

STIMULATING SMALL BUSINESS GROWTH

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

April 2013



Foreword by The Rt Hon the Lord Heseltine CH

No reminder is needed that developed economies the world over, including the UK, face unprecedented challenges. Foremost among these is the need to restore sustained growth in an environment of constrained resources, at a time when markets are more global and competition – for customers, skills, resources – grows more intense by the day. At stake is our ability to sustain and raise the standard of living of current and future generations.

Enabling our most ambitious, innovative and productive small businesses to grow in every part of the UK is a crucial piece of this puzzle. In every thriving economy small businesses are key drivers of job creation and growth and it is from among today's small businesses that tomorrow's national and global players will emerge.

My own experience of starting and growing a small business, albeit in different economic circumstances, and my subsequent career has left me both with an enduring admiration for entrepreneurs and an understanding of the extraordinary challenges they face as they seek to grow their businesses.

The UK has every reason to be optimistic. World leading businesses and industries have been and continue to be built here in the UK, and they are to be found in every region and in every sector. But we cannot be complacent, and entrenched models and mindsets may not be adequate to the task. My October 2012 report to the government, *No Stone Unturned in Pursuit of Growth*, set out my vision of how we can build on our strengths – and address longstanding issues – to enable the UK economy to thrive in both the short and the long term. I emphasise in particular that a necessary condition for achieving our potential as a country is unlocking the growth of all, not just some, of our local and regional economies.

Providing effective small business support should be a keystone of this effort and will require new ways of working together across public and private sectors and an openness to innovative ideas and models. Crucially, in supporting small businesses we should not start from a blank

slate but should tap into and where necessary catalyse and link together the local assets, infrastructures and networks that are already serving small businesses.

The Goldman Sachs *10,000 Small Businesses UK* programme is a very welcome and timely practical contribution to supporting small business growth, both in terms of what it does and how it does it:

- It focuses its investment where it can make a difference, by providing a practical business and management education to ensure that entrepreneurs preparing their businesses for growth are familiar with best practice across every aspect of their business.
- It adopts an innovative approach, bringing small business leaders together to create entrepreneurial communities whose participants share experience and insight and support one another.
- It is a cross-sectoral partnership that draws extensively on the skills, resources and initiative of local experts, notably universities and business schools, with each partner bringing its unique assets to the common goal of supporting small business growth. It complements and develops the business ecosystems in four of our great cities and the surrounding regions.

The early evidence on the programme's impact presented in this Progress Report suggests that this approach is making a real difference to participating businesses and therefore to local economies across the country. Further, by enhancing small business ecosystems *10,000 Small Businesses UK* provides new opportunities for complementary investments designed to stimulate small business growth. I hope that others will be inspired by the experience of this partnership to bring their unique assets to support this crucial agenda.



The Rt Hon the Lord Heseltine CH

Executive Summary

This Progress Report has been produced by the five university partners that lead the delivery of the Goldman Sachs *10,000 Small Businesses UK* programme. It describes the programme's context and rationale, explains how it is designed, sets out early evidence about its impact and draws some general lessons from the experience of delivering the programme.

What is *10,000 Small Businesses*?

10,000 Small Businesses UK is one of several programmes developed and supported by Goldman Sachs and the Goldman Sachs Foundation focused on accelerating the growth of high potential small businesses to 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. This programme, developed by the F.W. Olin Graduate School of Business at Babson College, is delivered through community college partners to underserved entrepreneurs in cities across the United States.

In the UK *10,000 Small Businesses* is a partnership between Goldman Sachs, the Goldman Sachs Foundation and the following leading universities:

- Saïd Business School, University of Oxford – national partner;
- Aston Business School – Midlands programme;
- Leeds University Business School – Yorkshire programme;
- Manchester Metropolitan University Business School – North West programme; and
- UCL – London programme.

The UK programme has a broad regional coverage, including many areas of relative economic disadvantage. It was first piloted in Yorkshire in 2010, followed by expansion to North West England, the Midlands and London. As of April 2013 almost 500 small business leaders across the country have participated, and approximately 250 new participants join the programme

Through its investment in these small business leaders *10,000 Small Businesses* aims to stimulate employment creation and economic growth.

each year. Through its investment in these small business leaders *10,000 Small Businesses* aims to stimulate employment creation and economic growth.

Why small businesses matter

As well as being the major source of job creation in developed economies, small businesses are critical to driving economic growth through innovation and market expansion. There is growing evidence of the economic significance of the small proportion of businesses that exhibit high growth, which are to be found in all regions of the country and in all industry sectors. The economic impact of increasing the population of high growth businesses, even marginally, would be significant and the opportunity to do so exists in all regions of the UK.

The design of 10,000 Small Businesses UK

The programme is designed specifically for the leaders of established small businesses who have the ambition and the potential to generate substantial growth in their enterprises. Participation is by competitive entry and is fully funded by the Goldman Sachs Foundation for successful candidates.

Participants benefit from a full package of support with a strong focus on structured peer learning and the creation of communities of entrepreneurs.

Each participant undertakes the programme as a member of a cohort of 25 to 30 entrepreneurs. The core of the programme, undertaken by all participants, is a cycle of 12 modules each focused on a different aspect of business growth. The modules together constitute a coherent and comprehensive curriculum designed specifically for *10,000 Small Businesses UK*. Over the course of the modules every participant develops a Business Growth Plan to guide the growth of their business beyond the programme.

The core programme is supplemented by topical workshops, legal clinics, one-to-one mentoring and other support tailored to participants' needs. The emphasis throughout is on learning that is practically applicable in participants' businesses and on creating an environment of trust to encourage the intensive exchange of ideas and experience between participants. Over time, a unique national community of entrepreneurs has developed that is focused on growth and unified by the shared experience of having participated in *10,000 Small Businesses UK*.

Programme impact - early evidence

The aim of the *10,000 Small Businesses UK* programme is ultimately to help generate business growth and employment creation that may not have otherwise happened.

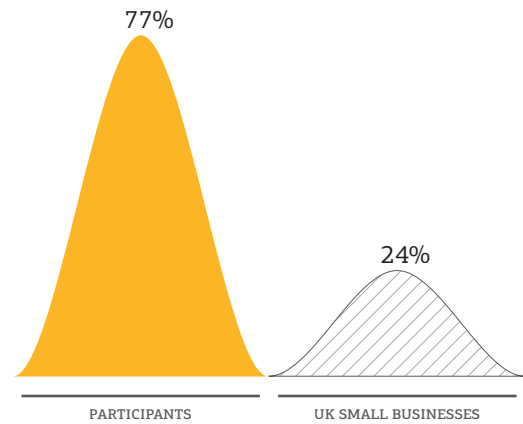
A rigorous and independent process has been established to monitor changes in participants' businesses for an extended period after they complete the programme. Data collected from this process indicates that the programme is leading to an observable impact on jobs and turnover. For example:

- A large majority – 77% – of participants report in their initial follow up survey that they had increased the number of people they employed in the previous 12 months.
- On average participants reported an annual increase of 23% in their net employment over the baseline position.
- Two thirds – 66% – of participants indicated that, compared to the same period in the previous 12 months, their turnover had increased.
- On average participants reported an annual increase of 16% in their annual turnover over the baseline position.

Almost all (92%) participants report that they are now more confident in their ability successfully to grow their business than they were before participating in *10,000 Small Businesses UK*. The opportunity to work closely with other entrepreneurs, to provide mutual support to others with similar aspirations and to join a dedicated community of like-minded entrepreneurs seems to serve to increase confidence, morale and resilience.

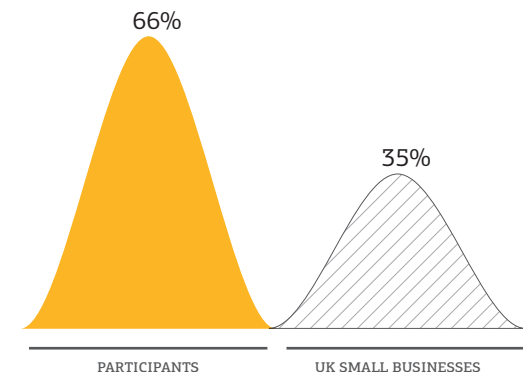
What the partnership is learning

The process of developing and delivering the *10,000 Small Businesses UK* programme and monitoring its impact on participants is enabling the programme partners to understand how it is creating value on a number of different levels. A key outcome from the programme is how powerful and self-sustaining entrepreneurial communities can be and the importance of creating the conditions in which these can form and flourish. The Report concludes with a discussion of some of the features of *10,000 Small Businesses UK* which are proving particularly impactful for participants.



Job creation

77% of participants creating net new jobs vs. 24% of UK small businesses.¹



Revenue creation

66% of participants growing revenue vs. 35% of UK small businesses.¹

¹ BIS Small Business Survey, 2012.

SECTION 1

Why Small Businesses Matter, and the Case for Supporting Them

As well as being the major source of job creation in developed economies, small businesses are critical to driving economic growth through innovation and market expansion.² Economies thrive when their most ambitious, innovative and productive small businesses are able to grow.

In every economy the overwhelming majority of small businesses do not grow and these 'static' businesses play a crucial role in delivering services and maintaining livelihoods. But there is growing evidence of the economic significance of the much smaller proportion of businesses that exhibit high growth.

This is perhaps most evident in high growth businesses' disproportionate contribution to job creation.³ For example, in the UK high growth businesses⁴ representing one per cent of the total business population generated one million jobs, or 23% of the total, between 2007 and 2010.⁵ Less evidently, growing small businesses are also critical drivers of long term productivity growth. They bring innovative products and processes to the market, and disseminate these innovations as they expand their markets regionally, nationally and internationally.

The international comparative evidence on business growth shows that European countries have on average a lower share of high growth businesses than the US.⁶ Europe, and in particular the UK, has a much larger share of static businesses. These differences have been shown to be significant in explaining variations in productivity across the economies.⁷

It is crucial that small businesses, whatever their specific context, are able to take full advantage of the ecosystem around them and to play a pro-active role in fuelling their own growth.

2 Bravo-Biosca, A. (2010) *Growth Dynamics: Exploring business growth and contraction in Europe and the US*, NESTA Research report: November 2010.

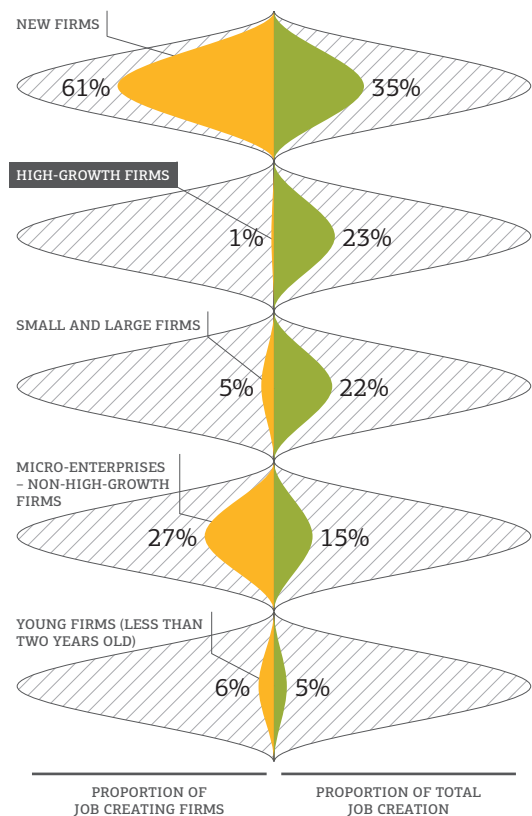
3 Anyadike-Danes, M; Hart, M and Du, J (2013) *Firm Dynamics and Job Creation in the UK – Taking Stock and Developing New Perspectives*, Enterprise Research Centre White Paper, April 2013.

Within the UK, recent analysis shows the dominant position of parts of London and the South East in the distribution of high growth businesses but also highlights concentrations of these businesses in Edinburgh, Glasgow, Leeds, Manchester, Cardiff and Bristol. There is no particular sector bias among high growth businesses. High growth businesses can be found in every region and in every industry.⁸

Overall, the evidence suggests that the economic impact of increasing the population of high growth businesses, even marginally, would be significant and that the opportunity to do so exists in all regions of the UK.

But what determines the likelihood of a firm achieving fast growth and what does this tell us about the optimal design of interventions that aim to accelerate small business growth? The vast majority of research on small business growth has focused on explaining the importance of business age, sector and initial size and on specific barriers which can limit growth (for example on access to finance and difficulties in exporting). Relatively limited consideration has been given to the role of leadership and the aspirations and capabilities of management.

Clearly no intervention on its own can transform the growth prospects of UK small businesses. A robust small business support ecosystem will vary from region to region, leveraging local assets and responding to specific needs and opportunities, and will involve many players and evolving interactions among them – including local, regional and national administrative bodies; capital providers; professional services firms; industry trade groups; academic institutions; and large corporates seeking to optimise their supply chains. Peer support among entrepreneurs themselves represents an opportunity and an underexploited resource. It is crucial that small businesses, whatever their specific context, are able to take full advantage of the ecosystem around them and to play a pro-active role in fuelling their own growth.



In the UK high growth businesses representing one per cent of the total business population generated one million jobs, or 23% of the total, between 2007 and 2010.⁴

4 We follow the OECD methodology and define a high-growth firm as any firm with a minimum of 10 employees at the beginning of the period that achieves an average annualised employment growth greater than 20 per cent over a three year period.

5 Based on analysis for the period 2007-2010 of ONS data contained in Anyadike-Danes et al., (2013) op cit. Note: these five categories of firms are mutually exclusive and sum to the population of job creating businesses in the UK economy.

The *10,000 Small Businesses UK* programme aims to contribute to the development of the UK's small business support ecosystem in particular through:

- Focusing on the development of small businesses' entrepreneurial and managerial capabilities;
- Facilitating the development of peer-to-peer support networks of small businesses with high growth potential; and
- Developing a partnership model of small business support provision between the corporate and higher education sector that also draws on and complements existing local assets, infrastructures and networks.

6 Bravo-Biosca, A (2010), *op cit*.

7 Bravo-Biosca, A (2010) *op cit*.

8 Anyadike-Danes, M; Hart, M and Bonner, K (2013) *Exploring the incidence and spatial distribution of HGFs in the UK and their contribution to job creation*, NESTA Working Paper No. 13/05.

SECTION 2

The Design of 10,000 Small Businesses UK

10,000 Small Businesses UK has been designed to accelerate the growth of high potential small businesses. Participants benefit from a coherent and comprehensive package of support with a strong focus on structured peer learning and the creation of communities of entrepreneurs.

Programme partners

10,000 Small Businesses UK is a partnership between Goldman Sachs, the Goldman Sachs Foundation and five leading UK universities. Each university partner brings a combination of recognised academic expertise on topics relating to business growth and practical experience in developing entrepreneurs' management and leadership skills. Each is also an important player in its respective business ecosystem, and is able to draw on a uniquely wide range of skills and resources for the benefit of programme participants.

While four of the five university partners have responsibility for delivery in a specific region, they work closely on programme development together. Saïd Business School, the programme's national coordinating partner, works closely with the regional delivery partners to ensure consistent delivery and to facilitate knowledge sharing. The programme is recognisably the same from region to region and from cohort to cohort, but each partner enjoys the flexibility to introduce innovations within the overall structure. The most effective of these innovations are shared quickly across the partnership through formal and informal transmission mechanisms. The result is that the core curriculum and delivery model evolve organically over time and reflect a growing body of experience about how to deliver effective support to entrepreneurs.

Participant selection

Because *10,000 Small Businesses UK* aims to support small businesses with high growth potential, and given the focus on peer learning and the building of entrepreneurial

The programme evolves organically over time and reflects a growing body of experience about how to deliver effective support to entrepreneurs.

communities, the selection process to participate in the programme is necessarily rigorous.

Recruitment is managed regionally and is targeted at leaders of established small businesses and social enterprises with typically between five and 40 employees. Many participants are founder CEOs of their businesses and all exercise considerable direct control over every aspect of their business.

Beyond these basic requirements, the selection process aims to identify participants who have the potential to generate significant growth with the programme's support. Information from application forms, applicant interviews and background research is used to assess:

- The entrepreneur's and the business's track record;
- The entrepreneur's ambition for their business;
- The nature and scale of the business's growth opportunity; and
- The entrepreneur's potential to benefit from the programme and to contribute to other participants' development.

As illustrated in Section 1, only a very small proportion of small businesses exhibit high growth. Similarly, the combination of characteristics sought in *10,000 Small Businesses UK* participants is relatively uncommon among the broader small business population. But by bringing together entrepreneurs who share these characteristics the selection process provides a strong foundation for trust between participants right from the start.

“I'm now dealing with participants from outside of my particular cohort, businesses that have been vetted by the *10,000 Small Businesses* network, people that have been through the same application process, have been successful on the course and understand my goals and objectives.”

North West participant

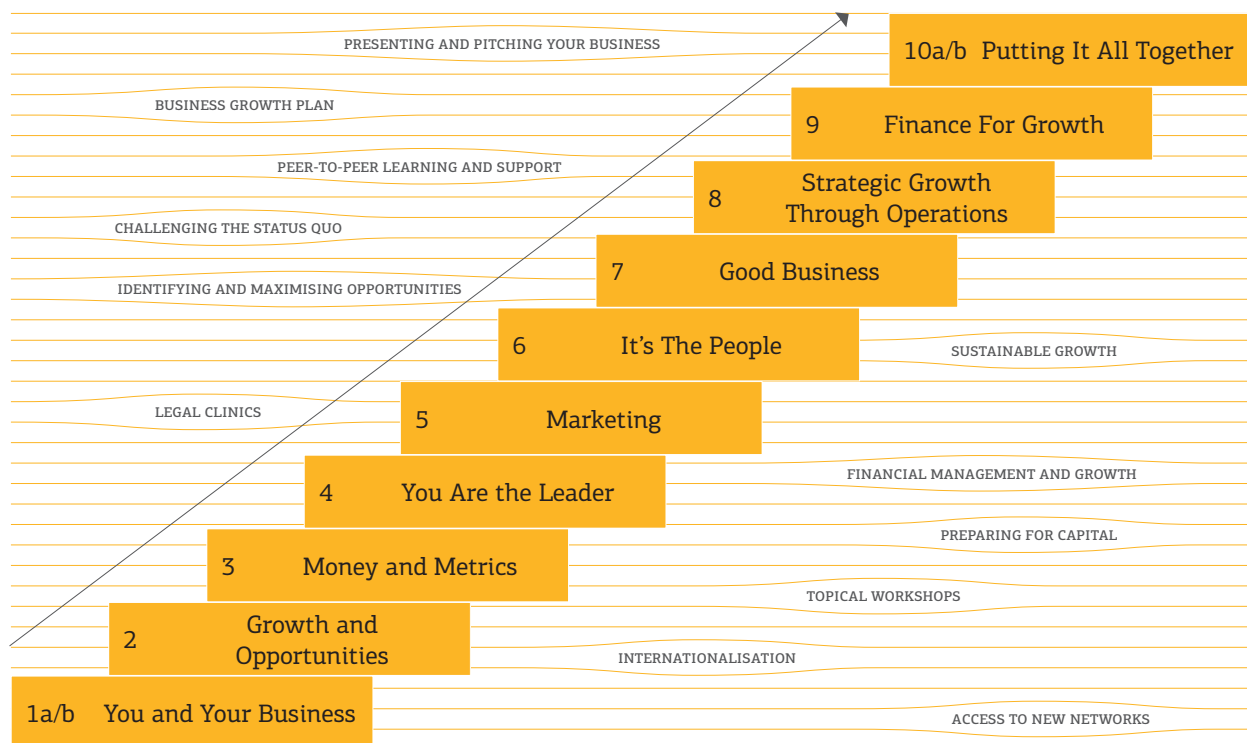
There are no restrictions on participation in terms of business sector or the entrepreneur's background, with the result that each cohort of participants is highly diverse in its makeup. The key commonality is that all participants share the desire and the potential to grow their

Each participant cohort is highly diverse in its makeup, though all participants share the desire and the potential to grow their businesses.

businesses. A notable example of this diversity, and one which is unusual if not unique in the business support space, is that mission-driven businesses and social enterprises participate in the programme alongside more purely commercially-driven small businesses. This design feature is based on bespoke research which found that these firms face many of the same growth challenges as other small businesses.⁹

Programme structure and content

Once selected, participants benefit from an intensive and wide-ranging programme of support.



The content covered in the core programme of 12 topic-centred compulsory modules is wide-ranging but consistently underpinned by the theme of business growth.

⁹ A prescriptive definition of "social enterprise" is not used but in general it is required that participants derive the bulk of their revenue from trading activities rather than from grant funding.

The content covered in the core programme of 12 topic-centred modules is wide-ranging but consistently underpinned by the theme of business growth. The comprehensive nature of this core programme means that participants can both work to develop business skills which they know have been less well developed over the course of their entrepreneurial career, and identify weaknesses and strengths of which they were not aware.

Threaded throughout the modules are horizontal themes and activities. The most important of these is the Business Growth Plan which every participant develops and refines iteratively from module to module. This Plan charts the participant's medium to long term growth strategy and the action plan to implement it. It can be adapted for use in capital raising and building consensus within management teams on strategic decisions. The consistent focus on the Business Growth Plan ensures that the programme content always ties back to practical action and change in participants' businesses.

The modules take place fortnightly over three to four months. This schedule strikes a balance between immersing participants in an intensive learning environment outside their businesses, and providing opportunities to test out ideas inspired by the modules in their businesses. The core programme is sufficiently short and intensive to generate energy and momentum, and long enough to enable participants to develop robust, well-tested growth strategies that endure beyond their involvement in the programme. Crucially, the duration of the programme also enables participants to build a strong support and enduring network within their cohort.

“For me I found the most valuable part was taking yourself out of the business, and looking from the outside in. It gives you a much greater sense of perspective, and you are able to criticise your own business with like-minded people.”

Yorkshire participant

Participants also benefit from the input of practitioners from the wider regional business ecosystem. Each is assigned an experienced business advisor who helps them to develop their Business Growth Plans and to translate module content into practical action. The core programme is further supplemented by topical business workshops, legal clinics and other support services tailored to participants' needs.

The learning environment is designed to encourage an intensive and productive exchange of knowledge between the participating entrepreneurs that catalyses change in them and their businesses.

Learning environment

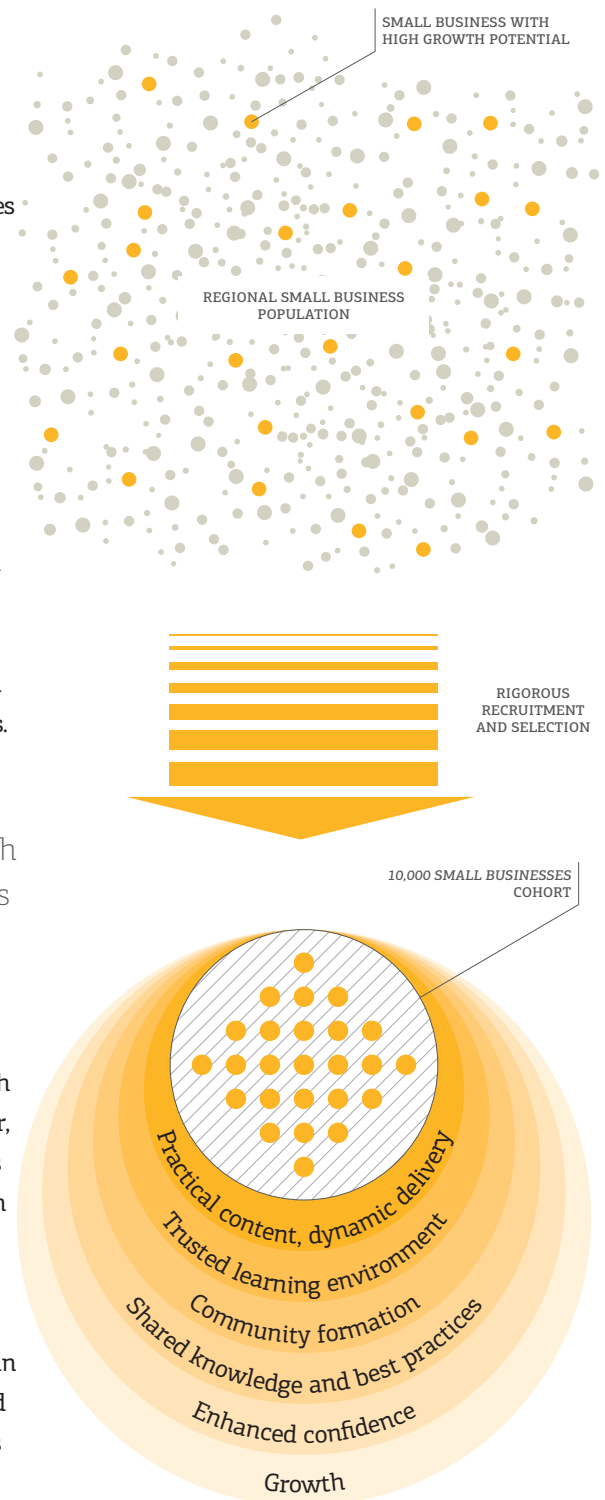
The learning environment in which 10,000 Small Businesses UK participants are immersed is different from a typical MBA programme, perhaps its closest equivalent. All participants are successful practising entrepreneurs who return to their businesses after each module. Each brings experience and networks which are valuable to other participants. The learning environment is designed to encourage an intensive and productive exchange of knowledge between the participating entrepreneurs that catalyses change in them and their businesses.

Facilitated peer learning is an approach used throughout the programme and creating a strong basis of trust between participants is a necessary condition for this method to work effectively. Each cohort is divided at the outset into Growth Groups of five participants each and these meet throughout the core programme to discuss, deliberate and form strategies around real business issues and collaborate on evolving Business Growth Plans.

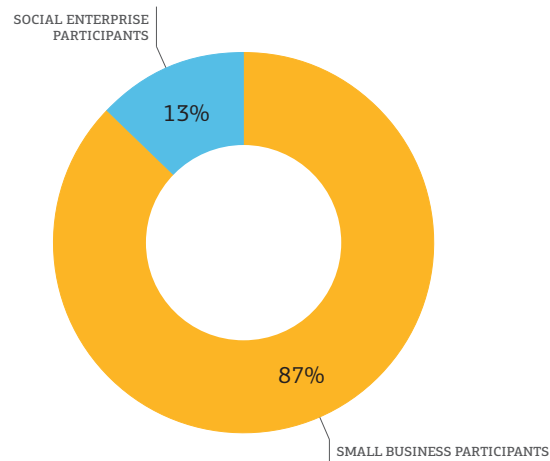
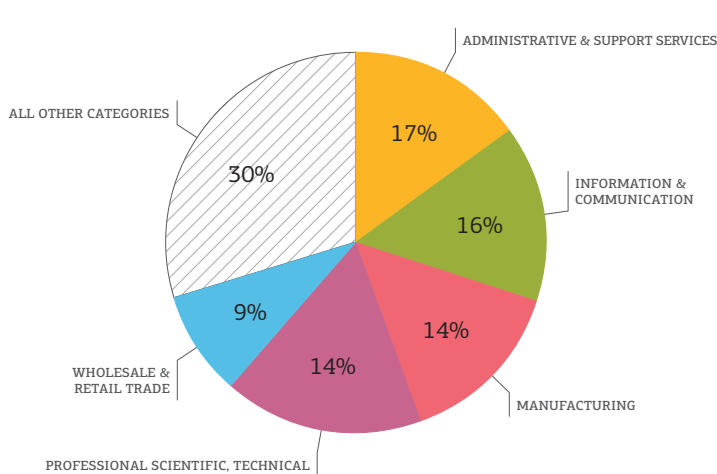
“You develop your Business Growth Plan with the 25 other participants, but especially with the core Growth Group of the five of you. They know everything that’s in my plan, they’ve helped me develop it.”

Yorkshire participant

Over time, participants become increasingly familiar with each other’s businesses and able and willing to add value to each other, both within their Growth Groups and in the wider cohort. This value takes many forms – shared experience, direct business with one another, strategic partnerships or mergers, introductions to new clients and suppliers, mentoring relationships or simply increased morale or confidence. Each cohort begins the programme a disconnected group of entrepreneurs, operating in the same region. By the end they are part of an interconnected network that produces a multitude of productive relationships and connections within the cohort and beyond.



Participant Diversity

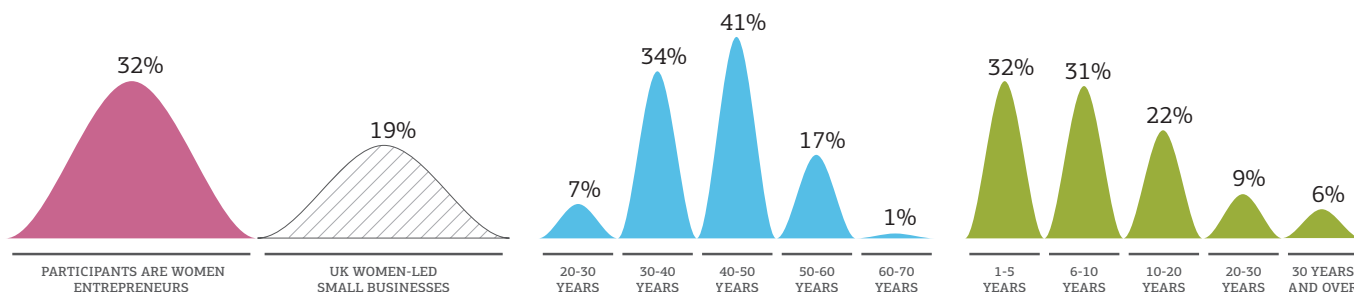


Business sectors

Sectoral breakdown (based on SIC codes) of 10,000 Small Businesses participants

Social enterprises

13% of participants are social enterprises



Gender diversity

32% of participants are women entrepreneurs vs. 19% of women-led small businesses across the UK *

Participant age

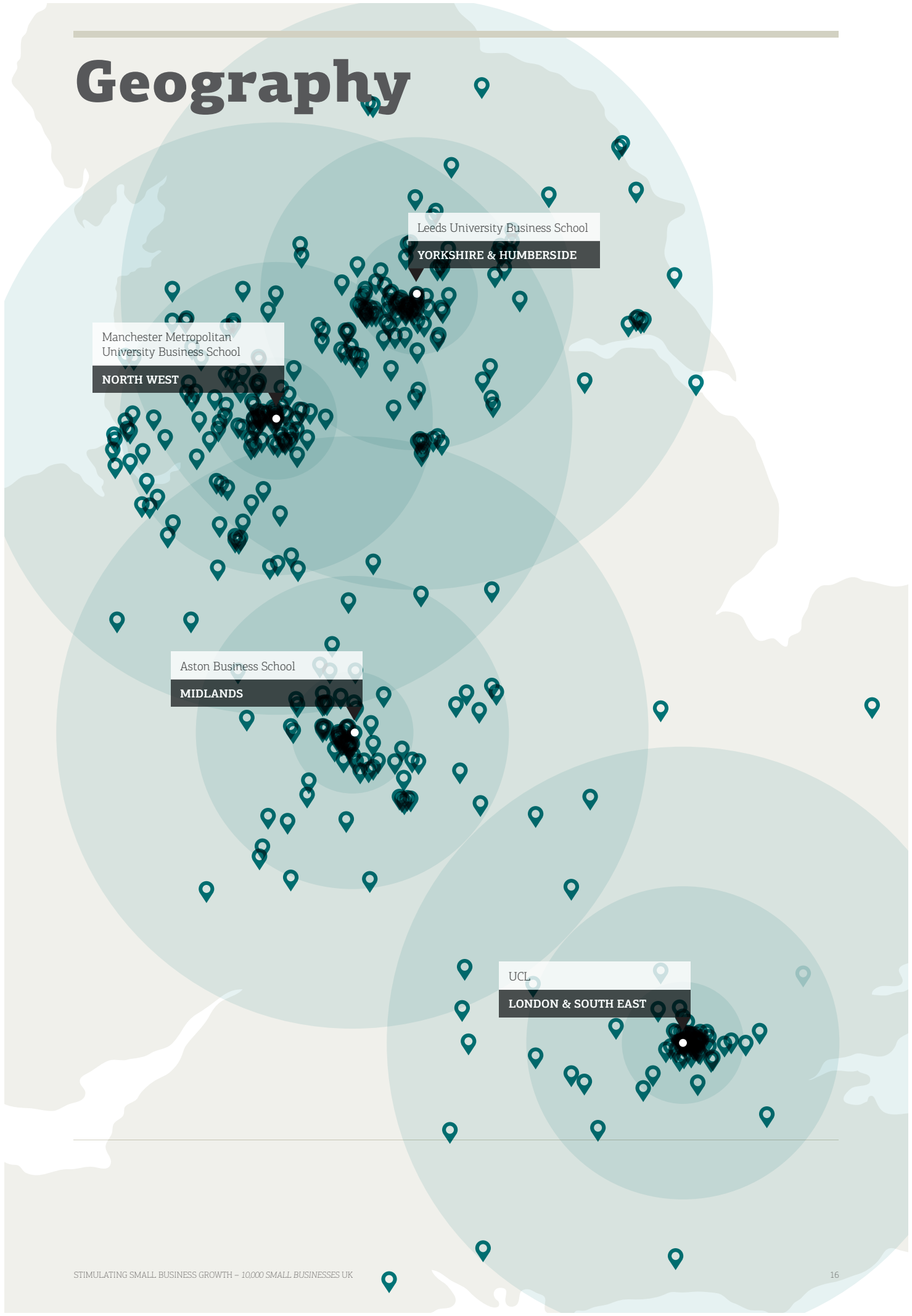
Broad range of ages represented, most participants are over 40 years of age

Business age

Most participants' businesses are under 10 years old

* Data for the UK is taken from the ONS Business Structure Database (BSD) and the BIS Small Business Survey (2012).

Geography



Leeds University Business School

YORKSHIRE & HUMBERSIDE

Manchester Metropolitan University Business School

NORTH WEST

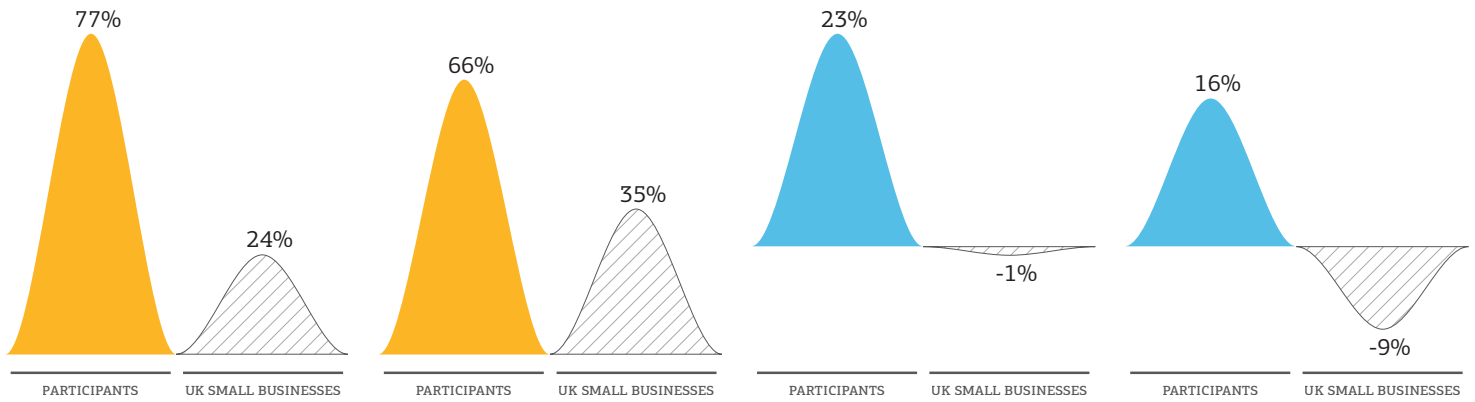
Aston Business School

MIDLANDS

UCL

LONDON & SOUTH EAST

Programme Impact *



Job creation

77% of participants creating net new jobs vs. 24% of UK small businesses

Revenue creation

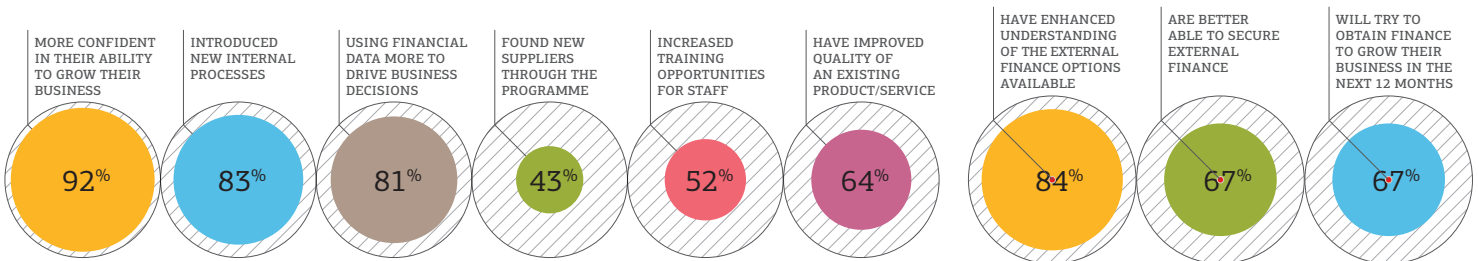
66% of participants growing revenues vs. 35% of UK small businesses

Employment growth rate

Average net employment growth rate of participants 23% vs. -1% for UK small businesses

Revenue growth rate

Average growth rate of participant revenues 16% vs. -9% for UK small businesses



Strategic change

Participation in the programme is catalysing major strategic changes in participating businesses

Capital for growth

The programme is helping participants to evaluate and access different forms of capital for growth

* Data for the UK is taken from the ONS Business Structure Database (BSD) and the BIS Small Business Survey (2012).

Note on Measurement Methodology

10,000 Small Businesses UK participant data is collected for monitoring and evaluation (M&E) purposes by BMG Research, an independent market research agency based in Birmingham. Standardised interviews are conducted with participants when they begin the programme (the “baseline” survey) and then approximately 6 months and 18 months after their completion of the core programme.

The baseline survey is intended to determine participants’ situation prior to entering the programme, in terms of turnover, numbers employed, business management, business planning, access to finance, networking and business challenges. Subsequent interviews enable changes in the same variables to be tracked over time.

Participant interviews are mainly conducted through a CATI (Computer Assisted Telephone Interviewing) methodology, which has proven to deliver the highest response rates and best data quality, with a minority preferring to complete the survey online.

Other than the first cohorts who took part in an online survey, there have been three waves of interviewing. Each wave consisted of baseline and post-6 month interviews, with the March 2013 wave including the first post-18 month interviews. Response rates are extremely high for a survey of this type:

- First wave (March – April 2012). seven cohorts were interviewed (four baseline, three post-6

month). 171 interviews achieved at an overall response rate of 96% (97% for baseline, 93% for post-6 month)

- Second wave (September – October 2012). seven cohorts were interviewed (four baseline, three post-6 month). 181 interviews achieved at an overall response rate of 96% (97% for baseline, 94% for post-6 month)
- Third wave (March 2013, still ongoing). seven cohorts were interviewed (four post-6 month, three post-18 month). 152 interviews achieved as 25th March, at an overall response rate of 86% (87% for post-6 month, 84% for post-18 month)

Data shown in this report is based on 233 participants who completed both baseline and post-6 month surveys as at 25th March 2013. In five cases the business leader indicated that their current business was not the business for which they had completed a Business Growth Plan, and although they were still involved in that business they were unable to provide employment and turnover at the time of the survey. They were, however, able to respond to all the other questions in the survey. Impact changes reported are comparisons between baseline and post-6 month or (where specified) post-18 month survey figures. Please note that in the early baselines figures for turnover were based on businesses’ financial year end rather than the preceding 12 months. Therefore, because year end differs between businesses, the figures shown for turnover change between the baseline and later surveys are equivalent to the annual change in turnover.

SECTION 3

Early Evidence on Programme Impact

10,000 Small Businesses is committed to a rigorous and independent process of monitoring changes in participants' businesses for an extended period after they complete the programme.¹⁰ To date the results from this process are providing growing evidence of the range of ways *10,000 Small Businesses UK* is generating impact.

The aim of the *10,000 Small Businesses UK* programme is ultimately to help generate employment and economic growth that may not have otherwise happened. While this cannot be measured directly (because the counterfactual of what would have happened without the programme is not observable), follow-up surveys with participants capture a range of quantitative and qualitative data on the changes that are taking place in their businesses as well as in the behaviour and attitudes of the leaders who are driving these changes. In broad terms the data collected from participants to date indicate that *10,000 Small Businesses UK* is, on average, producing significant changes in a range of business behaviours and is leading to an observable impact on jobs and turnover.

The following summary is based primarily on the responses from the 233 participants who responded to the initial follow-up survey and provide some snapshots of the changes that are taking place among participants and their businesses following their completion of the programme. There are a further 55 participants who have now undertaken the second follow-up survey whose outcomes will be summarised separately.

Growth – jobs and turnover

Changes in participants' knowledge, confidence, networks and business practices matter economically if they feed through ultimately into job creation and growth. Evidence from participant tracking to date is very encouraging in this respect.

A large majority – 77% – of the 233 participants across the four delivery regions who undertook the initial follow-up survey reported that they had increased the number of people

¹⁰ These surveys are undertaken by BMG Research – an independent market research company (see panel for details of the methodology).

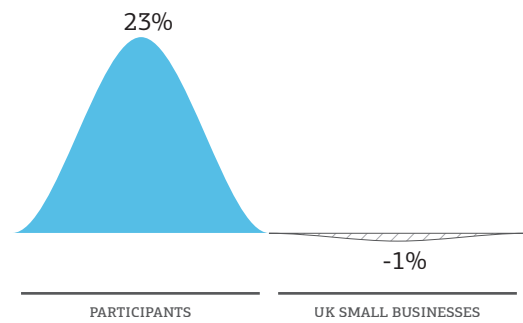
they employed in the previous 12 months, with a further 13% reporting no change. Further, two-thirds – 66% – of the participants indicated that, compared to the same period in the previous 12 months, their turnover had increased with a further 21% reporting that it had stayed the same. Importantly, far from coming at the expense of sustainability this growth appears to be coupled with enhanced profitability – 53% of participants had increased the underlying profitability of the business while a third (34%) reported that it had remained unchanged.

The performance of the *10,000 Small Businesses UK* participants compares very favourably to the wider population of small business employers in the UK, of which only 24% reported in 2012 that they had more employees than 12 months previously.¹¹ Similarly, only 35% of small business employers reported that their turnover was greater than 12 months previously.

Looking at the actual numbers participants in the initial follow-up survey reported an increase of 16% in turnover over their baseline position (annualised) – which totaled £266m (£1.17m average; £650k median).

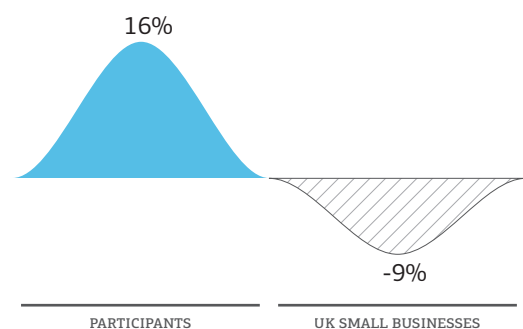
In terms of jobs these participants had a total of 3,900 full-time equivalent jobs (FTEs) when they began the programme (17 jobs average; 11 jobs median). Overall, they are reporting an increase in employment over baseline of 23% to date.

The most recent data we have from official ONS sources indicates that average employment growth rates for comparable small businesses in the UK (i.e., those with between five and 40 employees; established prior to 2009 and UK-owned) for the year to March 2011 were marginally negative (i.e., -1.3%). Average turnover growth rates for this group of UK small businesses were also negative in this period (i.e., -9%).



Employment growth rate

Average net employment growth of participants 23% vs. -1% for UK small businesses.¹²



Revenue growth rate

Average growth rate of participant revenues 16% vs. -9% for UK small businesses.¹²

¹¹ Based on special analysis by BMG Research from the BIS Small Business Survey (2012) – fieldwork was undertaken between June and September 2012. We were interested in looking at the responses of a group of small businesses that closely matched the profile of the *10,000 Small Businesses UK* participants – that is, businesses employing between five and 40 people and had been trading for at least three years. The question in the BIS Small Business Survey is not identical to that used here as it used the phrase “more or less remained the same” compared to “remained the same” in this survey.

Early evidence suggests that this growth trajectory continues well beyond participants' involvement in the core part of the *10,000 Small Businesses UK* programme. For the 55 participants (Yorkshire and North West only) who were contacted for the second follow-up survey around 18 months after they had completed the programme reported that they had a 49% increase in their turnover compared to their baseline position. This translates into an increase in annual turnover of 18%. In terms of jobs they are reporting an increase over baseline of 65% to date.

Programme additionality

10,000 Small Businesses UK participants are on a growth trajectory which clearly separates them from the broader small business population. This is not unexpected given the competitive selection process involved to participate in the programme. The data reported here could therefore in theory simply reflect selection bias.

This is unlikely given further data collected in the participant surveys. To help indicate the extent of the value added by the programme, participants are asked in the surveys whether they would have achieved these changes in the absence of the *10,000 Small Businesses UK* programme. In response half (49%) report that they would not have created new jobs.

The range of significant business and behavioural changes reported by programme alumni constitute further prima facie evidence of value added by the programme. By virtue of the selection process *10,000 Small Businesses UK* participants are relatively sophisticated and, therefore, delivering incremental value to them, and creating beneficial change in their businesses, is arguably more difficult than it would be for the average small business – but the data on behavioural change clearly suggests that the programme is producing positive changes in participants' business practices.

This initial interim assessment of additionality is a positive outcome given the existing growth trends in these businesses before they come on the programme and the short time scale since they completed it. Data on self-reported additionality will continue to be collected although the construction of control groups of similar firms against which to benchmark future growth performance will provide further insight.

10,000 Small Businesses UK participants are on a growth trajectory which clearly separates them from the broader small business population.

12 ONS BSD, 2010-11.

New knowledge and best practices

The surveys provide significant evidence that participants acquire new knowledge and familiarity with best practices across a range of areas and, critically, that these are being implemented in their businesses.

For example, the role of sound financial management as an essential building block for growth is one of the horizontal themes running throughout the *10,000 Small Businesses UK* programme. There are many occasions when participants, whether individually or in groups, spend time working in detail on the financial aspects of their business. This is of crucial importance as the businesses seek to present capital providers with a clear proposition of the resources they require to fund their growth.

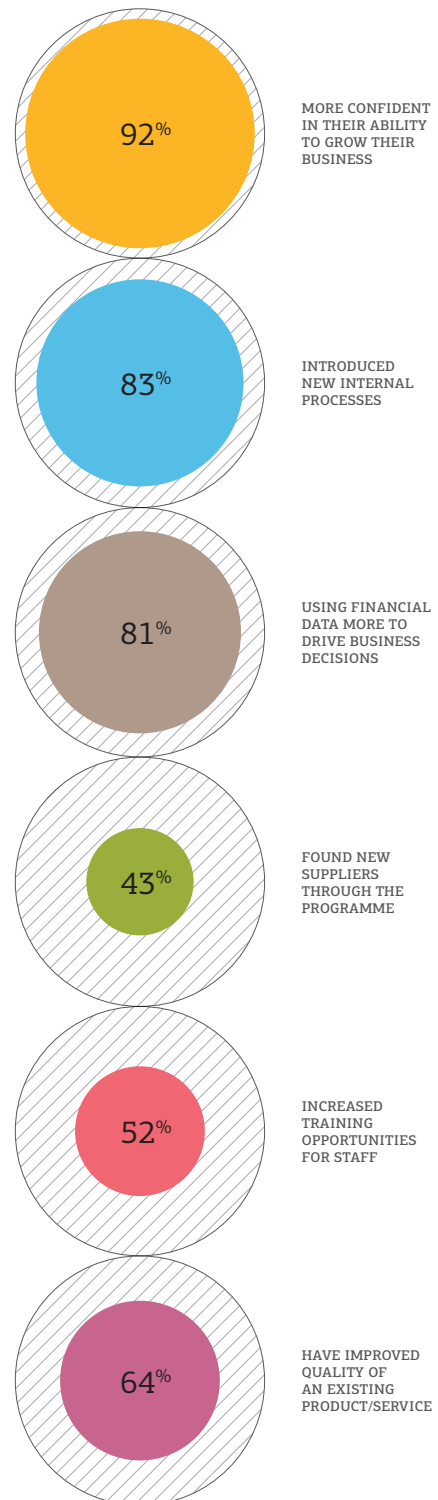
Anecdotally, on enrolling many participants report having maintained a relatively hands off approach to their businesses' management data and accounts. The programme is having a clear impact here, with over four-fifths (81%) of the participants in the initial follow-up survey reporting that they use financial data to drive business decisions more than they did before *10,000 Small Businesses UK*. Further, 87% of participants report that, post-programme, they have a clearer understanding which financial metrics are critical to the success of their business.

Business confidence and networks

“I now feel that I have the confidence to make the decisions and to lead my team and have them share the vision that we have in running the business.”

North West participant

In addition to conveying practically useful knowledge, it is clear that the programme has significant “softer”



impacts such as building confidence. Almost all (92%) participants report that they are now more confident in their ability successfully to grow their business than they were before participating in *10,000 Small Businesses UK*.

This impact on confidence seems to occur through various channels, including through programme content, but the role of being part of a peer group and the interactions this enables appear particularly critical. The opportunity to work closely with other entrepreneurs in a “safe” learning environment, to provide mutual support to others with similar aspirations and to join a dedicated community of like-minded entrepreneurs seems to serve to increase confidence, morale and resilience.

There is clear evidence that the programme is helping to create these strong entrepreneurial communities. To illustrate this, two-fifths (43%) of the participants have found new suppliers through the programme, the same proportion (41%) new business partners and half (51%) new clients for their businesses. The programme has created a unique peer to peer marketplace in which participants can offer and purchase a diverse range of products and services, often at preferred terms. The embedded trust among *10,000 Small Businesses* community members is providing a robust platform to conduct, high impact commercial activity.

Strategic change

The surveys provide ample evidence that participation in the programme is catalysing major strategic change in participants’ businesses, not least changes relating to innovation and market expansion which are known to be two key drivers of small business growth. The scale of strategic change observed in the participating businesses a short time after their involvement in the programme illustrates its practical nature and its focus on immediate impacts for participants’ businesses.

Four-fifths (83%) of participants reported that they had introduced new internal processes and systems as a result of participating in the programme, and a significant number are engaged in innovative practices:

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- Almost two-thirds (64%) reported that they had improved the quality of an existing product or service;
- Over half (53%) had researched or developed a new product or service; and
- Two-fifths (45%) had launched a new product or service.

At the time of the initial surveys over a quarter (26%) of the participants had already entered new regional markets within the UK and a minority had begun trading in international markets (7%) as a direct result of the programme.

Hiring, retaining and motivating the best people are critical challenges to growing small businesses. Just over half (52%) of the participants report that they have actively engaged in training opportunities for their employees and recruited employees to key positions in the business (64%).

Accessing finance for growth

For many participating businesses, achieving their growth potential will require preparing for and securing appropriate forms of external capital, and this is a key horizontal theme running throughout *10,000 Small Businesses UK*. A large majority of participants (84%) agreed that the programme had enhanced their understanding of the external finance options available and 71% reported that the programme had enhanced their ability to win finance. One in five (20%) participants reported that the programme had helped to enhance their business network by introducing them to new capital providers (both debt and equity finance).

Overall 7% of participants had tried to obtain external equity finance (angel investment and early stage venture capital) and 9% had tried from existing shareholders. This compares to the 1-2% of small businesses (10-49 employees) in the UK who tried to obtain equity investment from either a business angel, venture capitalists or from other shareholders in the last 12 months.¹³ Considering only those UK small businesses who are planning to grow in the next 12 months the proportion remains at around 1%. From another recent UK survey the proportion of small businesses (i.e., 10-49 employees) seeking loans/equity from directors was 6%.¹⁴

For many participating businesses, achieving their growth potential will require preparing for and securing appropriate forms of external capital.

¹³ BIS Small Business Survey (2012) – SME employers only.

¹⁴ SME Finance Monitor – Quarter 4 results 2012.

Overall, 7% of participants reported that they had received equity investment from existing shareholders and 4% had negotiated investment with new shareholders (e.g., angels or formal VC). More than half of the participants who had sought external equity finance reported that they had been successful in securing it in the relatively short period between completing the programme and the initial survey.

With respect to debt finance 29% of participants had successfully obtained a bank overdraft (including the renewal of an existing facility) and 11% a bank loan since they completed the programme. Although not directly comparable UK data shows that 13% of SMEs reported a loan/overdraft event (i.e., an application) in the previous 12 months.¹⁵

A promising indicator of participants' future growth intentions is that two-thirds (67%) reported that they will seek finance to grow their business in the next 12 months.

Summary

The *10,000 Small Businesses UK* programme was designed to help create employment and stimulate growth in a range of regional environments across the UK and the evidence suggests that it is having a significant impact – with participants growing at a rate that is exceptional in the private sector at the moment and which seems to be driven at least in part by the programme. Further, it is changing the strategic focus of the businesses which will build the foundation for even further growth. The data reported here is only the beginning of the growth story for these businesses.

¹⁵ SME Finance Monitor (2012). That is, in the 12 months before they were surveyed in Q4 of 2012, 9% reported a loan/overdraft event, but had not applied for other forms of finance and a further 4% reported both a loan/overdraft event and applying for other forms of external finance.

SECTION 4

What We are Learning

The process of developing and delivering the *10,000 Small Businesses UK* programme and monitoring its impact on participants is enabling the programme partners to understand how it is creating value on a number of different levels. There are important lessons emerging which we share here as a contribution to the debate about how we can develop a world class small business support environment across the UK.

At the simplest level the programme works by creating space for individual entrepreneurs to think more strategically about their businesses and this equips them better to grow. Creating this space is challenging and requires innovative approaches. *10,000 Small Businesses UK* is achieving it by building and nurturing new types of communities and partnerships whose members bring different skills and experiences, all underpinned by the shared goal of stimulating small business growth. Some of the most important building blocks that are enabling these communities to develop and flourish are:

- An environment in which entrepreneurs can share risk and grow in confidence
- Participant diversity
- The shared endeavour of learning
- Corporate/academic partnership
- University-led delivery
- Innovation within a shared framework
- An integrated programme
- A curriculum adapted to different learning styles
- Participants' changed understanding of their roles as business leaders
- Developing powerful business networks

Entrepreneurial communities

At the heart of *10,000 Small Businesses UK* are the small business leaders who participate in the programme together and who, in the process of doing so, form new entrepreneurial

communities. A key outcome from the programme is how powerful and self-sustaining these communities are and the importance of creating the conditions in which they can evolve.

An environment in which entrepreneurs can share risk and grow in confidence: Barriers which hinder a small business's growth and limit its potential. The programme has shown that improving the owner-managers' confidence in their own potential for growth can have a dramatic impact in helping them to overcome these barriers. Partly this can be achieved through the programme's support to give the participants essential missing knowledge, partly through the process of developing a rigorous Business Growth Plan. But a crucial role is also being played by "risk sharing", on an emotional or intellectual level, with other entrepreneurs and thinking out loud together, co-creating ideas, and exploring opportunities in a safe yet stimulating setting.

“The best part of the *10,000 Small Businesses* programme was the environment and the group that I was working within allowed me to expose my inhibitions, insecurities and it also allowed me to share my skills. It allowed me to do this in an environment where every single other individual was going through exactly the same.”

Yorkshire participant

The programme has highlighted the importance of creating an environment in which this risk sharing can take place between entrepreneurs. They are naturally well placed to provide support to one another, but in the normal course of events there are multiple barriers to entrepreneurs establishing such strong communities of support. The *10,000 Small Businesses* UK model facilitates this process by selecting for particular traits and experience in its participants, and then providing a robust platform for them to interact and build trust. The more time and effort spent on developing the right type of strategic space for such interactions to take place, the better the results for the participants. For example, the brainstorming sessions within the modules allow the participants to play the role of "trust-based critical friend". This allows a depth of interaction not generally found in many membership-based network organisations.

The inclusion of social enterprises is powerfully complementing all participants' learning. This raises the question as to why business support efforts targeting social enterprises tend to be ring-fenced from the wider business community of which they are part.

Participant diversity: Trust between participants is encouraged by their diversity. This is partly because cohorts do not contain participants who are competing with one another in the same market. But more fundamentally it means that participants can bring different experiences, insights and perspectives to one another, while also knowing they have all been through the same selection process and share similar objectives for their businesses.

“How can a robot business and a cleaning business and a haulage business and a restaurant have similar problems? In fact it turns out almost all the problems in business management that we are facing are common across all of us.”

London participant

A compelling example of this is the inclusion of social entrepreneurs and social enterprises in every cohort. This is powerfully complementing all participants' learning and this raises the question as to why business support efforts targeting social enterprises tend to be ring-fenced from the wider business community of which they are part. Unique collaborations and commercial partnerships are forming between the mission- and commercially-driven businesses that would not have happened without the platform that *10,000 Small Businesses UK* provides. These collaborations are producing new innovations, business practices, and most enduringly, changed value sets, particularly for the commercial businesses who are now recognising the benefits of embedding broader value sets in their business cultures.

“We deal with the same issues; we have the same challenges; and we have the same aspirations.”

Midlands participant

Learning communities

The shared endeavour of learning: The shared endeavour around which these communities form is pro-active learning. While all participants in the programme are already successful in their own right, they join the programme because they recognise the benefit to them and to their growing businesses from further learning and skill-building. Interestingly, some of the more established businesses describe how they felt they had reached a plateau before

It is fundamental to the programme's design that the participants are the true experts in their own fields and that the academics, deliverers and speakers are there, not to lecture, but to facilitate learning.

they applied to the programme and even the act of completing the application rekindled their energy for the next growth spurt.

It is fundamental to the programme's design that the participants are the true experts in their own fields and that the academics, deliverers and speakers are there, not to lecture, but to facilitate learning. The participants own and have responsibility for their own learning journeys, prompting the curriculum, creating demands of their individual business advisors and defining their needs. Experiences and theories are shared non-prescriptively and it is for the business owners themselves to evaluate and decide what is right for them. From this a relationship between the university and the participant develops which exists far beyond the programme and represents a practical partnership model for true knowledge exchange. This integrated learning model demonstrates how responsive a single programme can be to the diverse needs of multi-sector and multi-stage businesses.

This partnership model between the corporate and education sector may lend itself to other groupings and other contexts across the UK.

Corporate/academic partnership: The partnership between a major corporate and five leading universities is unusual in the small business support landscape but is proving to be highly effective. The corporate partner brings a clear focus on the objectives sought through the programme and the ability to convene other parties, resources and capital around these objectives. The university partners have each brought their own core strengths in entrepreneurial education and will gain enduring benefit from working together collaboratively with other institutions that have complementary strengths. This partnership model between the corporate and education sector may lend itself to other groupings and other contexts across the UK.

University-led delivery: The role of the community of universities which leads in the delivery of the programme is clearly crucial to catalysing these learning communities. As well as being centres of expertise on business and enterprise, each partner is itself an important player in its own local and regional business infrastructure. Each partner is uniquely well placed to create the right balance between academic content and the practical applications of this content in each business to generate growth, and where appropriate to innovate in response to local and regional variations in business ecosystems. Maintaining the individual Business Growth Plans at the core of all parts of the curriculum is resulting in a useful tool that entrepreneurs are continuing to use and maintain beyond the formal structure of the programme.

Innovation within a shared framework: A curriculum that allows partners the flexibility to innovate, effective structures for the transfer of innovations across partners and the programme's ability to evolve over time have been critical to the success of the partnership. Importantly, the Saïd Business School plays a crucial role in ensuring quality of content and delivery to maintain a consistent *10,000 Small Businesses UK* experience across the regions. The academic consortium meets three times a year to break down and improve the core curriculum, discuss new innovations and share delivery experiences. The programme frequently engages with Babson College to drive cross-Atlantic knowledge exchange with the *10,000 Small Businesses US* initiative.

An integrated programme: The curriculum combines sequential modules – in subjects such as operations, leadership and finance – with horizontal themes and activities that are threaded throughout the modules. A number of these horizontal strands have proven highly impactful. One such strand has been the potential value of connecting social and financial value and its relevance to both commercial and mission driven firms. This is of course reinforced by the presence in each cohort of both mission- and commercially-driven small businesses.

A curriculum adapted to different learning styles: Our participants demonstrate considerable diversity in their preferred learning styles. To satisfy this breadth the modules that constitute the core programme are consciously structured to vary pace, learning style and group size through the day. The core programme itself is only one part of participants' *10,000 Small Businesses* experience, with other delivery formats including topical workshops, growth group reviews, individual mentoring, business visits and peer-to-peer activity that both satisfy varied learning styles and reinforce the application of the learning to generate growth in the individual businesses.

Enduring impact

Participants' changed understanding of their roles as business leaders: While providing learning opportunities for individual entrepreneurs and businesses is important, the legacy of the programme will come from the impact that participants' experiences on the programme has on the wider communities and ecosystems within which they operate. We have numerous instances of participants' experience on the programme changing how they understand their role as business leaders. On a very practical level it requires the business owners to learn key delegation skills and develop leadership teams that can handle the day-to-day activities as they focus on long term strategic growth. More fundamentally, in many cases taking time out of their businesses and working together with other practitioners in the unique environment offered by the programme has transformed participants' understanding of their role and their ambitions.

“Through doing the programme I identified the opportunity to bring someone else into the business so that I could take more of a back seat and start to look at things more strategically. This is naturally where I wanted to go, and the programme has allowed me to do it.”

Midlands participant

Developing powerful business networks: The core programme which *10,000 Small Businesses UK* participants undertake has increasingly come to be regarded as only the starting point for their journeys. The focus of the university partnership has been further catalysing the communities of shared endeavour that are created cohort by cohort, and growing these communities by linking them with one another.

The strength of the bonds formed during the programme both within and across cohorts has been truly impressive. This build-up of trust and participants' respect for one another manifests itself in many forms, all of which prove hugely beneficial to the individuals and their businesses. The richness of experience and the passion for growth which the entrepreneurs share with each other is transformative for the aspirations, practices and opportunities of the businesses.

The premise of the further development of the *10,000 Small Businesses UK* alumni community is that, given the value created by bringing 25 to 30 carefully selected entrepreneurs together in a cohort, the impact from linking up these individual cohorts regionally and nationally could be even greater. While this dimension of *10,000 Small Businesses UK* is at a relatively early stage, it provides a significant opportunity to generate a legacy above and beyond the programme's immediate impact on job creation and economic growth.

The core programme which *10,000 Small Businesses UK* participants undertake has increasingly come to be regarded as only the starting point for their journeys.

“The Business Growth Plan I developed through the *10,000 Small Businesses* programme is now our business plan. That’s how we’re going to move forward. We have the numbers behind it. We have the confidence to invest. ***Here we go.***”

Midlands participant

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