

Scale-ups and competition policy

Discussion paper

11 September 2025

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Introduction

1. Encouraging scale-ups in the UK is a key part of the government's industrial strategy.¹ The hope is that some scale-ups will become superstar firms, described in the Industrial Strategy White Paper as the firms which “are capable growing rapidly from challengers into world-leaders, their growth journey fuelled by innovation, disruption, tech adoption, effective use of data, globally integrated supply chains, export opportunities, and investment in skills, equipment, software, and other assets”.²
2. The resulting dividends from encouraging scale-ups in the UK economy are substantial:
 - (a) **Growth and value-capture:** Scale-ups are fast-growing firms and ensuring they complete this stage of their journey in the UK directly supports economic growth, innovation and the creation of new – potentially more productive – jobs. Facilitating scale-ups in the UK also helps to ensure that value that originates in the UK is captured here.
 - (b) **Strategic resilience:** Supporting the scaling up of firms domestically can also help to ensure that the UK maintains or acquires strategic capabilities in critical sectors, potentially allowing for a more effective response to global shocks and supply chain disruptions, which is particularly important in a volatile and uncertain world where economic strength increasingly intersects with foreign policy.
 - (c) **Global Influence:** UK scale-ups that grow sufficiently to compete on the global stage can embed the UK in high-value sectors on a global stage. Their growth attracts further investment and fosters further development of innovation ecosystems around these industries and firms – reinforcing the UK's position in strategically important global markets and contributing to long-term economic strength.
3. To unlock these dividends, there is a pressing need to consider how potential barriers to scaling up in the UK might be removed – whether that be limited access to growth capital, outdated or unresponsive regulation, or sluggish and inflexible public procurement processes.

¹ The government has said that as part of its monitoring of the Industrial Strategy, it will track new UK companies reaching valuation benchmarks of £10 billion, as a metric for growing innovative and globally competitive companies in the IS-8. See page 36 of the [Industrial Strategy Technical Annex](#).

² [The UK's Modern Industrial Strategy](#).

4. Dynamic, competitive markets can provide a springboard for scale-up opportunities. Over the next six months, the CMA will be considering our role, and the role for competition policy, in supporting the UK's scale-up challenge. We know that creating the right environment for high-growth firms to succeed in the UK is not always solely, or even principally, a matter for competition policy; but recognise that, in many instances, effective competition policy will complement and enhance the effectiveness of other policy levers and market interventions to support firm growth.
5. At the same time, we appreciate that there may be occasions when the interactions between competition policy and wider efforts to support scale-ups may be less straightforward. There may be trade-offs or tensions to be resolved, or unintended consequences to be mitigated or avoided, if the UK wishes to foster globally competitive firms.
6. Like many competition authorities around the world, we want to better understand these interactions and assess where the CMA can most effectively add value. As a first step, this paper sets out some key questions on the links between competition policy and support for scale-ups in the UK. These questions will form the basis of an extensive engagement programme over the coming months to develop our thinking in this area.
7. **In particular, we have used this paper to explore the following topics:**
 - (a) **competition policy as a tool to tackle sector specific barriers that make it harder to scale up;**
 - (b) **competition as a lever to unlock horizontal enablers for scaling; and**
 - (c) **competition policy in the context of sector collaboration and merger activity that seeks to achieve scale-up opportunities.**
8. Our aim at this stage is not to answer the questions set out in the paper definitively but to foster discussion and feedback, and gather evidence, particularly from businesses located in the high-growth sectors in the Industrial Strategy (the 'IS-8'), and their investors.
9. Alongside this paper we have also published a new [literature review](#) from the CMA's Microeconomics Unit (MU), as part of its ongoing Growth Programme. The review examines the existing economic research on the role that competition plays in driving investment across the life cycle of firms, including as they seek to scale up. Further MU research is now underway into the characteristics and barriers facing high-growth firms in the UK.

10. We will be gathering further evidence throughout the remainder of the year, both to support advice to government and to help us consider how we best exercise our own powers. To enable this, we will be engaging directly with interested parties, including businesses, investors, think tanks, academics and the policy community.
11. If you would like to meet with us to discuss these issues, including through workshops and roundtables, please contact us at publicpolicy@cma.gov.uk. We are also keen to receive any feedback, views and evidence in writing.
12. In early 2026, we will publish further thinking reflecting on the feedback we have received and setting out the findings from our MU's new research. We will also consider potential areas for further direct action by the CMA. Collectively, this work programme forms part of our support for the UK government's growth mission and modern industrial strategy.

Scale-ups within the firm lifecycle

13. In the MU literature review, we examine existing evidence on how competition and investment interact across the lifecycle of a business; from start-up to scale-up, to superstar firm.
14. At the **start-up phase**, entrepreneurs face significant constraints on their ability to raise investment. Some constraints are to be expected; efficient capital markets should help sort strong start-ups from those with less promise. However, the literature review highlights studies which suggest that these constraints are to some extent inefficient – there are a significant number of ventures which fail to attract investment, which are often just as strong as those which do. It follows that policies to increase the supply of capital will not necessarily involve diminishing returns, as there are potentially strong ventures needing investment that would benefit from such measures.
15. Many start-ups will continue their life as relatively small businesses, while some start-ups will naturally be short-lived. This discussion paper focusses on the small subset of start-ups that become **scale-ups**, defined by the OECD as firms growing by 20% or more for several years in a row. For start-ups seeking to scale up, the availability of venture capital and the presence of competitive markets for potential investors is key. In markets with a smaller pool of investors, bargaining power can shift from start-ups to funders, reducing the scope for viable scale-ups. Our literature review highlights studies showing how regulation in financial markets can affect the availability of capital for firms looking to scale-up. For instance, research shows that the Volcker rule, which limited the ability of banks to invest in venture capital

funds, lowered the number and size of start-ups, and the valuations that they ultimately reached.

16. For fast-growing firms, investment can also be influenced by different types of market power. This includes market power in the financial markets, as described above. It also includes market power in the purchase of inputs for production, including in labour markets; and market power in the markets where firms are selling their goods and services.³
17. Existing literature paints a complex picture of how these dynamics impact investment. Much depends on the source of the market power. For example, if market power stems from rising returns to scale, even as markets become more concentrated, aggregate investment may rise. Conversely, market power deriving from anti-competitive behaviour is typically associated with lower subsequent levels of investment. This reinforces the importance of maintaining competitive conditions, particularly in sectors where scale-ups are emerging, to ensure that investment incentives remain strong and innovation is not stifled.
18. For some scale-ups, the ambition will be to become **superstar firms**, described in the Industrial Strategy White Paper as the firms which “are capable growing rapidly from challengers into world-leaders, their growth journey fuelled by innovation, disruption, tech adoption, effective use of data, globally integrated supply chains, export opportunities, and investment in skills, equipment, software, and other assets”.⁴
19. To understand this part of the life-cycle, our literature review examines how decisions by firms to invest in innovation and R&D are affected by competition. The bulk of the empirical evidence suggests that horizontal competition (between firms at the same level) generally raises innovation. However, this overall relationship masks large differences between industries and markets and in the type of innovation undertaken by different kinds of firm.
20. Potential superstar firms are likely to compete in global markets. Whilst in general terms, trading activity can encourage additional investment (e.g., because exporting raises the returns firms earn from R&D investment), the impact of imports can complicate the overall effect. Taken together, existing research suggests that competition from imports may have non-linear effects

³ This literature review highlights research on the role of employment contract clauses such as non-competes, which can induce businesses to invest more in human capital, but can prevent potential entrepreneurs from starting a business.

⁴ [The UK's Modern Industrial Strategy](#).

on investments; having positive effects up to a point, but negative effects beyond certain levels.

Competition policy as a tool of industrial policy to support scale-ups

21. To support UK scale-ups government can deploy a range of policy levers, including: public funding to provide growth capital; tax incentives to stimulate investment; trade policy to open market access; and labour market policy to ensure a pipeline of skills and talent. Policy encouraging companies to start and scale up often plays out at a local level and varies according to the extent of devolution across the nations and regions.
22. While these levers are often viewed as distinct from competition policy, they can play a critical role in fostering more dynamic and competitive markets, which provides strong conditions for firms to scale effectively. Where they are successfully deployed to support scale-ups, incumbents will face greater pressure to innovate to stay ahead. If they fail to do so, they are more likely to be displaced by more dynamic entrants. In contrast, in an economy where there are barriers to scaling-up – because capital is tight or regulation is restrictive – incumbents can rest easy; stale firms get staler, productivity stagnates, and consumers lose out.
23. In this paper we explore how effective competition policy can complement these wider government efforts to support scale-ups in the following three ways:
 - (a) **tackling sector specific barriers which make it harder for businesses to scale:** regulatory barriers, structural or behavioural issues in markets can significantly influence firms' ability to scale. In some markets, government purchasing power can also play a major role in shaping prospects for entry and expansion by new firms.
 - (i) The CMA has an important role to play in driving pro-competitive market reforms, both under its own powers and through advocating for reform by government, regulators and other public authorities. This includes tackling sector specific barriers across the UK, and barriers to scaling up that may be more specific to the UK's nations and regions. Removing these barriers helps ensure that competitive conditions are maintained, allowing scale-ups to grow on their merits.
 - (b) **unlocking horizontal enablers:** Horizontal enablers, such as access to data (including publicly held data), and interoperability between services

and technologies, can play a key role in maintaining opportunities for entry and expansion.

24. The CMA can help identify and enhance the key horizontal enablers which support firms to expand and enter new markets. Ensuring that these enablers are accessible to a wide range of market participants is essential to creating the conditions for firms to scale up.
25. **safeguarding competition based on merit, whilst also being mindful of potential trade-offs:** open, dynamic and competitive markets typically create the best conditions for companies to scale effectively. Equally, anticompetitive conduct, and mergers which would result in a substantial lessening of competition, risk restricting the opportunity for scale-ups to compete on their merits. Incentives to invest are dulled where there is no prospect of a level playing field.
 - (i) The CMA can and should use its competition powers to ensure that potential scale-ups have a fair opportunity to win market share. This is central to the principle that competitive markets provide a fair foundation for firms to scale up. At the same time, we recognise that, on occasion, pursuit of the most competitive market outcome may run in tension with other policy objectives such as securing UK growth value, strategic resilience or global influence. This raises the question of whether, in certain circumstances, other policy objectives should override a competition assessment – and if so, whether that override is best determined by government rather than the CMA.
26. The remainder of this paper discusses more fully how (and in some cases whether), in each of these three areas, competition policy can be applied to support the industrial strategy, and specifically, scale-up firms in the IS-8.

Tackling sector-specific barriers

27. Sector-specific competition issues which prevent UK firms from scaling up can occur on the 'supply side' of markets, in the conduct of firms. They can also occur on the 'demand side', including the scope of customers to compare and switch between suppliers. Structural features of markets, such as the number of firms, or regulatory frameworks can also heavily influence how well competition functions, and thus the potential for firms to scale. Ensuring that markets remain competitive is essential, as competitive markets provide strong conditions for firms to scale effectively.
28. Work by the CMA, and a proactive focus on competition policy throughout government, can tackle these issues – cultivating competitive markets and

reducing barriers to entry across the IS-8. We outline below some of our existing work in this area and stand ready to deploy our tools and capabilities more broadly where needed. Further work could include targeted market reviews, more in-depth market studies and advocating for pro-competitive reforms directly to government, with a prominent focus on issues like procurement and regulation across the IS-8.

Public procurement

29. Pro-competitive procurement practices can help ensure that scale-ups have a fair chance to compete, grow, and deliver innovation. £385bn is spent annually on public procurement.⁵ In many markets, how the government operates as a customer is not only a question of value for money, but a key determinant of the long-term health and competitiveness of the markets themselves. This means procurement can be a powerful tool to positively ‘shape’ markets and encourage scale-ups, particularly where ineffective procurement procedures currently squeeze out opportunities for smaller players.

Civil engineering market study

30. In June, aligned with the goals of the government’s 10-year infrastructure strategy, we launched a [market study](#) looking into persistent issues around costs and delivery of road and railway infrastructure across the country. Improving how the market operates in a foundational sector for the industrial strategy could enhance productivity, cut costs for businesses and support growth across the wider economy. At the end of this study, we expect to make clear, focused recommendations to government that can help drive improvements – including potentially by streamlining procurement and reducing barriers to entry across the sector, including to make it easier for smaller, but fast growing, firms to compete. We expect some of the learnings from this work to be relevant and applicable beyond the road and railway sectors.

Defence

31. To support the government’s defence industrial strategy, the CMA recently provided advice to government on how to encourage innovative firms to scale up and compete in the sector. Our advice focused on how different approaches to procurement could reduce the barriers firms face, from

⁵ [Public Procurement: Growing British industry, jobs and skills](#), 26 June 2025.

regulatory and financial blockers to the speed and agility of the procurement process itself. By promoting competitive procurement and reducing entry barriers, we can help ensure that scale-ups can innovate and grow to contribute to strategic sectors.

32. In the context of the Industrial Strategy, there is an opportunity for the CMA to help shine a light on areas where procurement is holding back opportunities for UK firms to scale. We are keen to hear more from businesses and other interested parties about such blockers and their impact.

Regulation

33. The impact and role of regulation in specific markets is often a key focus of CMA market studies, market investigations and other types of review and we have made recommendations on how effective and proportionate regulation can support competition in a range of sectors.
34. Smart regulation is essential to address market failures, creating economic certainty, and driving innovation to stimulate growth. However, complying with regulations often disproportionately burdens smaller firms and, in some cases regulatory design may embed requirements that only established players can realistically meet. This can discourage new entrants and reduce consumer choice.
35. For potential scale-ups, burdensome and inflexible regulation can be an important ‘push factor’ for moving overseas. By contrast, smart regulation can act as a tailwind and signal to investors a predictable environment where a potential market opportunity exists.
36. Regulatory reforms in the IS-8, including initiatives to adopt smarter, more agile regulation in specific areas, as well as reducing the cost of regulation overall,⁶ will play a key part in strengthening the UK’s capacity to produce scale-ups. The CMA is keen to support government in its focus on ensuring that regulation is pro-competitive and promotes growth, with a particular spotlight on IS-8 sectors.

⁶ [A new approach to ensure regulators and regulation support growth - GOV.UK](#), 17 March 2025.

Questions for feedback

- We would welcome views from business and investors on the most significant opportunities to use or improve public procurement to drive market dynamism and support UK firms to scale.
- Are there sectors in which private procurement could make a stronger contribution to market dynamism or where barriers hinder its contribution, particularly when compared to similar sectors overseas?
- Across the IS-8, are there sector-specific competition issues preventing firms scaling up and/or where are the clearest opportunities for pro-competitive regulatory reforms (including changes to public procurement practices) to enable scale-up growth?

Greater competition to support scaling: unlocking horizontal enablers

37. Beyond specific sectors, there are wider cross-economy enablers which are critical for creating the dynamic conditions needed to support the entry and expansion of scale-ups.

Data

38. In our modern digital economy, access to data and interoperability between systems are foundational enablers for innovative scale-ups. However, these enablers can be tightly controlled by incumbent firms to protect their positions, hindering smaller players from scaling. Competition policy can play an important role in addressing these imbalances and creating conditions for stronger contestability, openness, and innovation.
39. Access to critical high-quality datasets is a potentially powerful enabler for innovation and scaling. In data-driven sectors, incumbents can maintain exclusive control over customer, transaction, or behavioural data, making it difficult for new entrants to develop innovative, competitive products or services. Competition policy can unlock this bottleneck by, for instance, enforcing data portability rights and introducing targeted data-sharing mandates. The Open Banking smart data scheme (part of a package of CMA remedies following a market investigation into retail banking), for example, compelled major banks to provide secure, standardised access to customer financial data, paving the way for fintech innovation in a sector now worth £4bn a year to the UK economy.

40. Many large firms also use proprietary standards or closed systems that prevent third parties from integrating or building compatible services. Where this goes beyond reasonable use and capitalising on genuine investment in R&D and innovation, it can create fragmentation, raise switching costs for consumers and reduce market dynamism. In contrast, interoperability – enabled through open APIs, common protocols, and shared data formats – enables products and services to be ‘plugged in’ to broader ecosystems, creating opportunities for start-ups and scale-ups.
41. Competition authorities can support these opportunities by placing access and interoperability requirements on incumbent firms, ensuring that competing businesses are not unreasonably locked out by technical barriers. For example, our [recently announced proposals](#) to designate Apple and Google with strategic market status (SMS) in mobile platforms include a strong focus on interoperability to ensure app developers have access to the functionality they need to innovate and compete to provide better products and services. The CMA is also looking at opportunities where government could support innovation and scaling in the healthcare and biotech industry, exploring the combined potential impact of enhanced access to key data assets, interoperability and other enablers.
42. The CMA can play an active role, leveraging our knowledge of market dynamics and expertise in remedy design, to support the government's wider ambitions to leverage data to boost the UK economy, including through the development and growth of new smart data schemes under the Data (Use and Access) Act 2025 (DUAA). The success of the smart data scheme underpinning Open Banking provides a powerful example.
43. The UK has a wealth of publicly held data, including some unique high-value assets. For example, the NHS holds rich, granular patient-level health data, offering immense potential for breakthroughs in diagnosing and treating serious diseases. The National Data Library represents a major opportunity to harness this potential. However, to fully realise this value, high-impact public data must be made accessible in ways that are open, fair, and secure. This means enabling access not just for established players, but also for the scale-ups of the future – as government is doing through its rapid access route for early-stage enterprises to access public AI Research Resources.⁷ The CMA stands ready to support government as it optimises access to critical national data assets.

⁷ [AIRR Rapid Access route \(UKRI guidance\)](#) – GOV.UK, 17 July 2025.

The adoption and diffusion of innovations

44. Despite the UK's strengths in high-value industries, its vibrant patent ecosystem, world-class universities and research institutions, there are concerns on how effectively innovations diffuse across our economy.
45. In a recent global ranking on innovation, the UK is ranked fifth.⁸ But the same index ranks the UK 12th for knowledge diffusion and 31st for knowledge absorption. Improving the speed at which new ideas and technology are adopted by firms across the economy can play a significant role in improving UK productivity and securing higher levels of growth.
46. Ensuring that firms are able to reap the rewards of innovation, whilst also removing barriers to the timely adoption and diffusion of innovation can strengthen the UK's appeal as a destination for scale-ups. For scaling firms, we know that access to larger markets means more potential customers, faster revenue growth, and a stronger case for investment. By the same token, in an economy where businesses are quick to adopt new technologies, innovative scale-ups benefit from a more receptive customer base, helping to accelerate technology uptake.
47. Understanding how competition influences the diffusion and adoption of technology across industries and its impact on productivity is a central focus of the CMA's Microeconomics Unit Growth Programme. We will be publishing a report on the findings of our research later this year.

Questions for feedback (particularly with regards to the IS-8)

- What are the key horizontal barriers that prevent or restrict the ability of firms to scale-up?
- What is the appropriate balance between wider benefits of open access to data to support potential scale-ups (such as data to support drug or disease discovery) and the ability to ensure a sufficient return on investments in acquiring and maintaining proprietary data assets?
- What contribution can access to public data make to fostering more dynamic markets, and assisting UK firms to scale up? What access conditions or criteria would be appropriate and what barriers exist?

⁸ Global Innovation Index 2024.

- What impact would improving the speed at which new technologies diffuse across the economy have on the number of successful UK scale-ups, or the speed with which start-ups can scale up?

Other potential levers to support scaling up: business collaboration and M&A activity

48. Although, as outlined in the preceding discussion, competition policy typically supports and protects market conditions that enable dynamism and scaling, there are instances where the relationship between competition policy and a desire to see greater scale in our strategic industries may be more nuanced.
49. In the following section, we explore this in the context of sector collaboration and M&A activity, both of which may support scale-up opportunities. In doing so, we note that in some cases, if there is a policy choice to be made between promoting competition and other objectives, this may fall outside the remit of the CMA.
50. While beyond the scope of this paper, we acknowledge that other policy levers – beyond competition policy – may also be used by government to support scale-ups. Most notable amongst these is the use of targeted support. The clearest example is subsidies to help firms grow where their success may generate wider public benefits (for example, technology diffusion, supply chain development, or regional economic resilience). While such interventions can be effective, careful design is critical to ensure value for money and to avoid unintended consequences, such as distorting competition. Supporting government in this activity is an important part of the CMA's work – whether through the advice provided to government as part of our advocacy work, or through the formal role that our Subsidy Advice Unit plays in the UK's overall system for subsidy control. Ultimately, the choice to reallocate resources through targeted support is a matter for public authorities.

Collaboration

51. The CMA will always take robust action to deal with anti-competitive practices that harm businesses and consumers. At the same time, we recognise that business collaboration can support scaling and deliver wider economic benefits (such as productivity or innovation benefits) that could not otherwise be achieved. Many collaborations will not raise any concern – particularly where the market is not concentrated or, in certain cases, because the benefits to in-market consumers outweigh the harms to competition. Less frequently, there may be instances where collaboration between businesses

at the same level of the supply chain – even when it may restrict competition to some extent – could be important for supporting critical national policy objectives (such as fighting climate change or combatting health emergencies) where the benefits may outweigh the impact from any restriction of competition.

52. In practice, the competition law regime has some flexibility built in to enable collaboration in certain circumstances and depending on the benefits that flow from the outcome being pursued. However, a lack of clarity around how competition law applies may deter businesses from working together to deliver these benefits. In recent years, the CMA has sought to mitigate this by creating a more predictable environment for businesses that wish to collaborate. That clarity on permissible forms of collaboration is likely to be particularly important for scale-ups – which may be particularly exposed to regulatory risk due to their stage of business development.
53. The CMA has been pro-active in fostering beneficial collaborations in the past. Our [initiative on 'Green Agreements'](#) reflects the potential benefits of competitors working together to pursue environmental sustainability initiatives, where these would not be possible absent some form of collaboration.⁹ A further example is enhanced innovation – in the life sciences sector, the CMA [clarified](#) that certain types of collaboration between competing drug firms will not be prioritised for investigation, making it easier for drug firms to work together to develop new and innovative lifesaving treatments.
54. More recently, we have been [working with the higher education sector](#) on the potential for a range of collaborations, including course provision, research and services for students. Given the challenging financial situation many universities find themselves in, this could support the supply of vital skills to the UK labour market, as well as the continued production of world-class research.
55. We are now working with the government and wider stakeholders to understand whether there are other areas that might benefit from enhanced clarity or signaling from the CMA – particularly in the IS-8. We are keen to understand the sorts of collaborations that firms might wish to undertake to support the objective of scaling up – ranging from sharing key inputs to the development of mentor-protégée relationships – and to support beneficial collaborations between businesses that can help firms scale-up in the UK, whilst at the same time ensuring appropriate competition law compliance

⁹ The Dutch Authority for Consumers and Markets has similarly focussed on the role it can play in supporting business collaboration on sustainability initiatives.

remains a key driver of a productive economy and a level playing field for business.

Questions for feedback

- To what extent (if at all) does the risk of falling foul of competition law constrain firms from engaging in collaborations with other firms to support scale-up?
- Are there opportunities for the CMA to provide clarity on how competition law would be applied to beneficial collaboration between businesses which would support them to scale up, particularly within the IS-8?
- Could cooperation between competitors on the purchase of, or access to, key inputs – such as infrastructure (including data, digital and/or AI) – support efforts to scale-up in the UK (particularly if those inputs are more readily available abroad)?¹⁰
- To what extent (if at all) does the risk of falling foul of competition law constrain efforts by domestic manufacturers to coordinate their purchasing decisions, so they can orientate their demand towards upstream domestic producers (thereby providing these producers with the necessary confidence to invest to scale)?¹¹
- What benefits could be achieved through mentor-protégé programmes which support smaller firms in gaining know-how from competitors in more complex procurements and projects, particularly within the IS-8? To what extent (if at all) is the risk of falling foul of competition law constraining firms from engaging in such programmes?

Consolidation and acquisitions

56. Consolidation is one means to create larger firms, with the potential benefits that economies of scale can bring. There is a history, in the UK and around the world, of consolidation being used both as a business strategy and as part of government's industrial policy. That history is complemented by a

¹⁰ These questions have also been raised by the European Commission as it considers its response to challenges the European defence industry faces. See, for example, the Commission's statement on its Defence Readiness Omnibus Package on 17 June 2025 that "As regards antitrust, the Commission stands ready to provide the European industry with guidance on cooperation projects of companies in the defence sector, particularly where such collaboration is necessary to scale up production or where individual companies would otherwise be unable to develop or manufacture a product on their own. This may also be the case in joint procurement of raw materials by defence companies."

¹¹ The Chair of the Dutch competition authority, Martijn Snoep, has commented on the potential for demand bundling, for example in the procurement of cloud services, as a means of supporting scale-up: [Competition authorities have a role in creating new European suppliers](#), 24 May 2025.

longstanding debate on the merits of pursuing the consolidation of domestic industries into single suppliers, with a view to strengthening their global competitiveness or mitigating the perceived threat of overseas competitors. These debates (particularly when focused on ‘national champions’) have sometimes posited competition policy and industrial policy as being at odds. However, this framing can overlook important nuances. A more integrated perspective allows for richer discussion about how merger control and industrial strategy can work together to support long-term growth.

57. Mergers have a broad and complex range of impacts on important public policy outcomes – whether that be investment, innovation, resilience, security, employment, or regional development. In this section, we explore (for discussion and feedback, rather than advocating for a particular policy response) different facets of how mergers interact with the objective of encouraging UK scale-ups.
58. In particular:
 - (a) **Growth and value-capture:** how do acquisitions and mergers impact on whether innovative firms continue their scale-up journey in the UK, rather than moving abroad?
 - (b) **Strategic resilience:** where we are encouraging UK scale-ups to improve our domestic resilience in critical areas, what market structures will best achieve this?
 - (c) **Global influence:** what is the role for domestic consolidation in supporting UK scale-ups to hold strategic positions in global markets?

Growth and value capture

59. Implicit in the desire for UK companies to scale is the assumption that this delivers tangible benefits to UK consumers, businesses and our economy. Earlier this year, however, the House of Lords’ Communications and Digital Committee described a risk that the UK becomes “an ‘incubator economy’ for other nations, as innovative British technology firms pursue greater growth potential in other markets or seek acquisition by foreign companies”.¹²
60. The statutory question for the CMA in reviewing acquisitions is whether they will substantially lessen competition in the UK. Whilst there may be a broader policy concern to ensure that scale-ups remain under UK ownership, unless

¹² [AI and creative technology scaleups: less talk, more action.](#)

the nationality of an acquirer is somehow relevant to a transaction's impact on *competition*, it is not a factor the CMA is required (or indeed permitted) to take into account when conducting our statutory assessment of the impact of the merger on competition.

61. An acquirer may have a range of characteristics that tell us little about the *competitive* impact of a transaction but can nonetheless be important for the UK. National security is a paradigm case. Here, the nationality of an acquirer can inform the assessment of the security risks of a transaction; and a separate statutory regime, operated by the Investment Security Unit in the Cabinet Office, exists for this purpose. Media plurality provides a further example; last year, Parliament passed legislation to address its concerns about the involvement of foreign states in acquisitions of media enterprises.
62. There could be a potential case to think more broadly about the nationality of acquirers, with a view to the UK's industrial policy objectives and the specific objective of encouraging domestic scale-ups. However, a number of important questions need to be addressed to assess the merits of such an approach, including:
 - (a) Would this, in reality, drive more value for the UK? When a firm moves from UK-ownership to foreign-ownership, what general effects does this have on economic activity and innovation in the UK? The Minister for Investment recently described the important question on ownership changes as being about "the weight of where the jobs are. Where is the cultural epicentre of that business and how do you make sure that it stays in the UK?".¹³ Further domestic benefits yielded by the retention of that epicentre might include, for example, intellectual property, research and development, investment and tax revenue.

Clearly, this will depend in part on the nature of the firm and the market in question. Some economic activity is simply harder to move (like advanced manufacturing facilities, physical infrastructure, or regionally embedded service operations), whereas a small IP-based tech firm will be relatively easy to relocate. The MU literature review suggests a nuanced picture. Greenfield foreign direct investment tends to boost overall investment, innovation, and productivity rates in the host country. However, emerging research also suggests that – to the extent that cross-border mergers

¹³ See the oral evidence of Baroness Gustafsson CBE, Minister of State for Investment to the House of Lords Science and Technology Committee, as part of their inquiry on Financing and scaling UK science and technology: committees.parliament.uk/oralevidence/16245/html/

increase innovation – the increase tends to happen predominantly in the country of the acquirer.

- (b) Would such a policy encourage more UK scale-ups? Efforts by policymakers to alter available exit routes for founders and investors are likely to affect incentives to start and invest in UK businesses in the first place. Focusing on individual cases risks missing the potential impact of interventions on the wider investment ecosystem.
 - (c) Finally, is it administrable? Beyond the additional regulatory burden and complexity created by new bases for intervention, any new nationality-based grounds for intervention would be informed by political and policy sensitivities likely exceeding the CMA's remit. Expanded regulatory scrutiny and intervention on the basis of nationality could potentially also raise potentially challenging questions of administrability and predictability.
63. Overall, if there is any case for a new nationality-based assessment of potential purchasers it may, for these reasons, be best limited to a narrowly defined set of strategic criteria and specified exceptional circumstances for applicability. It may also be more appropriately determined by government than by a body like the CMA.

Strategic resilience

64. Around the world, governments are looking more carefully at the vulnerability of their economies to shocks, aiming to increase their resilience to withstand events, such as pandemics, conflict and other destabilising events. Efforts to improve resilience include strengthening or creating domestic capacity to produce critical inputs, whether in new technologies (such as AI infrastructure) or in areas where nations are concerned that they have become too reliant on unpredictable overseas sources of supply.
65. UK scale-ups in sectors critical for resilience can create domestic capacity, reducing reliance on overseas supplies. In that context, how should we think about the role of mergers to produce scale-ups specifically as a means of building resilience?
66. A merger could enhance domestic resilience through several channels. For example, larger firms may be better placed to manage economic shocks than smaller ones, due to a wider range of finance options and greater ability to diversify supply chains. Scaled-up domestic suppliers – potentially born from mergers – may also attract a greater portion of domestic demand by harnessing efficiencies, reorienting supply chains closer to home. This effect

may be particularly important in markets displaying strong economies of scale or increasing returns to scale because, in such markets, larger firms can produce more efficiently and at lower cost, making them more competitive and better able to serve domestic needs.

67. At the same time, mergers can have negative effects on resilience.¹⁴ Market structures in which firms have significant market power erode incentives for innovation, responsiveness, and efficiency which are key determinants of resilience in the long run. In concentrated markets in critical sectors, the risk of a particular firm failing may create systemic risks for the economy. Firms in this position can operate in the knowledge that they can rely on government support in the event of shocks, benefitting from being ‘too big to fail’, and undermining incentives to operate with adequate resilience. Resilience may also be harmed by mergers for reasons separate to their impact on market structure, such as where a leveraged merger increases the exposure of a firm to financial risk.
68. Although there is a strong case that maintaining open competitive markets will serve resilience in the long run, competition-based merger control does not directly screen transactions based on their impact on resilience, except to the extent resilience is parameter on which firms compete.
69. The UK merger regime does, however, have the flexibility to respond to broader issues threatening strategic resilience. The government’s changes to the public interest grounds for intervention in merger cases during the Covid-19 pandemic are a notable illustration.¹⁵ It may be helpful to explore whether there is some benefit in developing a similar mechanism to address any trade-offs to meet particular industrial policy objectives in the IS-8.

Global influence

70. In a more volatile international environment, UK scale-ups holding key positions in global value chains can strengthen our national autonomy and strategic influence. Creating scale-ups that act as globally consequential firms requires a broad set of conditions, including both the horizontal enablers for competition, and the removal of sector specific barriers, as described above. Picking the races in which the UK has potential for comparative advantage – and ensuring the right enabling conditions are in place to supercharge scaling in these areas – could help government avoid the pitfalls of ‘picking winners’

¹⁴ [Resilience and Competition Policy](#)

¹⁵ [Enterprise Act 2002: Changes to the public interest grounds for intervention in merger cases.](#)

at the level of individual firms. Instead, it would create an environment where competition helps to surface the most productive (and therefore competitive) firms for expansion. In some industries, scale is an important ingredient to compete effectively in the global market, and we can expect global competition to cause the market to gravitate towards larger players. These dynamics raise important considerations as to whether scaling-up through a merger can support UK firms to achieve the ‘critical mass’, deemed necessary to be globally competitive.

71. In general, a vibrant, competitive and dynamic domestic industry is likely to be a source of strength, and part of the set of conditions that foster the growth of globally consequential UK scale-ups. This vibrancy can be shaped by the structure of the market – including whether consolidation supports or undermines the competitive dynamics that drive innovation and productivity
72. Where a market is truly global and likely to remain that way then a consolidation of two UK suppliers is not something that would typically raise competition concerns, with UK customers able to continue to benefit from competition between multiple suppliers around the world. Where there is a degree of ‘domestic competition’ running alongside a ‘global competition’, the impacts of consolidation amongst competing UK suppliers could pull in different directions on their global competitiveness.
73. Furthermore, in industries where domestic competition delivers positive outcomes for UK consumers, mergers which consolidate domestic demand to unlock scale efficiencies may present trade-offs. On the one hand, consolidation could help UK firms reach the critical mass to compete globally, strengthening national autonomy and strategic influence.¹⁶ On the other hand, reducing competition at home may risk dampening the dynamic forces that drive innovation and productivity – potentially undermining both consumer welfare and long-term global competitiveness.
74. UK industrial strategy is still developing. Should government wish to explore solutions to the potential trade-offs of consolidation of a set of UK suppliers in a specific sector, the CMA stands ready to advise.

¹⁶ Noting the potential benefits to the UK’s autonomy and strategic influence are also contingent on business remaining within the UK under UK ownership, as discussed earlier in this paper.

Questions for feedback

- Does promoting a strong scale-up ecosystem to complement the UK's start-up ecosystem warrant a greater regulatory and/or policy focus on foreign acquisitions? How could this impact business confidence and the appetite of innovative firms to continue their scale-up journey in the UK?
- How can scaled-up firms support our domestic resilience in critical areas, and what market structures would best achieve this? What evidence is there for evaluating domestic resilience in critical areas more broadly on public interest grounds under the UK merger control regime?
- What evidence exists around the roles of UK-based and global competition in enabling UK scale-up firms to become 'superstar' firms? What does this suggest regarding potential trade-offs between different levels of domestic and global competition? How could any such trade-offs be taken into account in the UK merger control regime?

Conclusion

75. This paper encourages a discussion on how competition policy can support the UK's ambition to foster globally competitive, high-growth firms. It explores the essentially complementary relationship between competition policy and a wider set of industrial policies. At the same time, it also recognises that complexities and potential tensions can arise in these areas. In considering these issues, we have not sought to provide definitive answers, but to raise questions around where the trade-offs may lie and ask how best to navigate them.
76. The CMA will play a constructive role in this debate as policymakers continue to weigh opportunities and risks in the pursuit of growth and the implementation of the UK's industrial strategy. We see value in using not just our statutory powers, but our advisory role to support government in shaping a policy and regulatory environment that enables UK firms to scale successfully with the ultimate aim of a more competitive and thriving economy. Over the coming months, we will engage widely with stakeholders – through roundtables, workshops, and bilateral discussions – to gather evidence and refine our thinking on the issues raised in this paper, and in the accompanying literature review on competition and investment across the firm life-cycle. We welcome views from across the business, investment, academic and policy communities, and will publish further thinking in the first part of 2026.

As set out in the introduction to this paper, if you would like to meet with us to discuss these issues, including through workshops and roundtables, please contact us at publicpolicy@cma.gov.uk. We also welcome **feedback, views and evidence on the issues raised in writing by 21 November 2025**.