

High Growth Scalars – solving the Productivity Conundrum in Malvern Hills

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The Malvern Hills High Growth Company Forum was launched in December 2023 by Malvern Hills District Council Economic Development Team to promote a stronger network or self-help ecosystem amongst these vitally important businesses facing many shared challenges. These include access to talent and skills, appropriate commercial space, capital funding, transport (including cycling accessibility), broadband connectivity, affordable housing and sustainability goals.

High growth companies in this district cover a range of sectors, sizes and ages and include, amongst others, Smartbox Assistive Technology, Lucart Hygiene, Athena Work Surfaces, Indra Renewable Technologies, ZX Lidars, Malvern Panalytical, HDAnywhere, Olpro, QinetiQ, Morgan Cars, English Braids and Metrasens.

Pictured: Inaugural meeting of MHDC High Growth Company Forum, hosted by Chris Pinder, HDAnywhere, Malvern.

Meeting for the first time on 15th December at HDAnywhere, 11 businesses were in attendance, of which six were manufacturers. As a group, these businesses alone are looking to access up to 200k square feet of commercial space and manufacturing facilities to accommodate pressing growth requirements, in turn leading to additional specialist skills needs.

High growth businesses are particularly important to the district. Whilst productivity in terms of GVA per hour worked is up by 2.5% per year over the last 10 years and at £31.29 it is above the Worcestershire average (£30.56), it remains below the UK average (£35.15).

Malvern Hills's average salary of £35,910 is 11.9% lower than England's national average salary of £40,746 and gross weekly workplace pay in Malvern Hills, whilst recovering to £592.50 since Covid, remains below Worcestershire (£613.30) and UK (£642.20) averages.

These high growth companies are important drivers of growth and quality employment for the district. The OECD (2000/03 Shreyer, P) found that high-growth firms account for a disproportionately large part of new jobs created with smaller companies demonstrating higher net job creation rates than larger firms. They also found that high growth firms are present across all industries and regions and that these are more R&D intensive. This may explain why Malvern Hills has received over half of all Innovate UK funding in Worcestershire over the past five years.

On top of this, an OECD report produced following the Covid pandemic – part of a series on SMEs and Entrepreneurship – ‘Understanding Firm Growth: Helping SMEs Scale Up’ shows that more than half of all new jobs are created by SMEs scaling up. They differentiate between ‘employment scalers’ and ‘turnover scalers’. The share of scalers that continue to grow differs between sectors, with between 66% and 75% of employment scalers in high-tech manufacturing maintaining their new scale or continuing to grow — encouraging for Malvern Hills, which, at over 13%, has its joint highest employment share in manufacturing (and the wholesale and retail trades). Their findings suggest SMEs in construction and high-tech manufacturing have the highest probability of scaling in turnover, accounting for one in four firms on average.

Scalers employ 30-50% more IT specialists, 15% more R&D staff and 15-20% more staff with a master’s degree and they pay at least 2% higher wages for comparable workers. The OECD recommends policies which encourage entrepreneurship, facilitate access to skills and training in SMEs, especially management training, improve access to debt and equity finance as well as R&D funding and assistance in promoting innovation and internationalisation.

Metrasens, founded 18 years ago and today turning over £17m with the ambition of reaching £30m revenues in the next three years, employs 89 people – 50 based in Malvern and 39 in the US. It’s a spinout from QinetiQ, Malvern’s largest technology company.

All three of Metrasens founders were former employees of DERA, the research organisation which preceded QinetiQ, and initially their operations were based on the Malvern Hills Science Park, before they moved to their current location at the Enigma Business Park. They began by developing commercially applicable magnetic sensing technologies for security markets as an evolution from the magnetic tracking systems pioneered at DERA and its predecessor organisations.

Metrasens ferromagnetic sensing technologies, known as Magnetic Anomaly Detection Units, are designed, manufactured and sold from Malvern, with 95% of their sales exported overseas, with 80% of these destined for the USA. Their units are used in MRI safety scanning, correction facilities, healthcare, school, personal and data security markets.

MD, Dr Simon Goodyear, says the units, once in place are in regular use. “For example,” he notes, “In one correctional system which included 20 prisons, 27,000 phones were detected since they deployed our systems. The units are normally used to screen inmates but can also be used to search mattresses and fittings. Being highly sensitive and portable they can be moved around in prisons, schools or healthcare facilities, enabling a great deal of flexibility in application and accuracy in detection.”

The detection market moved to centre stage for the healthcare system following a tragic incident in 2015 when a mental patient, based at an acute mental health hospital near Gloucester, stabbed a nurse to death using a kitchen knife, apparently as a ‘protest’ as he didn’t want to be moved to a

different facility. The incident shook many people, including Jeremy Hunt, then Health Secretary, who released a statement reflecting the horror felt, especially by fellow health workers and others in public service, following this shocking incident and noting their shared devastation. A new market for higher detection capabilities began opening up rapidly following this tragedy.

“Our units can detect anything down to a staple,” said Dr Goodyear. “A study by James Laidlaw, Roland Dix and Anneka Rose et al., (2017, Medicine, Science and the Law) showed conventional screening is 5.2% effective whereas our technology is 100% effective.”

Malvern Hills is experiencing strong growth among its information and communications technology (ICT) firms at over 39% year-on-year and has a great opportunity to close the productivity gap. In cyber security, an area where the district has built a nationally renowned cluster looking across to Hereford and Cheltenham, the UK Cyber Security Sectoral Analysis, estimated that in 2021 GVA per filled job in this sector was circa. £85,700, significantly higher than the Worcestershire (£49,679) and UK (£58,054) averages.

As a district Council Malvern Hills is committed to continued expansion of the Malvern Hills Science and Technology Park, targeting a 20% increase in workspace available for the high value added sector by 2030 and business support for new and existing innovative and high technology businesses. With 594 new companies formed in 2022 in Malvern Hills, but 576 company dissolutions during the same period, the Betaden Technology Accelerator programme will be increasingly important in supporting these early companies through their challenging early growth stages.

Taking on board the findings of the OECD research and in dialogue with high growth firms, the Malvern Hills district is firmly committed to these targets and to deepening its understanding of how it can support and accelerate achievement of these goals.

Note: The next Malvern Hills High Growth Company Forum meeting takes place 21st March at Lucart, Blackmore Park, Malvern, with presentations from NMITE, Heart of Worcestershire College and Worcestershire County Council Skills Boost. For further information contact beverley.nielsen@bcu.ac.uk

Pictured left to right at Metrasens Malvern manufacturing facility: Dr Simon Goodyear, Beverley Nielsen, Simon Smith, Economic Development MHDC, Dr Mark Keene