this figure has in fact been declining and now stands at just 18 percent. And of these, only 17 percent are 'persistent exporters' that regularly sell abroad.

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The report calls for greater support and education for entrepreneurs, citing the success of programmes such as Goldman Sachs' 10,000 Small Businesses programme in creating an environment where business owners can learn from mentors and peers over a significant time period.

READ How Can a Vancouver Business Benefit from a Coach?

Prof Mark Hart, ERC Deputy Director and Programme Director for 10,000 Small Businesses UK, Aston University, said:

“ Although economic growth has returned, UK productivity since 2008 has been almost flat. This means we're producing less per worker than our international competitors and taking longer to create the same amount of economic value.

“Our research shows that there is huge untapped potential out there and that if we could build the confidence of innovative businesses that have high growth ambitions to start exporting regularly, we could generate an enormous boost to our economy.

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ERC research shows that between 2008 and 2013 as much as 85% of new jobs in the UK were created by firms with fewer than 50 employees.

SMEs account for 15.6 million (60%) of all private sector jobs in the UK and £1.75 trillion (47%) of revenue per annum.

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Tags: business , productivity puzzle , sme growth , smes , uk econpmy , unlocking uk productivity

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