THE INSTITUTE FOR TURNAROUND
SOCIETAL IMPACT REPORT 2026

Harnessing the UK's Strengths in a Challenging World



Adapt. Transform. Succeed.

IN THE 25 YEARS SINCE OUR INCEPTION THE IFT ACCREDITED MEMBERS HAVE PRESERVED MORE THAN 1.1 MILLION JOBS AND OVER £50.5 BILLION OF VALUE IN TODAY'S PRICES.

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FOREWORD

2026 marks 25 years since The Institute for Turnaround held its first Annual General Meeting, establishing a UK body to accredit and support turnaround professionals. Over that period, we estimate that the work of IFT accredited members has preserved more than 1.1 million jobs and over £50.5 billion of value in today's prices.

> TURNAROUND IS A MISSING ELEMENT OF THE UK'S PRODUCTIVITY, GROWTH AND RESILIENCE OBJECTIVES.

The world in which businesses and IFT members operate is now in many ways unrecognisable. Yet the role of the turnaround and transformation profession is more important than ever. Accelerating technological development, geopolitical shifts and crises, macroeconomic pressures, and policy and regulatory change have become constants, making steady growth and financial stability increasingly difficult for businesses and their management teams.

Company data demonstrates the continuing scale of the challenge. Distress levels remained high in 2025–26, with 185,231 UK companies in distress in the second quarter of 2026, continuing an upward trend from 2019 when The IFT first started producing these reports.

However, this report is not simply about distress. It is about the strengths on which we can build, the value already present within our businesses and the practical capabilities needed to turn economic potential into sustainable growth.

At the heart of our argument is a simple proposition: turnaround is a missing element of the UK's productivity, growth and resilience objectives. Growth does not come only from creating new companies or attracting new investment. It also comes from recognising, protecting and unlocking the value that already exists within viable businesses.

Saving a company can preserve valuable products and services, intellectual property, jobs, productive assets, skills and supply-chain relationships that would otherwise be difficult or impossible to recreate.

This is particularly important for small and mid-market businesses, which may have considerable underlying value but less capacity to withstand prolonged disruption or access the support they need.

This year's impact figures illustrate the scale of that opportunity. We estimate that IFT accredited members saved approximately 94,000 jobs and more than £4 billion of value during the year. By shifting the dial in national business culture towards earlier intervention and effective turnaround, the wider economic opportunity is immense.

Over the past quarter-century, the profession has evolved to support organisations throughout the corporate growth and change cycle, from urgent financial turnaround to longer-term transformation and transition.

IFT members and partners increasingly work with businesses proactively, supporting long-term performance and strategic agility as well as responding to situations of immediate challenge or crisis.

Reflecting this evolution, this report's opening deep-dive chapter examines how turnaround and transformation professionals help to build better businesses for the long term, including where leaders must act despite uncertainty or imperfect data.

The subsequent chapters place these approaches within the broader context of the UK economy, considering how the country can build on its strengths in professional and financial services, innovation and cutting-edge industries. We also examine the contribution made both by the restructuring and turnaround sector itself and by applying its skills and disciplines more widely across the economy.

Beyond the broad-based business and economic benefits, these capabilities will be specifically crucial to the delivery of national priorities in areas such as industrialisation, defence, technology, housing construction and a viable care system. Those priorities depend on having resilient companies capable of delivering them. Turnaround and transformation can help to stabilise, modernise and protect those businesses, including the SMEs that will be essential to supply chains and the delivery of wider growth and public service objectives.

Turnaround is ultimately about taking a positive, strategic and solutions-focused view: identifying what is valuable, building on latent strengths and sharpening competitive advantage. It provides an essential complement to innovation and new investment by contributing not only to value creation, but also to value recovery and preservation. The outlook remains uncertain, but the scope of turnaround to increase certainty and create positive outcomes is clear.

This report is a testament to the hard work and expertise of IFT members and the wider profession. It is also a call to recognise turnaround and transformation as an integral part of the UK's approach to growth, productivity and economic resilience.



Chair of The IFT

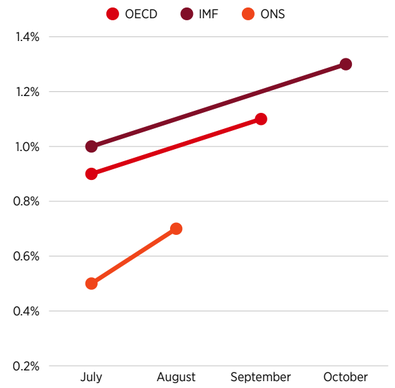


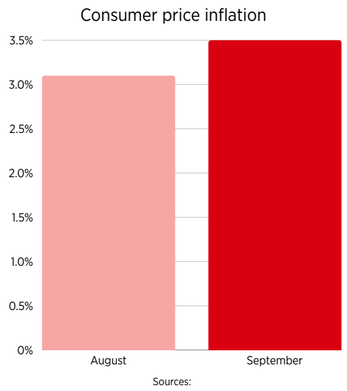
CEO of The IFT

Pressures and prospects for 2027

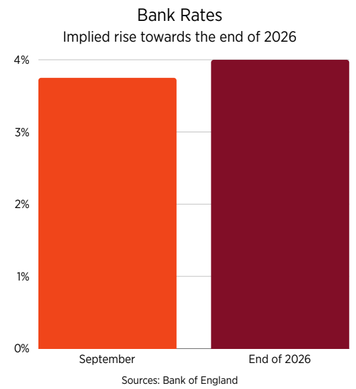
Dr Jonathan Gillham and Schellion Horn, S&W

The UK economy has performed better than expected in 2026, prompting upgrades to growth forecasts. This is welcome news for businesses, although the improvement has been uneven. Higher employment costs, pressure on household spending and uncertainty over energy supplies and trade mean that stronger sales have not necessarily brought an equivalent recovery in margins.





Sources:



Sources: Bank of England

Stronger growth, but an uneven recovery for businesses

The OECD raised its 2026 forecast from 0.9% in June to 1.1% in September; the IMF's October forecast of 1.3% was up from 1.0% in July. ONS figures show output growing by 0.7% in the three months to August, led by services, while production and construction fell. This offers a better prospect for orders, but not across all sectors. With both forecasters expecting slightly slower growth in 2027, firms may still find it difficult to pass on higher costs[1].

Exchanges of strikes involving the US, Israel and Iran, and disruption to shipping through the Strait of Hormuz, have added uncertainty over energy supplies and trade, making purchasing and pricing decisions more difficult. An easing of disruption could bring some relief, although lower fuel and freight costs will take time to work through contracts.

Consumer price inflation rose from 3.1% in August to 3.5% in September, with motor fuels making the largest upward contribution. Higher household bills leave less for discretionary spending, affecting retail and hospitality in particular. Manufacturers and transport businesses are more directly exposed to energy costs[2].

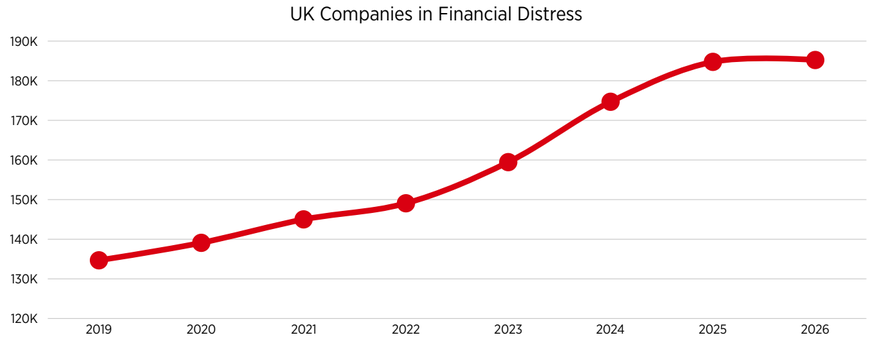
The Bank of England held Bank Rate at 3.75% in September, while market pricing as at 22 October implied a rise to around 4% by the end of 2026 and further increases during 2027. That path remains uncertain and will depend particularly on energy prices and their effects on inflation. Businesses refinancing debt or borrowing at variable rates may therefore see little near-term relief in debt-servicing costs.

The 15% employer National Insurance rate and £5,000 threshold continue in 2026–27, alongside further minimum wage increases. The £10,500 Employment Allowance provides some relief for smaller and medium sized businesses. For labour-intensive firms, however, higher wage bills alongside slow sales leave less cash for debt repayments and investment[3].

Higher household bills leave less for discretionary spending, affecting retail and hospitality in particular

[1]Sources: OECD; IMF; ONS, August 2026
[2]ONS, September 2026
[3]HMRC, 2026–27 employer rates





Pressure on margins makes cash flow more important

Thinner margins will inevitably leave less room to absorb late payments. Government-commissioned research published in July 2025 estimated £26bn in overdue payments, averaging £17,000 for each affected business. More timely collection can ease borrowing needs, while delays can leave even profitable firms struggling to pay wages and suppliers[4].

The British Business Bank's 2026 report found greater use of flexible borrowing for cash flow in 2025. In the IFT's Q2 partner survey, 67% cited withdrawal of shareholder funding as a reason for distress and 50% cited debt-servicing costs. Further borrowing may not suit every business. Early discussions with owners and lenders can leave more time to consider what is affordable[5].

[4]Small Business Commissioner, July 2025
[5]Sources: British Business Bank; IFT Q2 2026

Fewer insolvencies, but continued demand for support

FRP data published by The IFT as well as company insolvency statistics published by the Insolvency Service show a falling trend in insolvencies in 2026, though distressed company numbers were broadly unchanged. The fall in insolvencies is encouraging, although stronger growth alone may not resolve the financial difficulties some firms face[6].

Construction had the most distressed companies, while financial services generated the most advisory work among surveyed partners - a different measure. The work needed will depend on the business, whether that means managing the timing of payments, reviewing debt or looking again at trading costs. 79% of IFT members responding to our 2026 survey expect demand for support to rise[7].

[6]IFT Q2 2026
[7]IFT Q2 2026; IFT 2026 annual survey

Government-commissioned research published in July 2025 estimated £26bn in overdue payments, averaging £17,000 for each affected business.

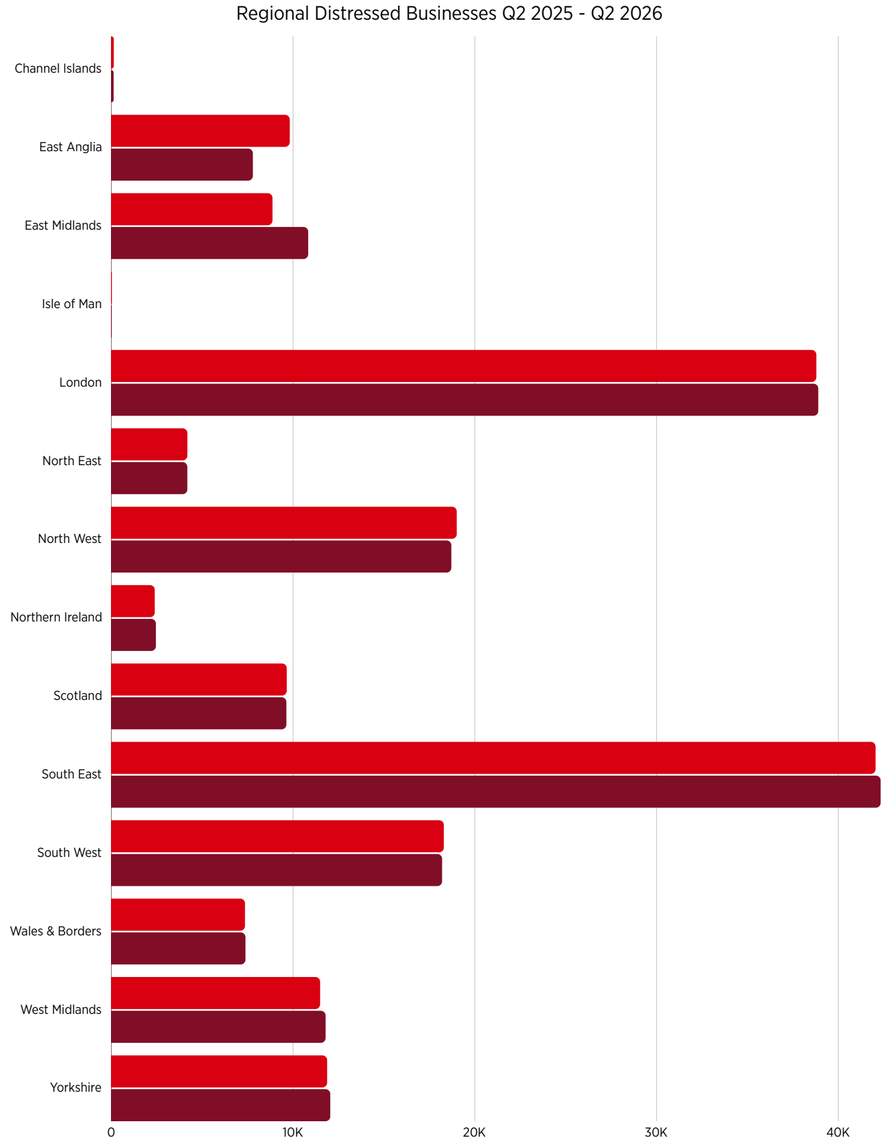
Making room for investment can improve prospects

If immediate cash and funding pressures ease, there may be more room for investment. Better equipment, systems and training can lower costs and enable firms to compete on service rather than price alone. Improvements across individual businesses would also contribute to a stronger UK productivity performance[8].

AI offers a real and genuine opportunity in the UK's large services sector. Less time spent on documents and routine analysis could allow staff to serve more customers or improve service. The wider gains remain uncertain, but modest changes to everyday work could leave firms better placed as demand improves[9].

[8]OBR, Forecasting productivity, November 2025
[9]Aghion and Bunel, AI and Growth





Executive Summary

Economic and political turbulence has continued this year, representing a continuing challenging environment for UK businesses, though we can see a degree of resilience in the company data.

The number of distressed companies remained high, reaching 185,231 in Q2 2026. Whilst insolvencies declined year on year in 2026 compared to the same period in 2025, the continued high levels of distress and a broader geopolitical context of disruption, including to supply chains and energy supplies, means many UK businesses are finding treading water increasingly challenging. This is reflected in the IFT survey data, with 90% of IFT independent members saying the market was busier or at a similar level to 2025, indicating strong demand for turnaround and restructuring support.

As sustained turnaround demand and activity over the last few years filters through, this year's survey data showed a sizeable increase in the number of jobs saved by IFT independent members, an estimated 93,972 jobs saved 2025-26, as well as a continued increase in value preserved - to over £4 billion. With sustained headwinds facing the global and UK economy, the positive contribution of IFT members to helping businesses is clear and looks set to continue, with the actions of IFT members increasingly supporting businesses with strategy and transformation, including bringing new money into situations, as well as managing costs and cash.

79% of IFT independent members expect to be busier in the coming period. This comes as 90% were as busy or busier in 2026 compared to 2025.

[10] This is a narrow sector including businesses providing contracted services to government and delivering social security (SIC Section O), focused on public administration and regulation of services, including police, armed forces. Small numbers can influence outsize percentage changes.

Insolvencies show year on year decline. Insolvencies declined in Q1-Q3 2026) compared to the same period in 2025[11].

Insolvencies fell in 2026 compared to 2025, though numbers of distressed businesses remained high.

£4.6 + billion to support turnaround situations.

£4.6 + billion of estimated new money to support turnaround situations. In 2025-26, IFT independent members secured an estimated £4.602 billion to support business's turnarounds.

Inflationary pressures, management fatigue, energy prices.

Inflationary pressures, management/Board bandwidth/fatigue and energy prices were identified by IFT independent members as the top three challenges for distressed but viable businesses in 2026 and going into 2027[12].

[11]The percentage change for overall distress and insolvency figures is calculated against initial numbers received at the time and used in the previous year's report in order to maintain comparability. Percentage changes for regions and sectors are compared to updated previous year figures received with the next year's report (i.e. updated 2025 figures received alongside the initial 2026 figures) given smaller numbers to ensure greater accuracy. Numbers can change from initial figures due to filing lags.

Mixed picture for distress trends across industries.

Wholesale, retail and repairs; construction; and professional, scientific and technical activities remained the most distressed sectors, but the sectors with the largest increase in distress in Q2 2026 compared to Q2 2025 were public administration and defence; social security[10] (up 11%), financial and insurance activities (up 8%) and manufacturing (up 5%). However, a number of sectors showed a fall in distress – to varying degrees - including accommodation and food services (down 1%), arts, entertainment and recreation (down 3%) and education (down 5%).

£4+ billion increased shareholder value.

£4.046 billion estimated shareholder value increased by IFT independent members in 2025-26.

Differing trends in regional distress.

A number of regions – West Midlands, Wales and Borders, Northern Ireland, Yorkshire, the South East and London showed small (<2.6%) increases in distress. Scotland, the South West, East Midlands, East Anglia, the North East and the North West showed small decreases (<1.6%) in the numbers of distressed companies.

[12] IFT Members were asked to identify the top three challenges for distressed but viable businesses in the next six months, with survey completion taking place through Q2 and Q3 2026.

7/10 changed the organisational structure.

Nearly 7/10 have changed the organisational structure of a business in their most recent assignment. Reflecting the broader challenging operating environment, cost reductions and transformational strategic change continued to be balanced as core areas of focus for independent IFT members. The most common action taken in their most recent successful assignment was changing the organisation structure, cited by 67%. Looking back at how they supported businesses in the past year, the top three actions cited were cost reductions (cited by 74%), cashflow forecasting (71%) and supporting boards to create strategic change (67%).

93,972 jobs preserved.

93,972 estimated jobs preserved by IFT independent members 2025-26.

84% of IFT independent members saw cultural/ psychological resistance to external advice as continuing to represent the main barrier to businesses not seeking help at an earlier stage.

57% cited the lack of understanding of turnaround and 51% businesses being unaware of issues until it was too late.



Photo: Tom Miller - AlixPartners

The value of operational transformation to overcome uncertainty

The new normal

In 2026 we are now well into what seems to be an established era of repeated shocks and instability across macroeconomics and geopolitics; volatility is the new normal rather than an outlier. This has been a repeated theme in discussions at IFT events this year, including at our Automotive and Health and Care Special Interest Groups: of pressures bedding in to become structural rather than cyclical. The level of uncertainty can risk businesses and organisations becoming paralysed by the rate of change, waiting for a policy fix or re-normalisation of conditions that never comes. When they do act, the nature and breadth of challenges can mean businesses spend their time in reactive firefighting without the space to develop longer-term strategies or agility. Tom Miller of AlixPartners argues that this "disruptive business environment looks a lot like a turnaround situation", where companies "must be continuously reinventing themselves – driving change, integrating new technologies, and anticipating shifts in the marketplace and consumer demand."

Turning uncertainty into action

How can UK businesses best respond to this uncertain environment and remain agile and competitive? This is where turnaround comes in, a practice and a profession that is all about creating certainty within uncertainty and optimising the data and information available for speedy decision-making and action. IFT accredited Fellow Chris Howell comments that he regularly sees businesses waiting to take action until they have certainty, but "certainty rarely ever arrives". He encourages Boards and management teams to create their own certainty "by having a structure that gives you the ability to make disciplined decisions", maintaining an agile approach whilst being clear about the destination they are aiming for and flexing different facets of the business in order to get there. Emma Gaffney of PwC highlights that whilst there is still a camp of businesses in the UK that aren't responding to uncertainty early enough, she is seeing more businesses taking a more holistic approach to operational transformation and turnaround to be on the front foot for the broader range of anticipated challenges and focusing on execution. This includes looking for end-to-end value creation opportunities such as pricing and profitability management, all the way to more radical energy optimisation opportunities and building executable plans that translate these in to bottom line improvement. A smaller cohort of businesses are then taking the next step and thinking longer term in relation to margin protection and how they build scalable platforms for future growth.

Decisions and data

The key, according to Martyn Rickels of FRP Advisory, highlighting his firm's recent work on the "Decision Economy", is to avoid "decision drag", where delays erode options available. In an age of AI and data, information overwhelm and over-analysis can itself drive delays to decision-making. Instead, businesses should take action as early as possible – not waiting for perfect data – whilst keeping the ability to pivot if circumstances change. Chris Howell and Kevin Rusling, another accredited IFT Member, both note that optionality needs to be built into the regular planning cycle and business plans. Data and information need to be focused on the "critical moving parts" and core metrics, such as cash flow, liquidity and stakeholder pressure. The goal should be reducing complexity and prioritisation. Martyn Rickels comments that businesses should be "linking data directly to action", ensuring they have "the minimum evidence needed to make a sound commercial decision".

Actions to move forward

In terms of what turnaround and transformation professionals are seeing businesses do to respond to uncertainty and enhance their agility, Chris Howell highlights a focus on understanding their core customers and their direction of travel, to ensure that their products or services are aligned and responsive. This could include reshaping unprofitable activity, pricing and cost structures, whilst maintaining discipline over cash and liquidity. An example of refreshing products and market strategies can be seen by certain firms in the automotive supply chain, where they are pivoting to products and technologies relevant to the EV transition or to adjacent sectors such as defence. Tom Miller highlighted actions including reskilling and upskilling of employees, the use of automation tools and AI to help drive revenue and preparation of capital structures for flexibility and resilience. Kevin Rusling gives the example of Mothercare, which faced successive shocks from Covid-19 and the invasion of Ukraine but had already developed a shift in approach and understood what their levers were to continue taking the business forward, accelerating a planned focus on a franchise-led, asset-lite model.

The right leadership and structures

A key theme is the importance of the right structures and leadership approaches to overcome inertia and ensure alignment for action and strategic change. This means having accountable and responsible leaders across all levels of a transformation, and ensuring that stakeholders both within and external to a business are aligned with a particular direction. Chris Howell and Kevin Rusling note that this is where the role of an independent turnaround practitioner comes in, leading a transformation project, facilitating dialogue between the Board and the management team, and freeing up executive teams to concentrate on running the business. More broadly, as highlighted by Martyn Rickels and Emma Gaffney, turnaround professionals support businesses with building practical, deliverable plans and ensuring confidence amongst stakeholders. Clarity of focus across different teams and robust but timely governance structures and procedures are also central to drive momentum whilst keeping flexibility. Chris Howell comments that if you get the balance right across a team in terms of those with a more cautious perspective and those who are more innovative, in an environment where everyone understands decisions and the consequences of different choices, then you can create the conditions to stress test decisions and take measured risks to try something new and position the business for the future.

People and succession planning

Ultimately, delivering successful operational transformation and future-proofing in a shifting landscape requires engaging people across all levels of a business, within structures that can flex and accommodate changing circumstances or strategies in the medium to long-term. This can be complicated in circumstances where a business is owner-managed or family-founded, which can delay succession planning and make longer-term transitions difficult. Chris Howell notes that owners have been so central to the growth of a business that it becomes very hard to let them go, but comments that good succession planning “isn’t just about replacing individuals”, it is about building a robust team across the rest of the C-suite, which means the handover from a leader is less of an issue. Other interviewees agreed and emphasised the importance of planning for succession earlier, in a structured manner, including review of different governance and ownership options.



> “NOT JUST LOOKING AT BOARD OR MANAGEMENT LEVELS...TREATING BROADER SUCCESSION PLANNING AS ANOTHER PART OF A STRATEGIC BUSINESS PLAN.

Photo: Chris Howell, FRP Accredited Fellow



Photo: Diana Torres - Teneo

> BUSINESSES SHOULD ALSO CONSIDER HOW TO CREATE AN ORGANISATION MINDSET THAT EMBRACES CHANGE, ENCOURAGE INNOVATION AND CHALLENGE THE STATUS QUO

Kevin Rusling also notes the importance of not just looking at Board or management levels but identifying key employees and potential single point of failures at all levels and treating broader succession planning as another part of a strategic business plan.

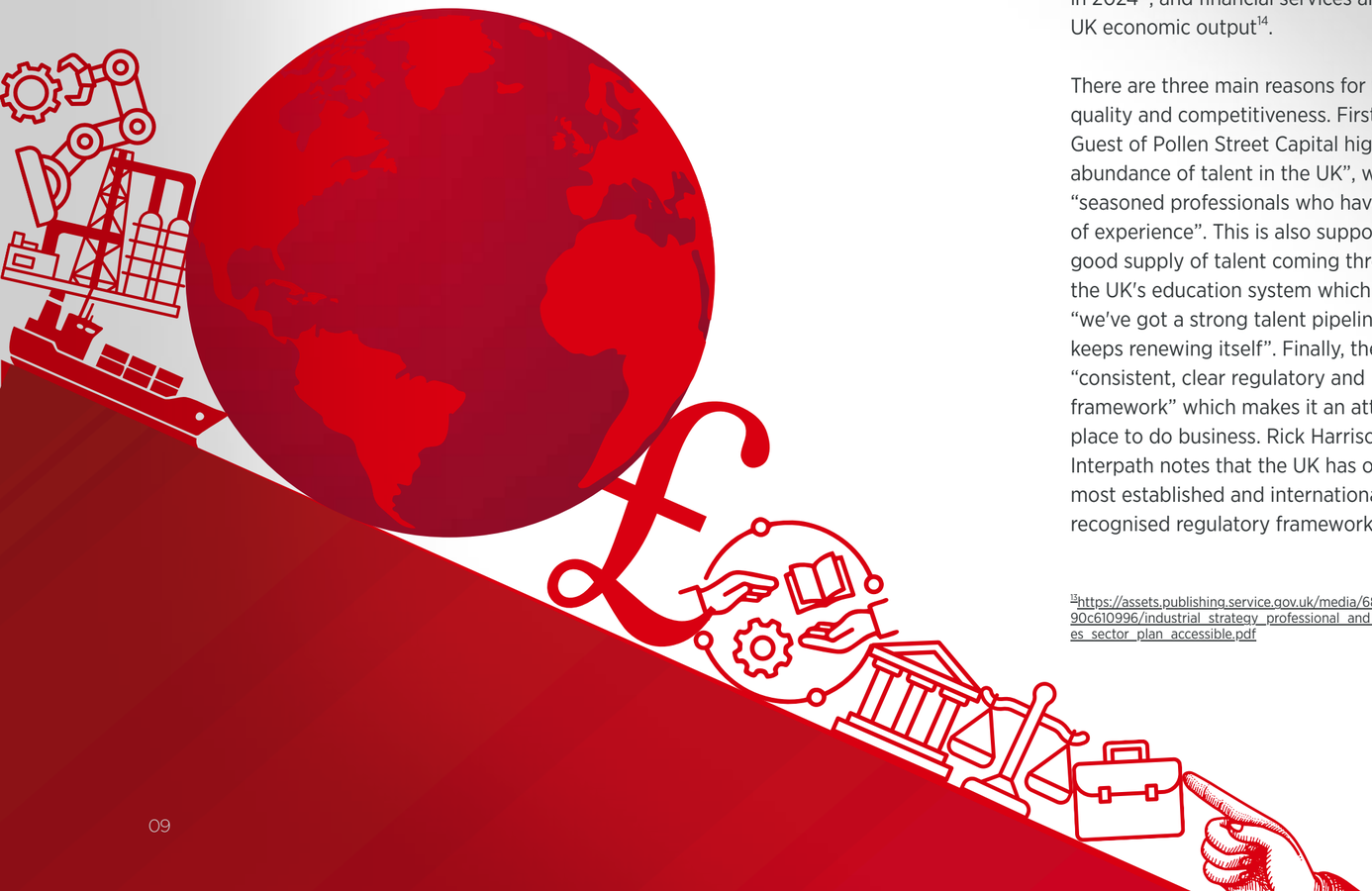
UK businesses are also now managing up to four generations in the workplace, with younger generations having different expectations and ways of working, meaning a single approach or communications plan does not address all of the workforce. Building a sustainable business transformation that recognises that this is not just a singular event but a platform for future development means involving the workforce in different ways across the different generations, getting them involved and delivering aspects of the transformation themselves.

Diana Torres of Teneo comments that succession is only part of the challenge, as businesses should also consider how to create an organisation mindset that embraces change, encourages innovation and challenges the status quo. She highlighted this is particularly important in more traditional industries, like manufacturing, where established ways of working can make change harder to embed.

The bottom line

The current challenges facing UK businesses are well-publicised, but UK businesses that build teams, structures and cultures that embrace taking bold action alongside flexibility and agility – the "turnaround mindset" as Tom Miller puts it – can "turn disruption from a threat into a source of competitive strength."

World-Leading Professional and Financial Services



Building on our strengths

A turnaround project involves not just addressing areas of weaknesses but also supporting and building on strengths. This is true for the UK economy as well as for individual businesses, and our financial and professional services sectors are an undoubted area of strength for UK plc. We are global leaders for both, and they are key contributors to the wider economy, with professional and business services contributing £300 billion to the UK economy in 2024[13], and financial services around 9% of UK economic output[14].

There are three main reasons for their quality and competitiveness. First, Jonathan Guest of Pollen Street Capital highlights "an abundance of talent in the UK", with "seasoned professionals who have decades of experience". This is also supported by a good supply of talent coming through from the UK's education system which means "we've got a strong talent pipeline which keeps renewing itself". Finally, the UK has a "consistent, clear regulatory and legal framework" which makes it an attractive place to do business. Rick Harrison of Interpath notes that the UK has one of the most established and internationally recognised regulatory frameworks.

[13] https://assets.publishing.service.gov.uk/media/6892153b66bdd4490c610996/industrial_strategy_professional_and_business_services_sector_plan_accessible.pdf

Innovation and changing models

There are also innovative products, services and models being developed in UK financial and professional services. Jonathan Guest notes that use of technology facilitated by new forms of capital into these sectors allows the delivery of "a broader range of products in a more efficient manner and so therefore improving what clients are getting out of it". Professional services firms are also developing their offerings to serve businesses more in the mid-market, whilst boutique firms challenge traditional models. Claire Burden of S&W highlights FinTech and RegTech (regulatory technology) supporting accessibility to professional services for SMEs, as well as supporting areas such as compliance, digital onboarding processes, fraud analytics and reporting. AI is increasingly being used or explored across these sectors. David Broadbent, IFT associate member, has seen lending businesses looking at AI adoption for areas like underwriting and credit scoring, as well as management reporting, financial modelling and board presentations. Increasing use of AI across all sectors then also means the development of new areas where professional advice is required, such as AI governance.

A number of trends are impacting these sectors in parallel, notes Jonathan Guest, with an increasing number of founder-owned or partnership businesses exploring alternative forms of capital because they are looking to grow and take their business to the next level, so that they can invest in technology to level up what they can offer.

[14] https://assets.publishing.service.gov.uk/media/687e612692957f2ec567c621/Financial_Services_Growth__Competitiveness_Strategy_final.pdf

And as part of this the traditional owners or older generation may be looking to retire or exit, to allow the next generation to explore new forms of capital and ownership. Rich Harrison highlights the impact of the private equity model increasing the focus on robust value creation plans for long-term value.

Turnaround and restructuring

The UK's turnaround and restructuring sector is a key part of our international services offer, and recent trends have seen an expansion in the strengths of the UK as a restructuring jurisdiction. James Davison, Partner at Katten Munchin Rosenman notes that the UK has "a very deep history of schemes of arrangements and turnarounds where there is a high level of creditor and stakeholder support". He notes that the development of Part 26A plans in recent years is increasingly being seen as an alternative to the US Chapter 11 process which has been "held out as probably the world-leading turnaround tool", a testament to the value of this new UK company-led process. The ability to manage unsustainable liabilities and preserve value is a key attraction for businesses, so the increasing attractiveness of new restructuring tools within a well-respected framework is an important aspect of the UK's overall attractiveness to global business and its international competitiveness. This is also supported by the reputation of the UK's judiciary and broad applicability of common law. US-headquartered and listed businesses including Argo Blockchain, Fossil and New Fortress Energy choosing to use a UK Restructuring Plan in the last year are a striking illustration of UK appeal in this regard.



Photo: Claire Burden - S&W

> PROFESSIONAL AND BUSINESS SERVICES CONTRIBUTING £300 BILLION TO THE UK ECONOMY IN 2024, AND FINANCIAL SERVICES AROUND 9% OF UK ECONOMIC OUTPUT.

Safeguarding the UK's position

The UK has a strong position, but part of the turnaround mindset is avoiding complacency and ensuring continued innovation and transformation to maintain competitiveness. How can the UK continue to safeguard its world-class professional and financial services and build on some of the above trends to further enhance their reputation? These are people businesses, highlights Rick Harrison, so a large part of the answer is "attracting the best talent and retaining it". Another part is maintaining a global outlook, particularly for those professional services firms working with larger businesses at the upper end of the market. He notes that those organisations that can manage international deal flows and stakeholders across the US and Europe with investment in strategic locations, as well as new stakeholders including private capital, will thrive.

How professional services firms engage with some of the trends discussed above, particularly AI, will in itself drive the trajectory of the sector, both on short-term competitiveness but also longer-term sustainability. It is recognised that for these sectors AI is a "huge disruptor" and has huge potential for driving efficiencies and streamlining standard processes. However, as James Davison highlights, this is not a substitute for the human element of individuals who have developed their skill set, and so the professions need to be considering how they continue to develop those at a junior level.

Claire Burden and Rick Harrison agree and note that if clients feel they can use AI instead of working with professionals, an extra layer of expertise and human skill becomes even more important to the sector's offering.

Claire Burden notes that in the long term these sectors need "good digital infrastructure, industry and university collaboration" to get this skill set right and ensure continuing UK competitiveness.

On a broader note, at the policy level, there is also a need to maintain an effective and respected regulatory framework "while also enabling commercialism, pragmatism and growth".

For the UK's turnaround and restructuring offer, both James Davison and Claire Burden highlight that enabling a broader range of companies, rather than only the very largest, to make use of Part 26A Restructuring Plans would help expand and fortify the UK's status as a jurisdiction supportive of business and value preservation. This will also support the wider businesses that the UK financial services and professional services sectors serve and the wider economy.

A future of promise

The UK's financial and professional services are going through an era of change, with funding, firm structures and technology all changing and pace and reshaping aspects of the profession. However, with a solid existing platform, these sectors are rising to the occasion and showing huge opportunity for growth if they manage these transitions effectively: Jonathan Guest notes that "we are seeing huge momentum across professional services in terms of its modernisation, services, professionalisation and its growth and therefore keeping that environment that we currently have will help to perpetuate those and maintain that momentum", whilst also considering how in the longer term the regulatory environment can balance stability with the opportunity for growth.



Innovation, Design and Cutting-Edge Industries

Effective turnaround builds on past success whilst encouraging innovation and agility where necessary. This chapter therefore discusses how the UK can harness its previous history of innovation and first-mover advantage across cutting-edge and priority manufacturing and scientific sectors to boost its competitiveness in these areas.

A heritage of innovation

The UK has a rich heritage of world-leading businesses and innovations across cutting-edge industries and the capability to continue to be globally competitive in priority sectors, including advanced manufacturing, defence, life sciences, technology and clean energy. Independent project and operations director Adeline Jones argues that innovation has “been fundamental to building the UK” with a “huge legacy of engineering and design” over the past couple of centuries. This “combination of the design with the industrial engineering weight” continues to be hugely important to our international reputation. James Brougham of Make UK agrees that the USP of UK manufacturing is “innovating, cutting-edge, high value products”. Discussions at The IFT’s Automotive Special Interest Group this year highlighted the UK’s artisan, high-skilled and heritage brands in this area, including many household and globally recognised names. Sarah Turner, CEO and co-founder of female-focused angel investor network Angel Academe, comments that the UK is the third largest innovation economy in the world, with strong investment in start-ups and “unicorn” creation ahead of the rest of Europe. In Life Sciences, Dr Georgia Fleet, CEO and co-founder of medtech company Zonova, highlights UK innovation across medtech and diagnostics. We also have a strong baseline for innovation in areas such as renewable energy with initiatives like the Energy Systems Catapult.

Pivoting for the future

These are strong baselines for future UK priorities, combining “deep sector expertise, high-quality professional services, strong academic and research institutions, and an entrepreneurial culture” according to Elle Swire of BGF, which specialises in providing equity investment on a minority basis to innovative start-ups and growth businesses across sectors. She highlights specialist UK businesses that differentiate themselves to win international customers through “technical knowhow, specialist IP, trusted delivery, regulatory expertise, or simply being very good at solving a complex customer problem”. James Brougham agrees that looking forward, these are some of the reasons why companies, customers and supply chains might choose to include UK manufacturing in their value chain, as well as the transparency and sustainability advantages of the UK for ESG or security requirements.

In terms of areas or products with particular growth potential in the UK, Adeline Jones highlights both hardware and software in the defence space. Sarah Turner notes the potential in areas like healthcare innovation, materials science, photonics and quantum as high growth and “enabling technologies for lots of other businesses”. Rebecca Hastings of Owendale Advisory, which specialises in supporting AI implementation, is not alone in highlighting AI as an area of innovation and development to support and enable across all these sectors and beyond, including with construction and infrastructure projects.

Reducing barriers

However, building UK competitiveness in cutting-edge industries and ensuring that we preserve our capacities in these areas requires support and investment into a number of key pillars. Whilst the UK has a predominance of innovative SMEs and early-stage start-ups “with excellent ideas and proven prototypes” as well as fruitful partnerships with academia and research institutions, which then spinout into commercial markets, there is a consensus that the UK environment is not the most conducive to these businesses then scaling up and reaching the next level. As James Brougham notes, this is a well-recognised problem and a challenging one, covering “what role do regulators, what role do companies themselves and what role the government have in order to foster that innovation into commercial success for UK companies and create those jobs and prosperity”. Elle Swire agrees that to “double-down” on the advantage of these specialist UK SMEs we must ensure more of these can scale, by “providing the capital, expertise and support to convert their competitive advantages into larger, globally successful businesses and significant employers”. This includes by encouraging contracts with small businesses from government and large institutions, supporting these smaller businesses, particularly in the manufacturing spaces to navigate trade barriers and unstable global supply chains and making sure that regulatory burdens and pathways are supportive of innovation and proportionate for smaller firms. Jon Moulton, IFT Fellow, investor and Chair of Infex, highlights a need to be more active on planning and on addressing infrastructure issues such as grid capacity and connections.

Sarah Turner notes that from a funding perspective the UK should seek to develop “deeper pools of domestic funding at every stage” as well as attracting overseas investment. Adeline Jones and Dr Georgia Fleet highlight gaps and complexities in grant offers and tax incentives like Research & Development tax credits. Adeline Jones highlights that the “squeezed middle” of businesses, which have grown quickly from say 80 to 250 employees, can struggle to manage at this larger scale and do not have the overhead to address their operations or apply for relevant government grants. Dr Georgia Fleet notes that programmes like the Seed Enterprise Investment Scheme and the Enterprise Investment Scheme “are absolutely incredible for early-stage start-ups”. However, she comments that short time limits for mechanisms like advance subscription agreements are very challenging to meet and easier cash injections that could last for 12-24 months would help start-ups stabilise as they pursue larger fundraising opportunities. Elle Swire stresses that UK businesses need “access to the right capital at the right stage in their growth” and this capital may often need to be patient over a long period for these businesses to reach their full potential.

In the longer-term, UK education and skills are a key pillar for ensuring a continuing pipeline of innovation. The requires the balancing of funding requirements for course provision for high-tech, hands-on degrees like engineering, promotion of the jobs and benefits in these sectors and linking the skills pipeline with businesses through effective apprenticeships and training, notes James Brougham. This is particularly important for regional opportunities given that production opportunities are often based outside major city regions. Jon Moulton highlights that specialised universities rooted towards industry and areas of new technology can support the flow of talent required for long-term competitiveness.

Supporting businesses for success

Part of the scale-up challenge is developing UK business skills to manage and run larger companies highlights Sarah Turner, rather than seeing businesses at a certain level of growth acquired or taken over by foreign companies. This can be where turnaround and transformation professionals come in argues Adeline Jones. She highlights that a fast growth cycle can see businesses fail to manage their cash successfully and fail without the operational and financial knowledge or an understanding of where they might turn for support. Rebecca Hastings agrees that there is a role for turnaround professionals whether or not a business is in immediate distress, in helping them manage costs, change their operating models, engage their workforce and “unpick the problems and translate that into action”. She also highlights that the UK needs to get better at “celebrating failure” and recognising that understanding that something needs to change or isn’t working gets you one step closer to success; “celebrating people for sharing problems rather than just solutions is important to innovation”. These approaches can also support firms to pivot and take advantage of new opportunities where, as James Brougham points out, there may understandably be “trepidation about destabilising a business” for example, by adopting new technology and this not bedding in correctly.

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Powering ahead

The foundations and ingredients for the UK to power ahead with a high-growth, high innovation economy are present, as the research for this report made clear. Adopting the turnaround approach of looking at the big picture and focusing on the most effective levers to solve some of the barriers and blockages for success could turbocharge our priority sectors and deliver jobs and growth across the UK economy.



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