

EMPOWERING ENTREPRENEURS, ACCELERATING GROWTH

Progress Report on the Goldman Sachs
10,000 Small Businesses UK Programme

November 2014

Summary Version

Foreword

Lloyd Dorfman CBE
Founder and Chairman, *Travelex*



We are living in the age of the entrepreneur. Now, more than at any time I can remember, entrepreneurship is being celebrated by the media and governments around the world. The barriers to establishing your own business have been lowered by new technologies and changing consumer behaviour. Some of the world's most successful businesses are associated inextricably with their entrepreneurial roots. Perhaps most notably, becoming an entrepreneur is no longer considered something for eccentrics or hopeless optimists – it is aspirational and has become a respectable, even a desirable, option for some of the best and brightest.

Writing as somebody who started my business at the age of 24, I have no doubt that this cultural shift is a positive one. For our economies to continue delivering shared prosperity and create fulfilling opportunities for work, it is essential that innovative ideas and new ways of working are constantly introduced and tested in the marketplace – and entrepreneurs are critical to this process.

And yet, in all this very welcome celebration of entrepreneurship, sometimes the reality of what it means to be an entrepreneur can get lost. I am sure that many of the participants of the *10,000 Small Businesses UK* programme struggle to recognize their own experience in some of the portrayals of entrepreneurship they see around them!

First and foremost, building a business is one of the hardest things you can do. Not only is it immensely hard work, but almost by definition it is a lonely undertaking – the buck really does stop with the entrepreneur. The undoubted highs (the key milestones reached, the first big customer won, the first investment secured) are intrinsically tied to the huge challenges (the radical uncertainty, the constant battling against the odds with limited resources, the impossibility of ever standing still).

Yet the *10,000 Small Businesses UK* participants who are the focus of this Report are evidence of how strong the desire is to start your own business, and even more so what can be achieved when you do. In their diversity, they show how broadly shared the desire to build your own business is – among people with PhDs and those who left school early, younger and older people, men and women, across every sector and in every part of the country. Overwhelmingly, these individuals have grown their businesses through or founded them during the recent recession, against all the odds.

The tenacity and resilience that these business leaders demonstrate are surely prerequisites for business success. Another is the ability to learn and adapt constantly, and the *10,000 Small Businesses UK* programme provides the opportunity for accelerated learning from world class business schools and universities, practitioners in the wider business community and, critically, from other entrepreneurs. A breakthrough insight and, I am sure, a key reason for the programme's impact as demonstrated in this Report, is how it helps entrepreneurs to tap into one another's accumulated experience. There is no more credible source of advice or encouragement than another entrepreneur who has already been down the path that you are exploring.

Speaking from my own experience, there was no 38 year plan to grow *Travelex* from a single shop in 1976 to where it is today and I could not possibly have predicted its evolution. Each participant in the *10,000 Small Businesses UK* programme has their own story and is at a different stage of their business's journey, and for each their business's evolution will be different. But all are united by the desire to take their businesses as far as they can go and in this they cannot but benefit from being part of this unique entrepreneurial community.

A handwritten signature in black ink, appearing to read 'Lloyd Dorfman'. The signature is stylized and fluid, with a long horizontal line extending from the end.

Lloyd Dorfman CBE
Founder and Chairman, *Travelex*

Report Summary

Following *Stimulating Small Business Growth* published in April 2013, *Empowering Entrepreneurs, Accelerating Growth* substantially deepens and strengthens the evidence base for the impact of the *10,000 Small Businesses UK (10KSB UK)* programme on participating businesses and entrepreneurs.

10KSB UK programme background

10KSB UK is a comprehensive programme of business development support for small businesses with high growth potential. Since 2010 the programme has enrolled more than 800 entrepreneurs across the country. It is a partnership between Goldman Sachs, the Goldman Sachs Foundation and the following leading UK business schools and universities:

- **Saïd Business School**, University of Oxford;
- **Aston Business School**;
- **Leeds University Business School**;
- **Manchester Metropolitan University Business School**; and
- **UCL (University College London)**.

10KSB UK is one of several programmes developed and supported by Goldman Sachs and the Goldman Sachs Foundation that aim to support the growth of high potential small businesses and thereby create jobs and grow economies. Building on the success of the *10,000 Women* initiative, which provides a business education to women entrepreneurs in emerging economies, *10,000 Small Businesses* launched in the United States in 2009.

Programme design

Key design features of the 10KSB UK programme include:

- A **selection process** which aims to recruit entrepreneurs who are committed to growing their businesses and can benefit from the programme offer.
- **Facilitated peer-to-peer learning**, which enables experienced entrepreneurs to learn effectively from one another.
- A **holistic curriculum** around growth issues for small businesses, which enables each participant to work on all aspects of their business.

- **Flexible programme management** that ensures responsiveness to the needs of each new group of participants and enables the programme to evolve over time.
- The **university/business school setting**, which places the programme in credible learning environments that are deeply networked into local and regional economies.

Accelerating growth

The Report describes the results of control group analysis designed to identify programme impact through rigorously comparing participants' performance with that of similar but non-participating businesses (see Figure 5). This analysis suggests that the 10KSB UK programme increases participating businesses' growth by between 10% and 25%, relative to what their growth would have been without the programme.

The Report also establishes that:

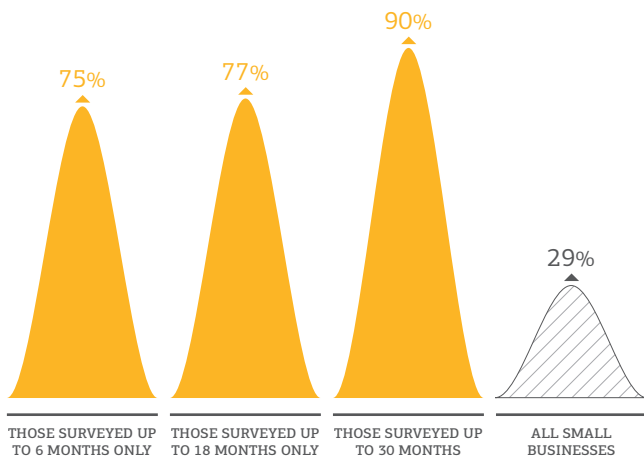
- The strong revenue growth and job creation exhibited by participants continues well beyond graduation, with 90% of participants growing net employment three years after starting the programme (Figure 1), and 88% of participants growing turnover (Figure 3);
- On average, participants are growing employment between 16% and 26% per year after participating in the programme (Figure 2), and growing turnover at between 23% and 42% (Figure 4), depending on when they graduated.

Research has established that high growth small businesses, while small in number, are critical to economy-wide job creation and productivity growth. The finding that the 10KSB UK programme has a significant, measurable impact on its participants is an important contribution to the debate about how to support these businesses. It suggests that this programme's design could inform other efforts to stimulate economic growth and job creation by supporting high growth potential businesses.

For more information about the *10,000 Small Businesses UK* programme and the full version of *Empowering Entrepreneurs, Accelerating Growth*, visit www.gs.com/10ksb-uk

10,000 Small Businesses UK participant performance and strategic change

Fig 1

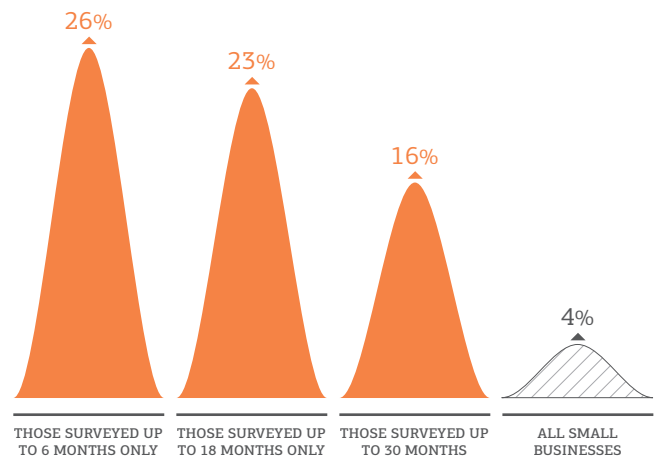


Percentage of participants growing net employment (6/18/30 months)

A large majority of participants report growing net employment over the previous 12 months, with almost all participants (90%) from the first three cohorts reporting growth.

Source: M&E survey and SME Business Barometer February 2014.

Fig 2

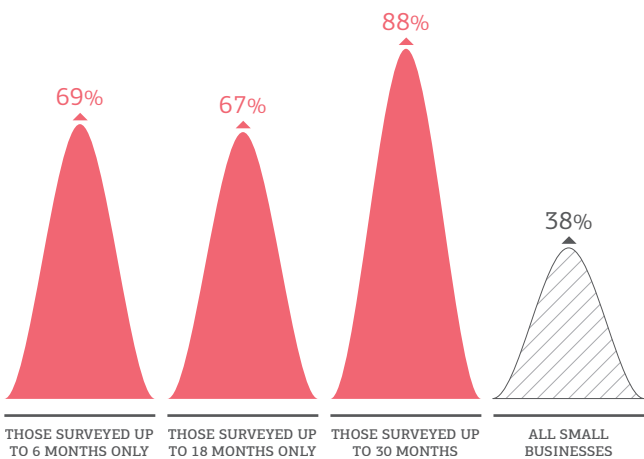


Employment growth rate, previous 12 months (6/18/30 months)

Participants' reported net employment growth in the previous 12 months ranges between 16% and 26%, depending on the length of time since the participants graduated.

Source: M&E survey and Business Structure Database (BSD).

Fig 3

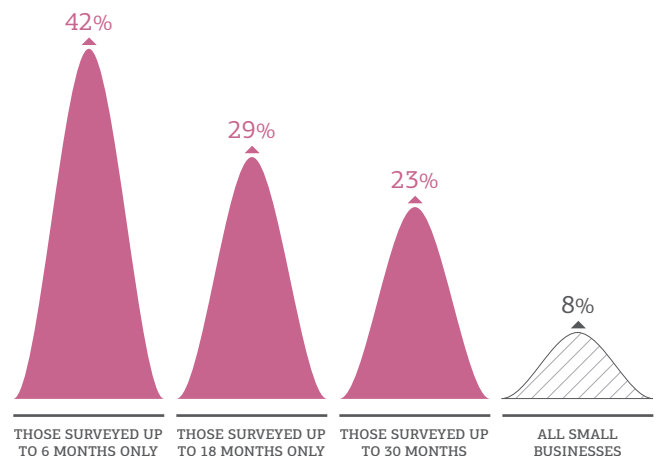


Percentage of participants growing turnover (6/18/30 months)

As for net employment, a large majority of participants report growing turnover over the previous 12 months.

Source: M&E survey and SME Business Barometer February 2014.

Fig 4

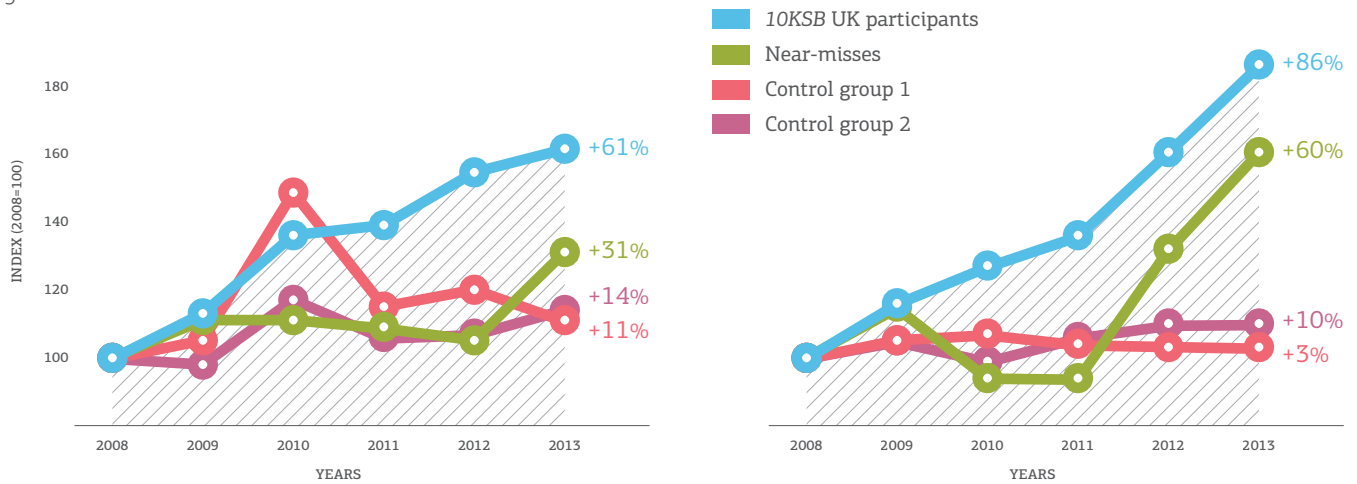


Turnover growth rate, previous 12 months (6/18/30 months)

Participants' reported turnover growth in the previous 12 months ranges between 23% and 42%, depending on the length of time since the participants graduated.

Source: M&E survey and BSD.

Fig 5



Index of turnover growth, 2008-13, 10KSB UK participants and control groups

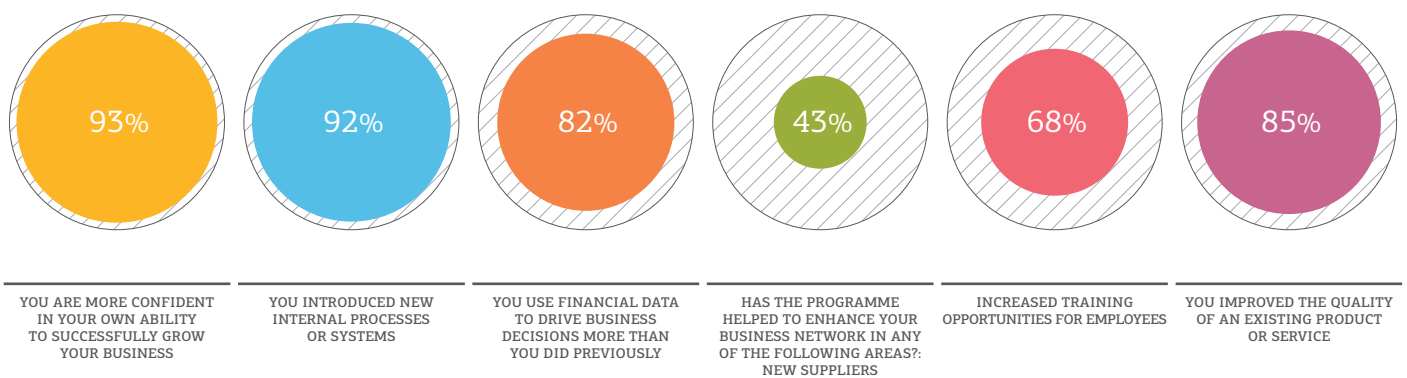
Cohort participants (n=165); near-misses (n=69); control group 1 (n=151) and control group 2 (n=289).¹

Index of employment growth, 2008-13, 10KSB UK participants and control groups

Cohort participants (n=165); near-misses (n=69); control group 1 (n=151) and control group 2 (n=289).¹

Source: M&E survey and BSD.

Fig 6



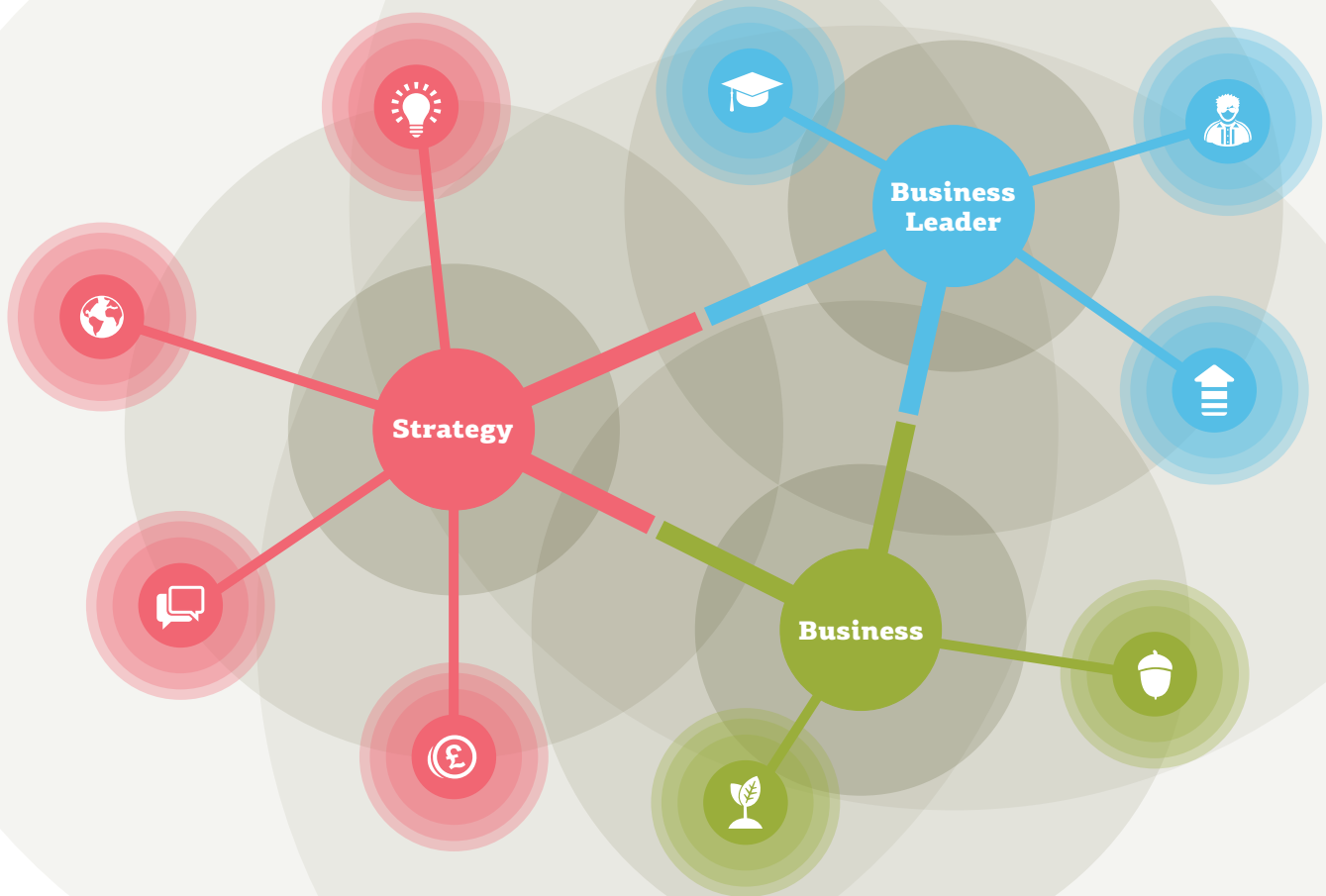
Strategic change among participants (based on 6 month responses for all respondents)

Participants report significant change taking place in their businesses in the six months following programme participation, including process and product innovation, improved financial management, enhanced networks and new approaches to people management.

Source: M&E survey.

¹ For a full explanation of this control group analysis see Section 4 and the Technical Annex of *Empowering Entrepreneurs, Accelerating Growth*.

Drivers of growth among 10KSB UK participants



Building on related academic research, the Report studies the 10KSB UK population to shed further light on entrepreneur and business characteristics and strategic behaviours that are associated with higher growth. The key findings are summarized here.

Strategy

Innovation

Innovative behaviour, which can help build competitive advantage in the marketplace, is positively associated with business growth.



Exporting

Operating in international markets increases potential market size and exposes the business to a wider set of competitive pressures.



Mentoring

Working with a mentor (such as a 10KSB UK Programme Tutor) can bring valuable skills, connections and experience that support business growth.



External finance

External finance is often required to fund rapid business expansion. Openness to external finance can be a gauge of growth ambition.



Business Leader

Education

More education tends to be associated with higher growth. Education may act as a proxy for knowledge, skills and networks developed by individuals who undertake post-school education.



Age

Younger owners tend to have higher growth ambition and to achieve higher growth. This may reflect different attitudes to risk or a greater willingness to make fundamental strategic changes in the direction of the business.



High growth ambition

There is a positive relationship between the growth ambition of the entrepreneur leading the business and actual achieved business growth.



Business

Size

Small firms grow faster than larger firms due to their greater flexibility and their need to achieve a minimum efficient size.



Past growth

From year to year small firm growth is often characterised by negative autocorrelation whereby past recent growth negatively influences current growth. Firms that previously grew at a slower rate now have faster growth.

