

Sherry Coutu: ‘There’s no such thing as small and medium-sized firms’

 blogs.lse.ac.uk/businessreview/2016/11/23/sherry-coutu-theres-no-such-thing-as-small-and-medium-sized-firms/

11/23/2016



Photo provided by Sherry Coutu

In Sherry Coutu’s world, the word SMEs (small and medium-sized enterprises) would be abolished, because they offer only a static snapshot of a company’s scale. “You’re either growing or shrinking,” she says. Sherry is a serial entrepreneur, angel investor and advisor who founded the Scale Up institute (among [many other ventures](#)) to provide support to UK cities and regions on how to help companies grow. As an alumna of LSE’s Department of Management, she came to the School recently for a public discussion about scale ups (you can listen to the podcast [here](#)). Before the event she sat down for a Q&A with Helena Vieira.

Q: How do start-ups and scale-ups differ?

Scale-ups are companies that are growing quickly, and have been growing year in and year out. If you look at them as a proportion of our economy, compared to other countries like Canada or the US, we’ve got fewer scale-ups in the UK than you find in other countries. That is not excellent, because our economic growth, competitive advantage, innovation and productivity are all very closely related to the existence of these things called scale-ups.

In the olden days in the analogue world, you could only spot companies and classify them as small, medium or large. In a world of data, where we got much better information, we can see if the revenues are growing. We can understand that segment and if it’s important to us we can do something about it. Because it was so important, a couple of years ago we set about trying to explain what you could do to improve the number here so that you have the same amount as you find in other economies.

Q: What is the Scale-up Institute about?

The Scale-up institute researches different local areas in the UK to try to find out the most prevalent and worrisome barriers for scale-ups. There’s a large variation up and down the country, so London is very different from Edinburgh,

and very different from Southampton. We provide indicators and research to help people operating in those local cities understand the highest impact thing they could do tomorrow to start making it a healthier and better environment for their fast growing companies. It's quite sophisticated econometric research. We do the research on a centralised basis and share it with the regions and cities. We're not a for-profit institute supported by large companies and the government. We have quite a small staff and we do things in partnership with a number of organisations like Nesta, the CBI, the IoD and the LSE as well.

Q: If you had to recommend the UK government focus on either start-ups or scale-ups, what would it be?

It would be nice to not have to focus. Starting things is important, so that they can grow big, and it's also important to remove the barriers that keep those that have already started from growing. It's not easy to answer yes/no.

Now if you talk about pulling a lever and getting value for money on a pound per pound basis, we should focus on scaling up, because there's a deficit. We have more start-ups per capita than the US does, but there's research that came out last year from Harvard Business Review that shows that start-ups have a negative impact on economic growth. Having more start-ups doesn't grow your economy. So, if your objective is to have comparative advantage and prosperity for all, and jobs and growth, than scale-ups should be your focus, particularly as we've seen that that's where there's a failure at the moment in the way that our system, our community is working.

Q: How has Brexit changed the scenario for start-ups and scale-ups in the UK?

Let's look at the things that scale-ups see as preventing them from growing.

One is giving them access to people who they can hire, because they are creating 100 per cent of the net new jobs and in order to create those jobs they have to hire people who have the right skills. If Brexit impacts their ability to get high quality skills, that is not at all excellent. It's too early to say and there hasn't been a lot of clarity over what they're doing particularly on the freedom of moving around. But for 82 per cent of the companies the number 1 issue before Brexit was access to people with the right skills. If Brexit goes ahead without freedom of movement, our immediate reaction should be making sure that the people who are in the UK get the right skills as fast as humanly possible. If we're not able to import them from EU nations, then we need to home-grow them a lot faster and that would imply a big increase in whatever it is that make people get the right skills. That may be universities, apprenticeship schemes or other schemes run by NGOs, charities or for-profit entities. So Brexit affects skills, I'm certain of it, but it doesn't mean we have to flail our arms about.

The other issue is leadership development. It's actually now the number one issue, even higher than access to skills. We need to increase the amount of executive education courses that help scale-up leaders learn how to run their businesses faster. There are courses like the 10,000 small businesses programme run by Goldman Sachs, the partnership between Imperial College and the London Stock Exchange for the short executive education course called ELITE, and the School for Scale-Ups coming out of Cambridge. These programmes are short (running over one year), and every six weeks you get together for a day or half a day. Those should be in every single city in the UK and they're definitely not. The volume on that should be turned up significantly.

The third thing with Brexit is internationalisation. In the UK we released information a couple of years ago that shows that our rapidly growing companies were not exporting as much as similar companies in other countries. So helping them understand what they need to do in order to expand overseas is even more of a priority post Brexit. And I think that's an easy one to attract because we have a foreign office with people on the ground in India, China, Canada, elsewhere. We should make them prioritise these fast growing innovative companies and help them know what to do. We also recommend matchmaking. We think those who are already selling their wares overseas should be called into a room with a round table to talk to those that are about to do it. As an academic you can't teach someone how to export. The only way really is by mentoring. This guy just did it, why don't you ask him? Or this woman just did it, why don't you find out how they got into China and grew their business to 100 million there? People who have expanded internationally are more than happy to sit around the table with people who are about to,

at no cost, just using convening power.

That's what the priority should be, post Brexit. Finance has always been important and making sure that the scale-up leaders have access to finance is important, but it's less important than talent, leadership development or getting international customers.

Q: Are you worried that Donald Trump's victory will make it harder for scale-ups to thrive?

I think it makes it a lot easier for us to attract talent from the US, to be perfectly frank. If you don't like the result, come on over here. I do think that the reaction of people who do have great skills in the US may be to consider lending their skills to others elsewhere, possibly. And if that's the case, then I would get on the phone and start recruiting them right away. 82 per cent of their fast growing innovative companies here need those skill sets from the US. I don't know if they would be willing to come, but we should definitely try to invite them over. We like people here don't we? In particular people that have those skill sets that know how to grow companies very, very quickly and they definitely have that skill set in the US.

Q: Some people believe the government has hijacked the word entrepreneur to describe people who are freelancing because they can't find a job. Does that worry people like you?

Five years after my experience at LSE I went and studied entrepreneurship, entrepreneur management and entrepreneur finance at Harvard Business School. And I can't get out of my head professor Howard Stevenson's definition of entrepreneurship as a process, not as a label that you can plop on someone. An entrepreneur is a person who utilises and leverages assets that they do not own or control to achieve something that is worth achieving.

On that basis, I don't know how it's possible to describe a freelancer who is a consultant as an entrepreneur. That isn't sensible, because lots of people don't think that way and not everybody should be an entrepreneur.

I like this definition of entrepreneurship., because I think that means that we in education can be entrepreneurs. You can leverage your alumni. You don't have to pay them to come and talk to your current students, do you? But if you didn't think in an entrepreneurial way you might think that you have to employ them to talk to your students, but that's not entrepreneurial.

Likewise, I think calling everything that is a young company a start-up is particularly unhelpful, or indicates an analogue view which probably should be retired. Because starting something is different from growing it and it's a different process entirely.

Also, I really object to the word SME, for small and medium-sized enterprises. In our dynamic society, where 40 per cent of the businesses that exist today didn't exist 15 years ago, how can we talk about something as if they're static? You're either growing or you're shrinking. Full stop. Our societies are restructuring at an incredible rate. How would you call something a snapshot small, medium or large? I genuinely get confused.



- *The post gives the views of the interviewee, not the position of LSE Business Review or the London School of Economics.*
- *Before commenting, please read our [Comment Policy](#).*

Helena Vieira is the managing editor of LSE Business Review. She has lived and worked in four continents as a journalist and communications consultant. Her experience includes the roles of reporter and editor for international media organisations such as Bloomberg, The Wall Street Journal, and Brazil's Globo group. She holds an M.A. in International Development from American University in Washington, D.C. and an M.Sc. in Strategic Communications from Columbia University in New York. She tweets at @helenavieira1.



- Copyright © 2015 London School of Economics