Australian Innovation and High Growth Firms

Address to CEDA

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What’s the fuss?

Research summary: October 2009

The vital 6 per cent
How high-growth innovative businesses generate prosperity and jobs

6%
High Growth firms come in many shapes and sizes...

Table 2.2: Average number of Employment and Turnover HGFs in each cohort, by firm size, 2004–05 to 2011–12

<table>
<thead>
<tr>
<th>Size (FTE)</th>
<th>Average number of Employment HGFs (per year)</th>
<th>Average number of Turnover HGFs (per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–10</td>
<td>1,410</td>
<td>5,970</td>
</tr>
<tr>
<td>11–19</td>
<td>3,525</td>
<td>5,108</td>
</tr>
<tr>
<td>20–199</td>
<td>5,438</td>
<td>6,516</td>
</tr>
<tr>
<td>200+</td>
<td>492</td>
<td>615</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,960</strong></td>
<td><strong>18,210</strong></td>
</tr>
</tbody>
</table>

Notes: The number of HGFs in each cohort has been calculated using the definition as indicated in Section 2.1. However the scope of this analysis excludes businesses with less than 5 FTE in the first year of the relevant three year period.

...and age is not a barrier

Figure 2.1: The age of Turnover HGFs and non-HGFs, 2002–13

Notes: For HGFs, the chart shows a firm’s age at the beginning of its high-growth episode. A given firm that enjoys multiple high-growth episodes can be counted multiple times. For a discussion on the persistence of individual HGFs, see Section 3.1. Top and bottom percentiles of the data are removed to preserve confidentiality.

Many sectors boast high growth firms

Figure 2.2: Number, proportion and value added of Employment HGFs, selected industries, 2014

Notes: The size of the bubble represents the share of value added in GDP for each industry.

But nothing lasts forever

Figure 3.2: Firms reappearing on the BRW Fast 100 list after 2013, 2014–16

The trend in Australia is a concern

Figure 3.10: OECD comparison of Employment HGF proportions among firms with 10 or more employees in the business economy, 2008–2014

Notes: Latest available HGF data for each country at the time of writing. The OECD mean and OECD top-five mean are calculated across the countries in the SDBS dataset, including Australia.

Five Factors Driving High Growth Firms

• Investment in Intangibles (e.g. R&D, but also software)
• Access to large markets
• Access to talented people
• Access to capital
• Good governance focused on growth