
# The Albion Growth Report

Albion Ventures

ALBION VENTURES

Contents

## Foreword

It is difficult to imagine a more fascinating moment for an in-depth study into what small businesses are thinking. Perhaps if Albion Ventures had run its survey in the summer of 2008 – after Bear Stearns had gone, before Lehman had fallen – we might have quizzed the entrepreneurial brain at a more significant inflection point, but perhaps not; the events of the financial crisis swirled so high above the UK economy and moved so fast that no survey could have captured their impact.

Here, in contrast, is a detailed look at what business is thinking at a really unique juncture, after an event – the Brexit referendum – that was in large part an argument about what kind of future British business should tilt towards. The initial responses verge from the phlegmatic to the outright optimistic, with the important caveat that we do not yet know what kind of Brexit the country is facing.

Such is the wealth of detail that it is hard to know where to start. It is certainly encouraging that almost three quarters of companies surveyed expect to grow in the years ahead. Perhaps this is the perennial self-confidence of the driven entrepreneurs, who usually themselves are more than capable of weathering whatever storms come their way. But the bullish outlook is bolstered by what is most concerning them – a shortage of staff, and skilled staff to boot, which is characteristic of enterprises looking to extend beyond their comfort zone.

This impression is further reinforced by the places most likely to cite this skills shortage as a problem: the Midlands and London, the former a manufacturing heartland and the latter the most open region of the UK to overseas currents. It is also manufacturing that is most encouraged by opportunities outside the EU, and therefore most relaxed about Brexit. If these enterprises are expecting to benefit from the weak pound – only a possibility at present, given the less than impressive reaction to the last time the pound fell, in 2007–9 – then concerns about their capacity to address the opportunity follow naturally.

> Here is a detailed look at what business is thinking at a really unique juncture, after an event – the Brexit referendum – that was in large part an argument about what kind of future British business should tilt towards.

Personally, having heard little else from 2010 to 2012, I am looking forward to the final disappearance of access to finance as a concern. But know I am being unrealistic; there are always going to be companies who think their bank does not understand them, and banks wondering why people don't understand how risky business lending can be.

There is much more here than a short summary can contain. This time next year, we will know more about whether this tentative optimism about Britain post Brexit was well-founded, and how businesses have reacted. Read on

**Giles Wilkes**
**Financial Times**

The Albion Growth Report covering small and medium-sized (SME) enterprises finds that of those surveyed with more than 5 employees, 73% are expecting to grow their businesses over the next two years.

Finding skilled staff has become the number one barrier to growth for businesses with more than 5 employees.

Lack of access to finance has fallen to 13th place for companies with more than 5 employees.

50% of companies with more than 5 employees are looking to increase their headcount within the next 2 years.

Transport and Distribution anticipates the highest growth in productivity (65%) followed by manufacturing (60%).

54% of CEOs under 35 years old believe Brexit will hinder their access to new markets.

The East Midlands and East of England are the most optimistic with 70% and 69% respectively anticipating growth followed by London at 65%.

## Introduction by Patrick Reeve

Individual surveys can be confusing and open to misinterpretation; but ones that are repeated over a number of years, and across a broad range of respondents, start to build up a convincing database about how people feel and how they operate. This is now our fourth Albion Growth Report, and the time period covered by them all, from 2013 to 2016, represents one of the most fascinating periods in recent British history, with dramatic constitutional events overlying a torpid recovery from the worst recession in living memory, and against a backdrop of a broader global socio-political dynamic that has been changing with alarming speed.

One element that has remained reassuringly unchanged is the essential optimism underlying our economy. Given the profound changes taking place all around us, this is a source of real reassurance. Particularly interesting is the fact that, of the 556 companies in our survey which have more than 5 employees, 73% believe that they will grow over the next two years; this is down only slightly from 75% last year. And from this segment, 57% believe that their productivity will grow, while 51% are looking to increase their workforce.

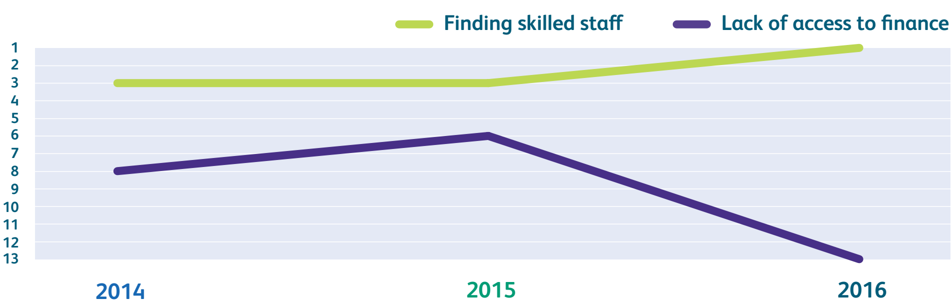
So this positive news sets the broader context from which to understand the many barriers that remain to achieving growth for SMEs. For the first time, for those companies with more than 5 employees, it is a shortage of skilled staff that is the key concern, with the perennial complaint of Red Tape falling to second place. So this problem of success, which has been increasing in importance over recent years, is finally entrenched at the summit of worries on growth. And correspondingly, a lack of unskilled staff is now the least of concerns, at 15th place. And perhaps most dramatic of all, access to finance for companies with more than 5 employees has now fallen to 13th place, compared to 6th place last year.

This is reassuring in a number of ways, not least the fact that the growth pressures on the economy are at the most sophisticated end of the skill scale, rather

**SMEs with more than 5 employees ranked barriers to growth as follows:**

| | Ranking 2016 | Ranking 2015 | Ranking 2014 |
|---|---|---|---|
| Finding skilled staff | 1 | 3 | 3 |
| Red Tape | 2 | 1 | 1 |
| Regulatory change | 3 | 5 | 2 |
| Political uncertainty | 4 | – | – |
| Difficulty accessing new markets | 5 | 4 | 6 |
| Decision to leave the EU | 6 | – | – |
| Cash Flow | 7 | 2 | 4 |
| Technological limitations | 8 | =9 | 9 |
| Lack of management expertise | 9 | =7 | 10 |
| Scale of management ambition | 10 | =7 | 9 |
| Workspace costs | 11 | – | – |
| Pace of technological change | 12 | =9 | 7 |
| Lack of access to finance | 13 | 6 | 8 |
| Absence of business mentoring | 14 | 11 | 11 |
| Finding unskilled staff | 15 | 12 | 12 |

**SMEs with more than 5 employees**



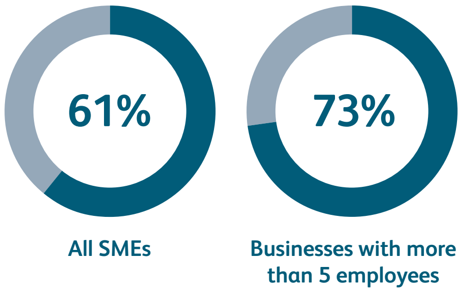

than at the more commodity end, which is precisely the side of the economy that needs to develop in order to compete in an ever-more advanced global economy. This is particularly relevant in the manufacturing sector, where a massive 73% of all companies are forecasting growth, and 60% are also seeing an advance in productivity, led by technology as well as market changes, but where IT skills gaps are particularly acute.

The downside of all this, of course, is that the economy is without doubt coming under capacity constraints at a time of considerable political uncertainty. Concern over Brexit is the biggest worry for Scottish businesses and the third most important one for London ones, while for this latter category, political uncertainty is the single greatest worry. When this translates into the supply of skilled labour, it is the IT and Telecoms sector that is particularly concerned, and a significant 35% of London businesses.

So while many of the pressures on growth that we have seen in recent years have eased, the skills that enable us to compete in a fast-changing and increasingly competitive world are in short supply, just at the time when political and social change everywhere creates multiple layers of uncertainty. From the point of view of a long-term equity investor, this requires a clear focus on our companies' hierarchy of priorities. This is particularly the case for those chief executives under 35 years old, who whilst being the category most worried about Global competition, are also the most likely to look to enter new markets. And their recognition of the assistance that they need for this is reflected in the fact that an impressive 43% of them would consider raising long term equity finance from venture capitalists or business angels.

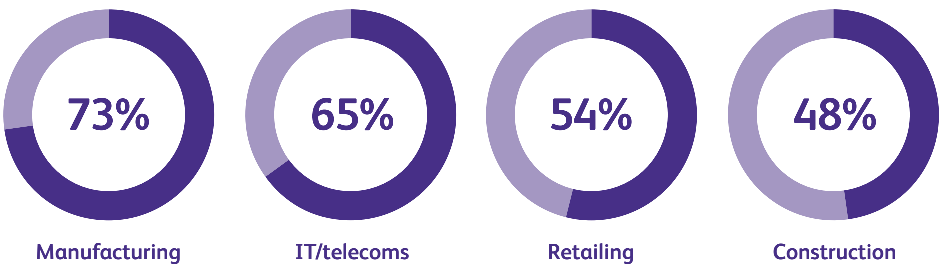
**Patrick Reeve**
**Managing Partner**
**Albion Ventures LLP**

**SMEs confidence of growth**

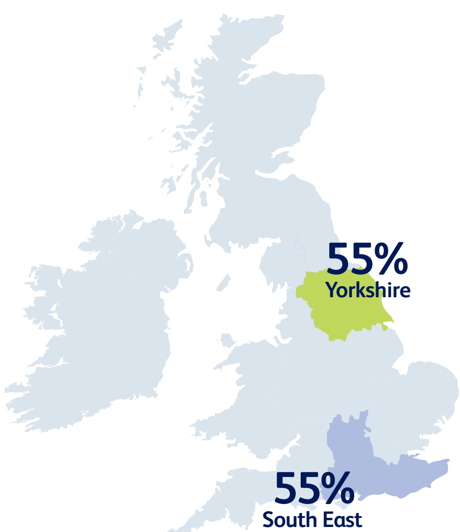



> Skills shortages moved to centre stage in 2016. Finding skilled staff is now the biggest growth challenge faced by the companies with more than 5 employees.

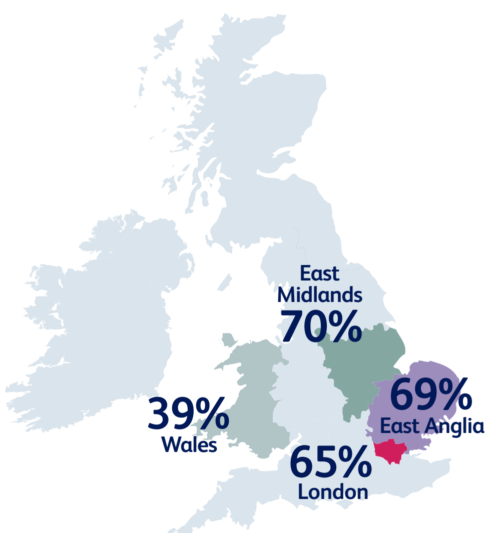
**SMEs confidence of growth by sector**




**Regional optimism in growth in 2015**




**Regional optimism in growth in 2016**




## Executive summary

### 1. Business confidence and growth ambitions

It is really encouraging to see that overall, 61% of the businesses surveyed had growth ambitions for the next two years, a level similar to the previous three Albion Growth Reports. But for the 556 companies in the sample (representing 55% of the whole) which had more than 5 emplyees, the picture is even more rosy, with 73% aiming for growth by 2018. A small minority (6%) expect a fall in growth, but overall the outlook is positive.

This suggests that the growth ambitions of the UK's SMEs continue to be optimistic despite the economic and political uncertainty of the immediate future.

Taking the sectors across the whole sample, manufacturing is by far the most optimistic, with 73% aiming for growth and IT/telecoms at 65%, but with retailing and construction trailing at 54% and 48% respectively.

In 2015, SMEs in Yorkshire and the South East were the most confident about future growth with 55% anticipating growth. In 2016, the East Midlands was the most optimistic area at 70%, followed by the East of England (69%) and London (65%).

Wales was the gloomiest region in this year's report with only 39% foreseeing growth, a turnaround from the 2015 report when businesses in East Anglia were the UK's most pessimistic for the second year running.

Skills shortages moved to centre stage in 2016. Finding skilled staff is now the biggest growth challenge faced by the companies with more than 5 employees, ahead of other barriers to growth such as red tape, cash flow, regulatory change, difficulty in accessing new markets, political uncertainty, public procurement processes and lack of access to finance. Though if you include the smaller businesses, red tape is still the biggest barrier faced by businesses.

Lack of access to finance has fallen even further down the list of barriers to growth faced by SMEs than the year before, when it appeared at number six. This year it has fallen to 13th place with businesses with more than 5 employees.

## 2. Access to skills

With economic growth comes skills shortages and competition for the best employees. And for companies with more than 5 employees, this is now the key concern.

The growing lack of skilled staff is now the single most important impediment to growth for this substantial category, ranking comfortably above red tape for the first time, and ahead of regulatory change (at number 3), and political uncertainty and access to new markets (at numbers 4 and 5 respectively).

The skills shortage is a particular problem for manufacturing companies, but also for construction and medical and healthcare services, with this latter sector being the only one also to have substantial concerns on the availability of unskilled staff (and being the sector most worried about the Government's immigration policies).

Geographically, it is the manufacturing heartlands of the East and West Midlands which are the most concerned and also London, where again there is a concern over the availability of unskilled staff.

So overall, it's a really interesting paradox that staff shortages are the most pressing concern (for skilled workers) as well as the least important concern (for unskilled, ranking 15th out of 15, other than the exceptions detailed above). While of major concern at the skilled end, given the impending break with the EU, it is encouraging at a time of high employment, indicating that unskilled staff, at least, will not be a limiting factor for economic growth.

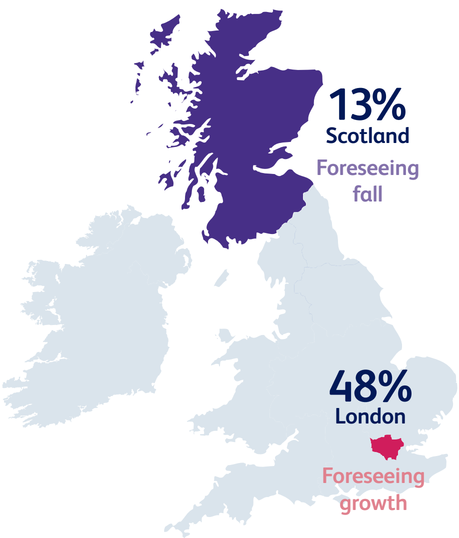
When it comes to investing in new staff generally, 35% are set to increase their headcount over the next two years, and only 5% are looking to decrease. In line with general optimism displayed by larger SMEs, more than 50% of companies with more than 5 employees are looking to increase headcount.

Across all sizes of business, London-based SMEs are the most optimistic, with 48% forecasting an increase, while Scotland is very much at the pessimistic end, with 13% forecasting a fall in employment. Under 35 year olds are the most optimistic, with an impressive 52% looking to increase their headcount (and, interestingly, the most likely to make sacrifices to fund the National Living Wage), while women are more cautious, with only 29% looking to increase their headcount. So while a shortage of skilled staff is really serious, it remains, at least, a problem of success rather than of failure.

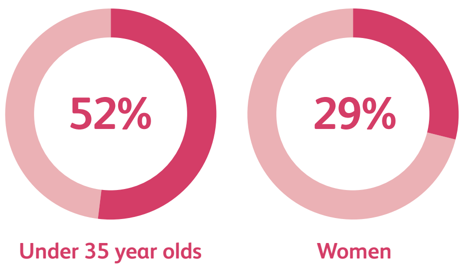
> The skills shortage is a particular problem for manufacturing companies, but also for construction and medical and healthcare services.

### Investment in staff over next two years


### Regions most and least optimistic about increasing staff over next two years




### SMEs looking to increase staff



## 3. Access to finance

Access to finance, which two years ago was 4th in terms of importance, has now fallen to 7th equal overall and 13th for companies with more than 5 employees. This is encouraging and suggests that SMEs are no longer constrained by lack of finance as they have been in the recent past.

However there are exceptions to the rule, with manufacturing, construction and retail identifying access to finance as a major limiting factor. Of these, the manufacturing sector was generally successful in raising finance, with 31% of respondents having successfully raised funds (used mainly for new equipment and R&D). Only 9% and 11% of companies in the construction and retail sectors, however, raised finance and 23% of those who tried were responding to pressure to refinance from existing lenders, while 28% from those two sectors simply did not want to increase their debt.

This gives a more nuanced picture of the overall funding market, with broad success hiding certain sectors which have learnt to tighten their belts. This trend, however, did not apply to under 35 year olds, where 18% had tried and failed to raise finance (compared to 5% overall) and 22% had tried and succeeded (compared to 14% overall).

Paradoxically, cashflow is a major overall concern, ranking now second overall, but mainly for sole traders and companies with less than 5 employees; for the balance of the companies covered, it only ranked 7th. Concerns about cashflow were ranked highest, at number one, amongst women, who were also worried at access to finance (at number three) and they were twice as likely to raise cash on their credit card as a source of funding.

Whereas overall 26% of companies would consider raising long term equity finance from venture capitalists or business angels, this rises to 31% in Scotland, 35% of London businesses, and an impressive 43% of CEOs under the age of 35. Men are also twice as likely to take venture capital as women.

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**SMEs success in raising finance**


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## 4. Red tape and political uncertainty

While red tape remains the biggest concern overall for the fourth year running, it falls to second place amongst those businesses with more than 5 employees. In terms of sector, it is manufacturing that has the greatest concerns, with 24% struggling to enter new markets because of regulatory constraints.

Transportation and distribution is anticipating the highest and manufacturing the second highest rates of growth. Despite the prominence of red tape, manufacturing is anticipating growth within the UK (40%) and outside the EU (42%). Interestingly, the manufacturing heartland of the East Midlands is the most likely to hire foreign language skills.

Geographically, red tape is seen as far less of an obstacle in London, where it ranks 6th, some way behind leaving the EU at number three. This is a sentiment that is shared by the IT and telecoms sector, which is particularly concerned about how immigration policies might affect the availability of skilled staff.

This concern is echoed by firms in Scotland, which rank leaving the EU as the biggest single obstacle to growth. It is also viewed as a problem by those who are foreseeing a fall in exports and who consider broader political uncertainty as by far the biggest impediment to growth.

CEOs under 35 are particularly concerned about Brexit too, with 54% holding the view that it will hinder access to new markets. And the importance of this view is underlined by the fact that it is the under 35s who are most likely to look to expand into new markets (59% against 37% overall) even though they are the most concerned about competition.

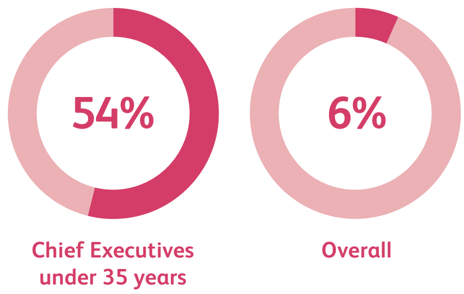
## Over half of retail firms (51%) said Brexit would not at all be a barrier to growth.

When asked how the decision to leave the EU would affect their growth potential, small businesses (by headcount) were more bullish than medium-sized ones. Of the former, 43% said it would have no effect at all, while for the latter it was 19%. When it comes to sole traders, the number who believes Brexit will not be a barrier at all rises to 56%. However only a minority of overall businesses (6%) rated the Brexit vote as a "very significant barrier" to growth, indicating a willingness to keep forging forward that is common across businesses of all sizes.

This pattern was broadly similar when companies were broken down by annual turnover, with those turning over the least likely to be more bullish about Brexit than those turning over the most.

Over half of retail firms (51%) said Brexit would not at all be a barrier to growth. The other sectors that were most optimistic about leaving the EU were construction, transportation and distribution, real estate and hospitality and leisure. The most pessimistic were education and legal.

**The UK's exit from the EU viewed as a barrier to growth**




**The UK's exit from the EU viewed as no barrier to growth**


> Despite the prominence of red tape, manufacturing is anticipating growth within the UK (40%) and outside the EU (42%).

**CEOs under 35 were also optimistic about productivity, with 59% seeing improvement, led mainly by improved skills levels, along with concentration on the general work ethic and regular staff interviews.**

## 5. Productivity

Productivity is the greatest single threat currently facing the developed economies and is widely held to be a particular challenge in the UK. Without an increase in productivity, standards of living will at best stagnate. This in turn will lead to an increase in inequality, economic stagnation and ultimately social unrest. There has therefore been much debate within government and business circles about the causes of this lack of productivity growth and how to solve the problem, without any universally convincing answers being reached.

This year's Albion Growth Report therefore devotes a substantial part of its study to observations on the issue.

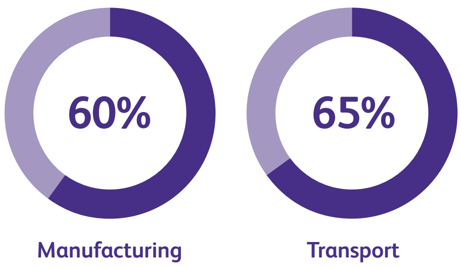
In general, 46% of companies foresee productivity growing over the next two years, which is clearly good news, and this rises to 57% of those companies with more than 5 employees.

Manufacturing is high at 60% foreseeing growth, with technology and market changes being the main drivers. Transport was even higher, at 65%, though with the main driver there simply being an increase in headcount, suggesting that it is a sector with plenty of spare capacity.

CEOs under 35 were also optimistic about productivity, with 59% seeing improvement, led mainly by improved skills levels, along with concentration on the general work ethic and regular staff interviews. The finance sector, for which 55% saw growth in productivity, ascribed it mainly to improved skills levels and the hiring of key personnel.

Against that, only 41% of construction firms saw an increase in productivity, with morale being a key factor, along with stress, particularly in London. The retail sector fared even worse, with only 35% seeing an increase – but really interestingly, only 21% thought that this was due to technology, compared to an average of 34%. This surprising result is also reflected in the pace of technological change, which again the retail sector considers as being relatively unimportant, possibly leading us to wonder whether the retail sector as a whole underestimates the rise of on-line retail as a fundamental threat to their existence.

**Sectors foreseeing growth in productivity over next two years**

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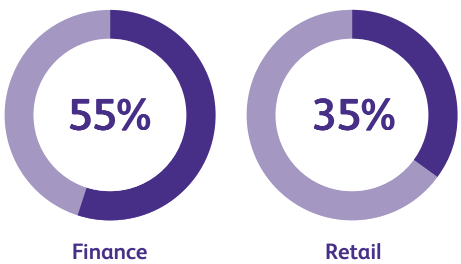
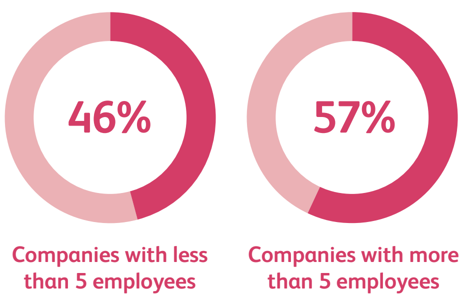



**SMEs foreseeing growth in productivity over next two years**




There has been much debate within government and business circles about the causes of the lack of productivity growth and how to solve the problem, without any universally convincing answers being reached. This year's Albion Growth Report therefore devotes a substantial part of its study to observations on the issue.

## 6. Accessing new markets

The Brexit vote highlighted many issues for SMEs, not least how the UK will trade with the rest of Europe and beyond when it is no longer a member of the EU. As with the Referendum itself, opinion is split fairly evenly between those who believe Brexit will help international trade (36%) and those who think it will be a hindrance (41%). Of those who believed Brexit would be a hindrance and are looking to enter new markets, the overwhelming reason given for their view (86%) was political uncertainty.

Despite doubts and concerns raised by the ongoing Brexit process itself, there has been a modest rise in the number of businesses that are looking to enter new markets outside the EU in the next two years (21% compared to 19% in 2015) and those targeting new markets within the EU (16% compared to 15%).

The sector that aims to lead the charge into new markets is undoubtedly manufacturing, with double the proportion of companies (42% versus 21% across the board) planning to enter new markets outside the EU and 34% targeting new markets within the EU. Only a quarter (25%) of manufacturing companies have no plans to enter markets beyond the UK, compared to the much higher average figure of 45% for all sectors.

What is preventing SMEs seeing international expansion in the same positive light as manufacturing? The biggest reasons given were not having the right access to staff (13% compared to 8% in 2015), lack of expertise about the new markets (12% versus 13%) and the competition being too strong (11% versus 12%).

Economic and political headwinds are also playing a part in SMEs' lack of confidence in the international business environment. Almost a fifth (17%) of businesses thought that export conditions had worsened over the past 12 months and their main reasons for this belief was the strength of the pound (cited by 48% of respondents), the political climate (43%), Eurozone issues (37%) and market volatility (23%).

**SMEs' view on the UK leaving the EU**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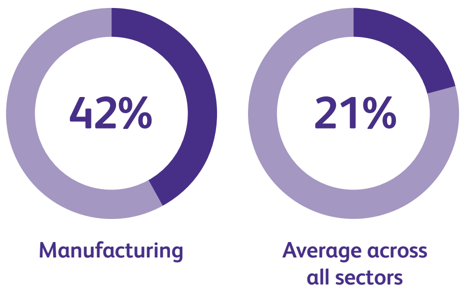
**Sectors aiming to lead in entering new markets**

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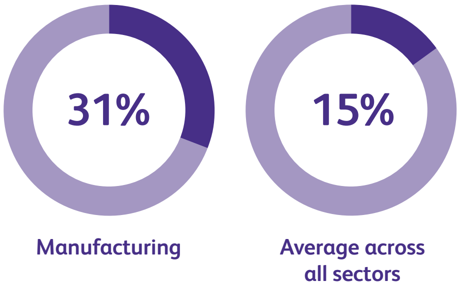
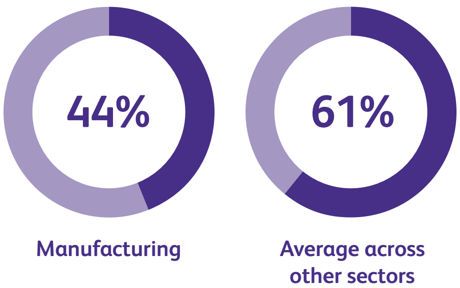
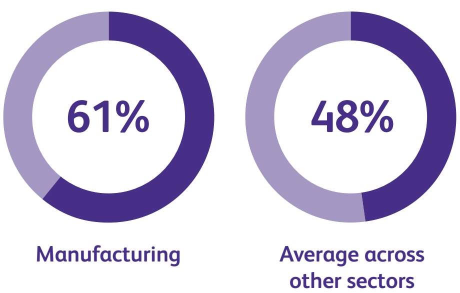
### Sectors successfully raising finance in last 12 months




### Sectors that have not attempted to raise finance in last 12 months




### Sectors expecting moderate growth in next two years




## 7. Spotlight on vertical sectors

Our analysis shows that two sectors in particular stand out as taking either a particularly positive or negative view on economic and commercial growth. We briefly examine the evidence for this in the section below.

### Manufacturing

In line with higher levels of business, the manufacturing sector is the most ambitious and successful in terms of obtaining finance. It is also the sector most open to direct investment from an equity partner or an associate. This finance is primarily obtained in a bid to expand the business, supported by the fact it is the sector reporting the second highest net expectation of growth.

Almost a third of respondents (31%) in the manufacturing sector say they have successfully raised finance in the last 12 months – a significantly higher proportion than the average of 15% across all sectors. The sector also registered the lowest amount (44%) of respondents who had not attempted to raise finance in the last 12 months and will not in the next 12 months. This was also significantly below the average of 61% across all sectors.

Looking forwards, 61% of respondents in the manufacturing sector are expecting moderate growth in the next two years. This was considerably above the 48% average recorded across all sectors. Manufacturing companies also recorded the second highest net expectation of growth, expressed by 73% of respondents and significantly above the 61% average across all sectors.

New domestic markets within the UK (40%) and outside the EU (42%) are two biggest destinations for those in the manufacturing sector that are seeking to expand into new markets. Brexit is not an overwhelming concern to the manufacturing sector, with 36% believing it will help business, slightly above the 34% average recorded across all sectors.

The manufacturing sector is primarily seeking to expand into new domestic markets and outside the EU. This broadly fits with the general pattern across the other sectors, but suggests a political pivot away from Europe is unlikely to affect their growth ambitions.

Additionally, this sector reports an optimistic outlook on export conditions over the previous 12 months, perhaps prompted by the devaluation of the sterling post-Brexit. Are manufactured goods particularly benefiting from the drop in sterling? Interestingly, the research suggests that the sector is most sensitive to and positive about the potential for technological developments to boost productivity.

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Manufacturing companies recorded the second highest net expectation of growth, expressed by 73% of respondents and significantly above the 61% average across all sectors.

### Medical and healthcare

Results from the medical and healthcare sector suggest that it faces a number of unique challenges regarding its labour force that are affecting its optimism about the future. It registered the highest concern over its ability to access skilled staff of all sectors, with 38% of respondents placing it in their top three barriers to growth.

The medical and healthcare sector registered the highest concern over its ability to access unskilled staff, with nearly a quarter of respondents (22%) placing it in their top three barriers to growth.

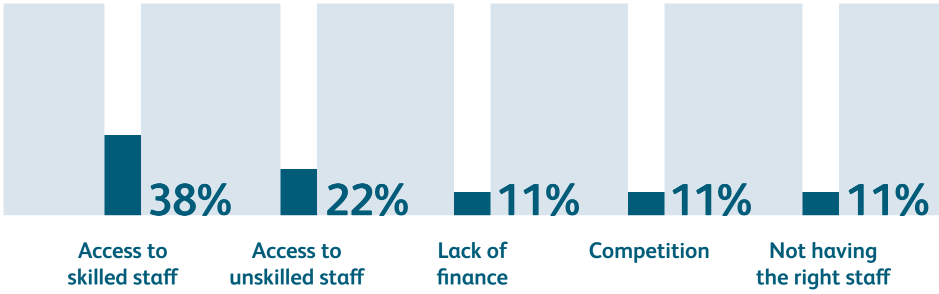
Of those businesses in the medical and healthcare sector that have attempted to enter new markets in the previous two years, the joint three biggest challenges recorded were lack of financial resources (11%), competition (11%) and failing to have the right type of staff (11%).

This pessimism about availability of skills appears to be linked to Brexit, with 56% of respondents claiming it will hinder their ability to enter new markets. The two biggest reasons for this include political uncertainty (75%) and the reduced choice of workforce (63%).

The medical and healthcare sector also recorded the highest number (57%) affected by the National Living Wage and the highest number of respondents who plan to cut staff perks to account for the added cost.

This view translates into the highest opposition to the government's immigration proposals for skilled workers, which include plans to restrict the number of skilled non-EU migrants staying in the UK after five years. Such policies received a net negative rating of 35% from respondents in this sector, considerably higher than the average 20% net negative rating across all other sectors.

**Medical and healthcare sector barriers to growth**

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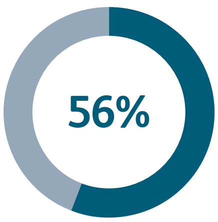
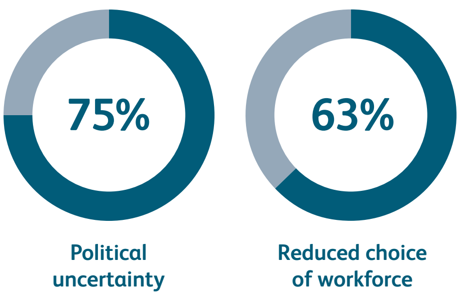
**Medical and healthcare sector view on the UK leaving the EU**




Believe Brexit will hinder their ability to enter new markets

**Medical and healthcare sector top two reasons for pessimism of ability to enter new markets**

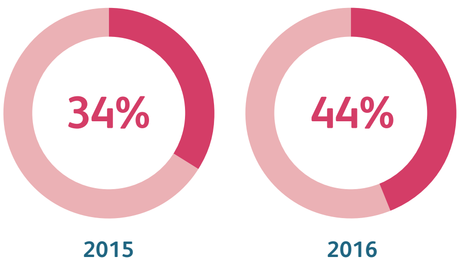


Millennial entrepreneurs are the age group most open to considering equity investment: just 26% of under 35s said they would never consider this form of financing for their business. This is encouraging and suggests an ongoing generational shift in attitudes towards raising finance.

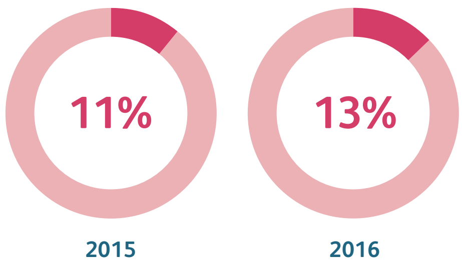
## 8. Equity finance

The trend highlighted in the 2015 Albion Growth Report for businesses to demonstrate greater appetite for equity investment has continued apace this year. The number of SMEs willing to consider longer term finance has risen from 34% to 44%, while the percentage of companies who would consider investment specifically from venture capital, private equity or business angel is now 26% overall, and 35% for those companies with more than 5 employees.

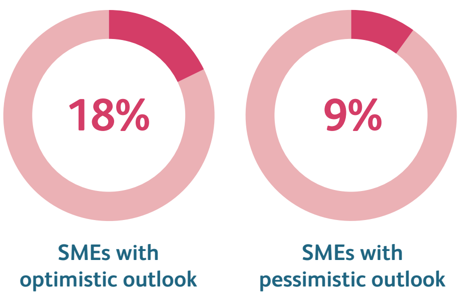
**SMEs willing to consider long-term finance**



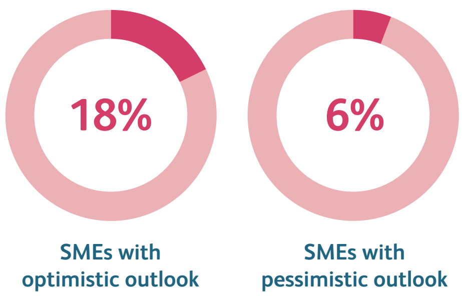

**SMEs willing to consider investment specifically from a venture capital or private equity investor**




**SMEs likely to consider investment specifically from a venture capital or private equity investor**




**SMEs likely to consider using a business angel**




Our analysis highlighted some further notable trends, including the fact that equity or other long-term finance is more popular among medium-sized businesses than it is among small ones, reflecting the relative maturity and ambition of larger SMEs.

This insight is supported by the fact that firms with a more optimistic outlook about their productivity in the future were twice as likely to consider investment from a venture capital or private equity investor (18% compared to 9%) and three times as likely to consider using a business angel (18% versus 6%) compared to those with a negative outlook.

Firms that reported being pessimistic about their prospects for productivity growth in the next two years were noticeably more likely than their optimistic counterparts to rule out the prospect of ever considering equity investment (51% versus 39%).

Leading the enthusiasm for raising long-term finance is the IT and telecoms sector, where 52% of respondents would consider equity from venture capital, private equity or business angels, and which again is a reflection of the sector's optimism. Manufacturing is also high at 40% and is the most optimistic of all, while construction trails at 13%, and is the most pessimistic.

And as acknowledged elsewhere in this year's report, millennial entrepreneurs are the age group most open to considering equity investment: just 26% of under 35s said they would never consider this form of financing for their business. This is encouraging and suggests an ongoing generational shift in attitudes towards raising equity finance.

Firms that reported being pessimistic about their prospects for productivity growth in the next two years were noticeably more likely than their optimistic counterparts to rule out the prospect of ever considering equity investment (51% versus 39%).

## Spotlight on the Northern Powerhouse

Does the vision of a Northern Powerhouse championed by George Osborne have a future? Examining the findings of our research and comparing with other regions suggests that businesses in the North have the right conditions and bandwidth to succeed.

Looking at barriers to growth, for example, difficulty in finding both skilled and unskilled staff is much less of an issue in the North (cited by 28% of SMEs) versus 43% of companies based in London. SMEs in the North are also less concerned about lack of access to technology or the pace of technological change.

However, their ambition for growth appears to be less positive than that displayed by the rest of the UK. Only 4% of businesses in the North believe that they will grow dramatically in the next two years compared to 8% across the UK and 13% in London, while only 33% said they would increase headcount in the next two years compared to 48% of firms in London.

Supporting this insight, SMEs in the North are much less likely to seek equity or other long term finance than companies in the rest of the UK and in London. Only 18% of companies in the North are likely to seek equity or long term finance, compared to 26% in London and 23% overall.

So the stage for growth is set: perhaps the most important element for Mr Osborne to address is self-confidence.

| The North | London |
|---|---|
| **28%** SMEs that believe finding skilled and unskilled staff is a barrier to growth | **43%** SMEs that believe finding skilled and unskilled staff is a barrier to growth |
| **4%** SMEs that believe they will grow dramatically in the next two years | **13%** SMEs that believe they will grow dramatically in the next two years |
| **33%** SMEs likely to increase headcount in next two years | **48%** SMEs likely to increase headcount in next two years |
| **18%** SMEs likely to seek equity or long-term finance | **26%** SMEs likely to seek equity or long-term finance |

The research was carried out in July 2016 by YouGov.
1014 businesses responded to the questionnaire.

Albion Ventures is an established venture capital investor with a long-term record of backing change and growth. With funds of £455 million under investment management or administration, the Albion team invests anywhere between £250,000 and £12 million into high growth businesses.

Combining a thematic, returns-driven investment approach with specialist expertise, we target those sectors where we see opportunities for the creation of long term value. Albion's focus is on longevity as partners in order to maximise the returns for our investors and the management teams whom we support.

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