

## High Growth Firms in Singapore

by Aldric Han, Eric Ng and Tan Xue Lin  
Business Statistics Division  
Singapore Department of Statistics

### Introduction

International studies<sup>1</sup> found that High-Growth Firms (HGF) are significant contributors to revenue and employment growths, and they tend to outperform non-HGF. HGF are also more likely to invest in R&D and innovation, generating spillover effects that improve productivity in other firms.

In Singapore, policies have been made to support high-potential firms to grow and become globally competitive, which would contribute to economic growth and job creation. One example is the EnterpriseSG's Scale-Up programme which aims to accelerate the growth of high-potential firms, help them build strong brand recognition and become global champions.

Against this backdrop, DOS conducted a study to examine the characteristics, prevalence, and performance of HGF in Singapore between 2016 and 2019, using an integrated firm-level longitudinal dataset.

### Definition

In this study, HGF are defined as firms with average annualised revenue growth exceeding 10 per cent over a three-year period<sup>2</sup> and with at least 10 employees<sup>3</sup> at the start of the period:

$$\sqrt[3]{\frac{\text{revenue}_{t+3}}{\text{revenue}_t}} - 1 > 0.1$$

where  $\text{revenue}_{t+3}$  denotes revenue at the end of the three-year period and  $\text{revenue}_t$  denotes revenue at the start of the three-year period. Firms are tagged as either HGF or non-HGF at the end of the three-year period. Consequently, firms with at least 10 employees in 2016 and registered more than 10 per cent annualised revenue growth between 2016 and 2019 are deemed as HGF.

### Key Findings

There were about 7,800 HGF, accounting for 19 per cent of firms with at least 10 employees in 2016.

#### Majority of HGF Were Smaller and More Than Five Years Old

A majority of these HGF were smaller firms in terms of revenue or employee size. Nearly half (48 per cent) had revenue exceeding \$1 million but up to \$10 million and 28 per cent had revenue not exceeding \$1 million (Chart 1).

Only 6 per cent had revenue exceeding \$100 million. In terms of employee size, 55 per cent employed between 10 to 25 workers while only 5 per cent employed more than 200 employees.

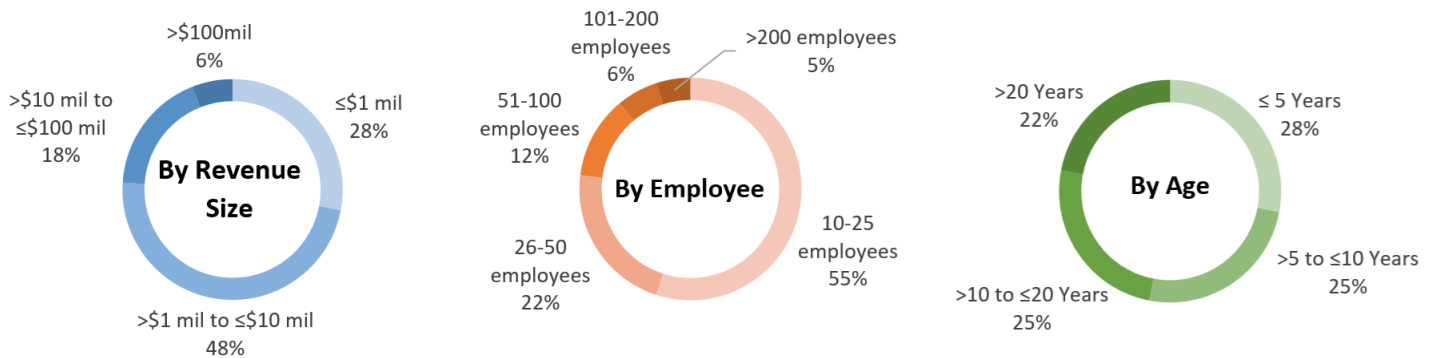
Half of these HGF were aged 5 - 20 years old while 22 per cent were aged over 20 years. About 28 per cent were aged 5 years or below.

1 For more information, refer to the References appended at the end of the article.

2 This is equivalent to at least 33.1 per cent cumulative growth after 3 years. The criterion used is similar to that adopted by Eurostat's and OECD's research studies, although there have been varied definitions used in other studies.

3 The threshold of a minimum of 10 employees is meant to mitigate small firm bias, where a small increase in revenue results in disproportionately high revenue growth due to the small denominator.

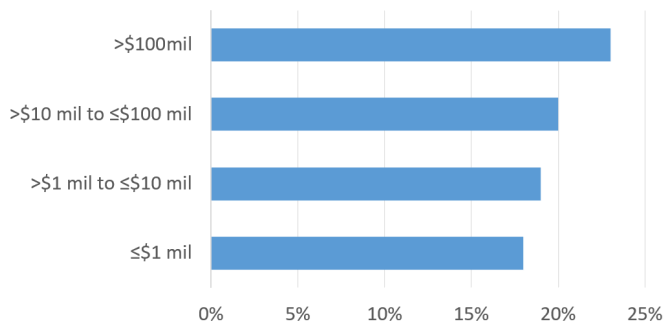
**Chart 1**  
PROFILE OF FIRMS WITH HIGH GROWTH BETWEEN 2016 AND 2019<sup>4</sup>



### HGF Were Likely to Appear Across Different Revenue and Employee Size Bands

Across revenue size bands, HGF were most prevalent among firms with revenue exceeding \$100 million (Chart 2).

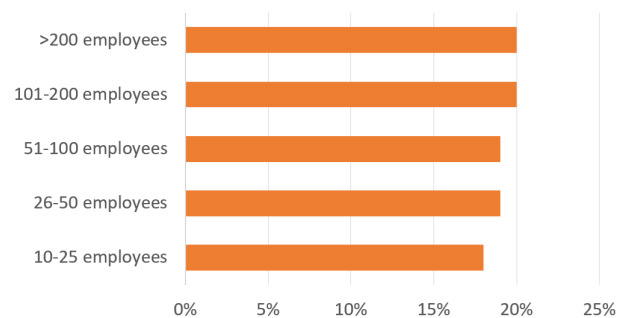
**Chart 2**  
PREVALENCE OF FIRMS WITH HIGH GROWTH BETWEEN 2016 AND 2019, BY REVENUE SIZE IN 2016



Among firms with revenue not exceeding \$1 million in 2016, 18 per cent registered high growth between 2016 and 2019. The proportion of HGF increased to 20 per cent among firms with revenue over \$10 million and not exceeding \$100 million, and further increased to 23 per cent among larger firms with revenue exceeding \$100 million.

The prevalence of HGF was generally similar across different employee size bands. Among firms with employee size of no more than 25 in 2016, 18 per cent experienced high revenue growth between 2016 and 2019. The proportion of HGF increased marginally to 20 per cent for firms with employee size exceeding 100 (Chart 3).

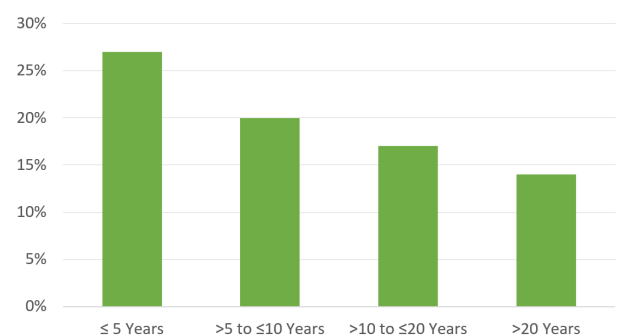
**Chart 3**  
PREVALENCE OF FIRMS WITH HIGH GROWTH BETWEEN 2016 AND 2019, BY EMPLOYEE SIZE IN 2016



### Younger Firms Were More Likely to Experience High Growth

The prevalence of HGF was higher among younger firms compared to older ones. Among firms that were no more than 5 years old in 2016, 27 per cent registered high growth between 2016 and 2019. This proportion declined progressively with older firms and was 14 per cent among firms over 20 years old (Chart 4).

**Chart 4**  
PREVALENCE OF FIRMS WITH HIGH GROWTH BETWEEN 2016 AND 2019, BY AGE IN 2016



<sup>4</sup> The respective categories refer to the revenue size, employee size and age of firms in 2016, which is the start of the revenue growth period between 2016 and 2019.

## HGF Outperformed Non-HGF

On average, HGF generated higher revenue and employed more workers as compared to firms with lower growth. The average revenue of HGF was more than 5 times the revenue of non-HGF (Table 1).

**Table 1**  
**AVERAGE REVENUE, EMPLOYEES, PRODUCTIVITY AND WAGE PER EMPLOYEE OF HGF AND NON-HGF, 2019**

Average Statistics	HGF	Non-HGF
Revenue (\$mil)	257	49
Employees (No.)	90	56
Productivity (\$'000)	233	105
Annual Wage Per Employee (\$'000)	67	52

The average employee size of HGF was 90, which was larger than the non-HGF's average employee size of 56.

HGF were more productive than non-HGF, with the average productivity<sup>5</sup> of HGF more than double of the non-HGF. The average annual wage per employee<sup>6</sup> of HGF was also higher than non-HGF.

## Conclusion

The findings showed that close to one in five firms with at least 10 employees in 2016 were HGF in 2019. While HGF can be found among firms of different sizes and ages, a majority of HGF were smaller in terms of revenue or employee size. Younger firms were also more likely to become HGF.

HGF tended to outperform non-HGF with higher productivity, generate higher revenue and employ more workers. This suggests that there are economic benefits to supporting firms with high-growth potential.

Further research may be undertaken to study if these HGF are able to sustain their growth potential over a longer period of time.

## References

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EuroStat (2020)  
*1 in 10 EU Enterprises Classified as High Growth*

Organisation for Economic Co-operation and Development (2021)  
*Understanding Firm Growth: Helping SMEs Scale Up*

Statistics Canada (2020)  
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<sup>5</sup> Productivity is measured as nominal value-added per worker.

<sup>6</sup> Wage per employee is derived as total wages divided by total number of employees.

