

Investment ‘Hotspots’ in the UK?

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Enterprise Research Centre

VentureFest Presentation

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Two Dimensions

- Where are firms scaling the fastest?
- Where are firms investing in innovation in the UK?

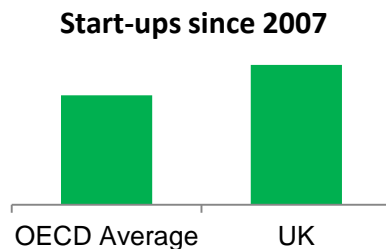
ERC and Business Growth Service: Growth Dashboard

Focus more on Start-up Quality

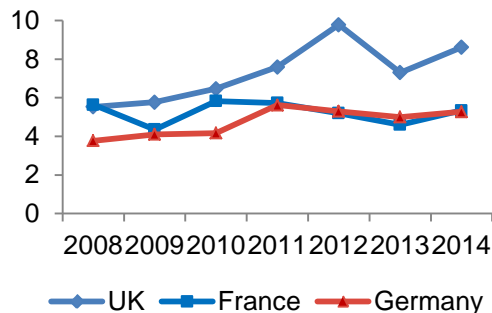
UK Doesn't Have a Start-Up Problem

- UK reported 500k start-ups in 2014 – around half are self-employed
- UK has the highest level of self-employment than at any point in the previous 40 years

UK highest level of new enterprises than any OECD country in Q1 2014



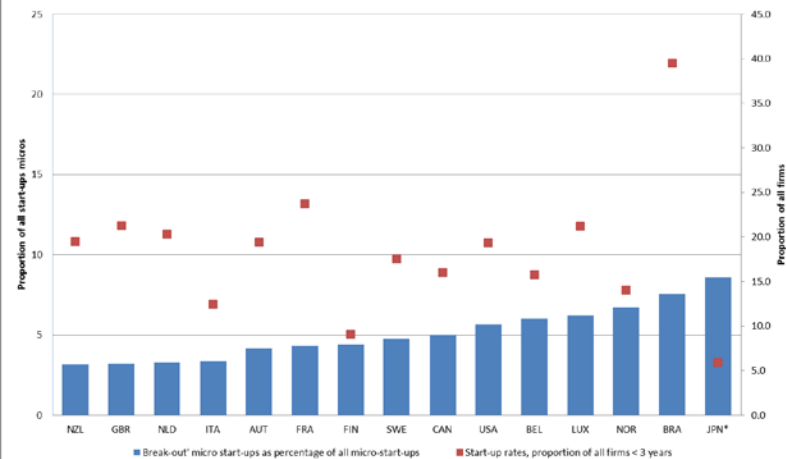
GEM data shows early-stage entrepreneurial activity in UK highest in EU



UK Has a Growth Potential Problem

- UK creates **many 0 employee** firms
 - Limited growth potential & aspiration
- UK needs more **promising growth** firms
 - Job creators, and UK prosperity

Proportion of micro start-ups that grow to 10+ employment within three years, and start-ups as proportion of all firms



Firm Survival and Growth – English LEPs



Start-up Survival Rates

Top 5

- Cornwall & Isles..
- Buckinghamshire
- Swindon & Wiltshire
- West of England
- Thames Valley

Bottom 5

- Black Country
- Tees Valley
- Birmingham
- Humber
- Liverpool

Fast-Growing Firms

Top 5

- London
- Oxfordshire
- Leicestershire
- Northamptonshire
- Thames Valley

Bottom 5

- Worcestershire
- Lincolnshire
- New Anglia
- Cheshire
- Cumbria

Scaling – English LEPs



Initial Scaling (Start-ups to £1m)

Top 5

- London
- Birmingham
- North Eastern
- Leeds
- Greater Cambridge & ..

Bottom 5

- York, North Yorkshire..
- West of England
- The Marches
- Swindon & Wiltshire
- Cumbria

Stepping Up (£1-2m to £3m+)

Top 5

- Thames Valley
- London
- Tees Valley
- Enterprise M3
- Birmingham

Bottom 5

- York, North Yorkshire..
- Solent
- Heart of the South West
- Cornwall & Isles..
- Cumbria

High Expectation Entrepreneurs

2003-13

by Local Enterprise Area (GEM data)

Highest expectation
High expectation
Low expectation
Lowest expectation

The map shows England divided into Local Enterprise Areas (LEAs). The colors represent different levels of entrepreneurial expectations:

- Highest expectation (Orange):** Includes areas like London, Thames Valley, and parts of the South East.
- High expectation (Green):** Includes areas like Greater Birmingham and West Midlands, and parts of the North.
- Low expectation (Blue):** Includes areas like Yorkshire and the Humber, and parts of the North West.
- Lowest expectation (Light Blue):** Includes areas like Cornwall and Devon, and parts of Wales.

Legend:

- Buckinghamshire Thames Valley
- Enterprise M3
- London
- Thames Valley Berkshire
- Cotswolds and Warrington
- Greater Birmingham and West Midlands
- Northamptonshire
- Oxfordshire LEP
- South East Midlands
- West Midlands
- Yorkshire and the Humber
- East of England
- North East
- North West
- Yorkshire and the Humber
- East of England
- South East
- Wales
- Scotland
- Northern Ireland

by Local Enterprise
Area (GEM data)

Lowest expectation

General and like sales of daily
Grocery and Household
Goods
Food and Linen
Wardrobe
House
New York
Midwest City Region
Water and Sewer and Electric
Services and Utilities
The Service
Housing and
Food and New York

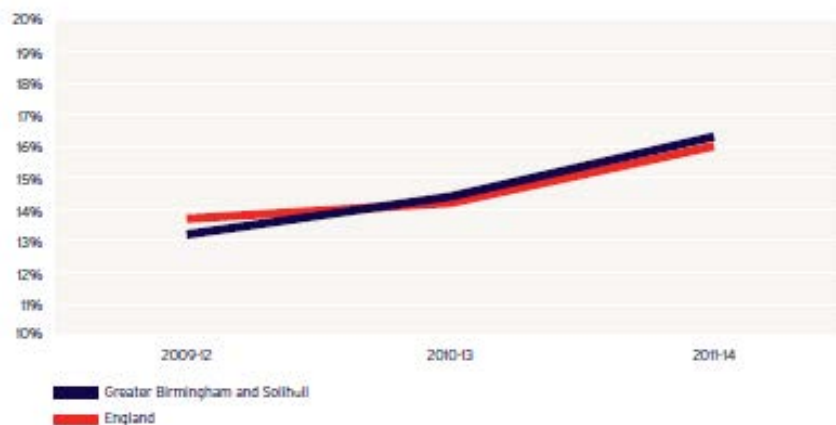
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South-East Midlands

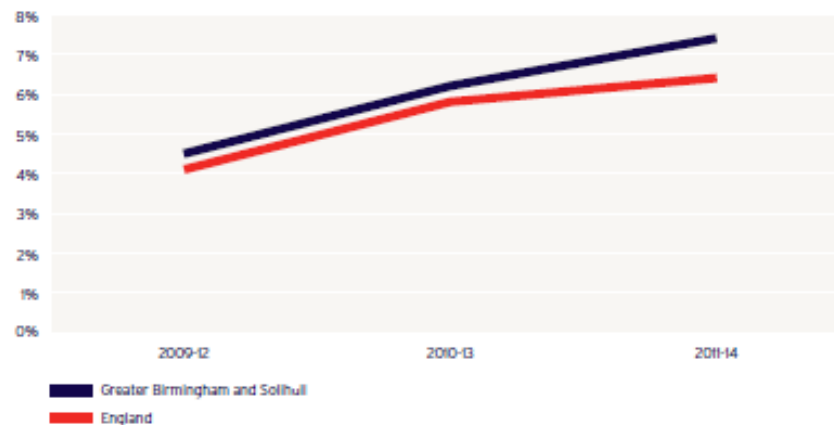
Thames Valley
Berkshire

Greater Birmingham and Solihull LEP

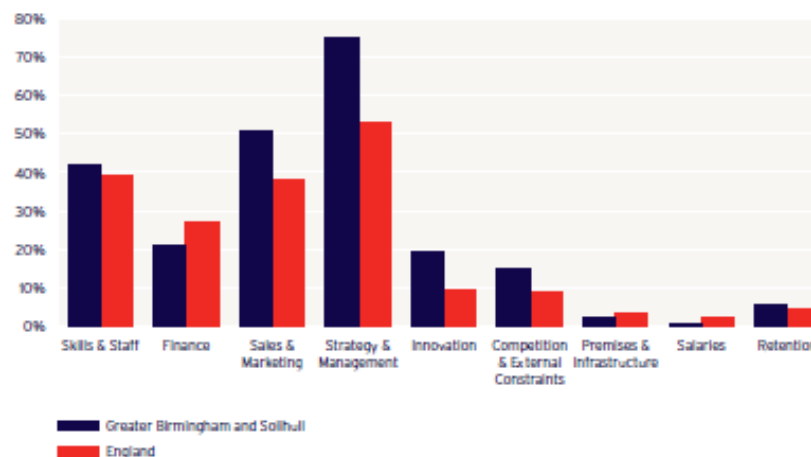
% Fast-Growing Firms : 2009-2014



£1m turnover start-ups in three years : 2009-2014



Barriers to Growth : 2012-2015 : GrowthAccelerator Diagnostic

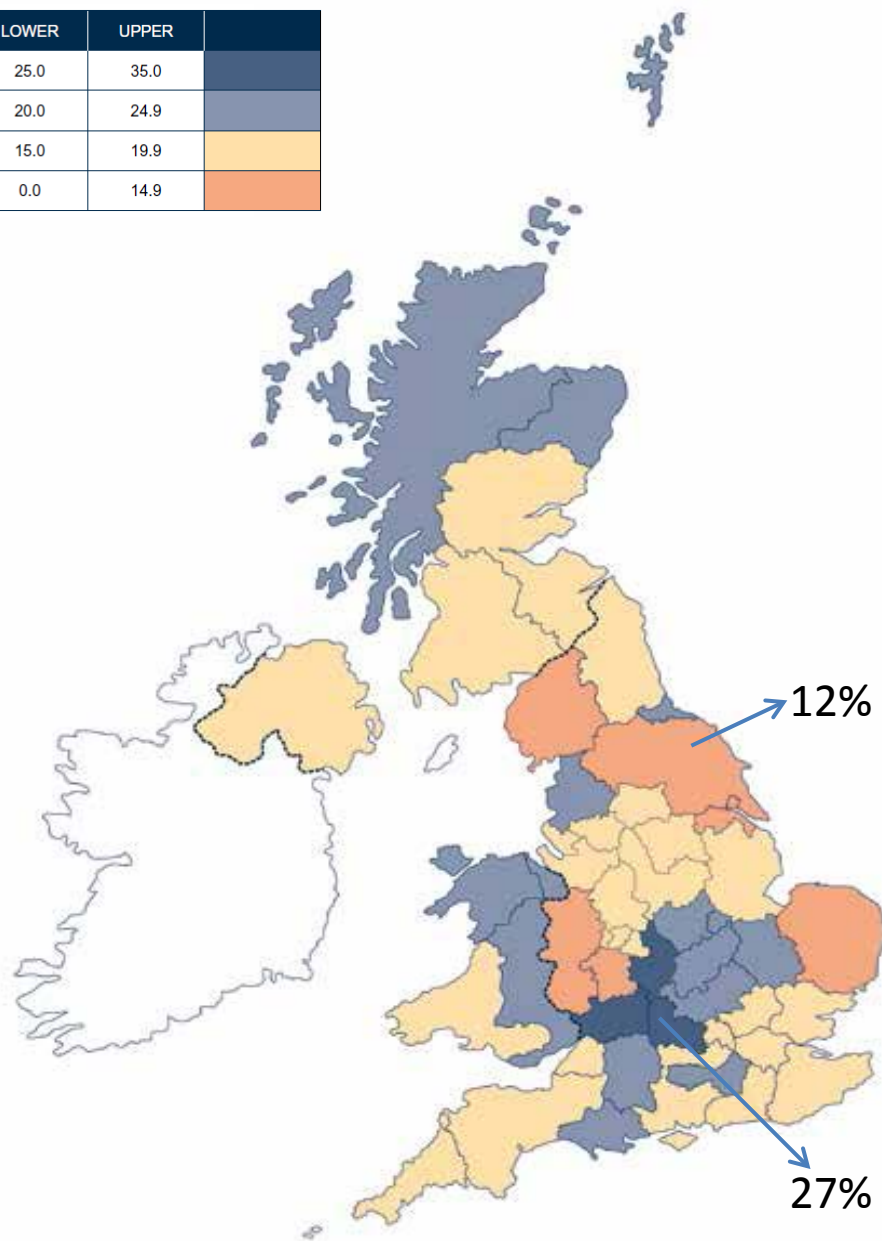


Where is investment in innovation happening in the UK?

Data sources

- Benchmarks from a new analysis of data from the 14,000 firms which responded to the UK Innovation Survey 2013.
- New weights for each locality based on the local business population enable us to create representative results for each local area
- Benchmarks relate to firms' innovation activity during the 2010 to 2012 period. Talk about four indicators here:
 - Firms engaged in product or service innovation
 - Firms engaged in strategic or marketing innovation
 - Firms engaged in R&D
 - Firms that were collaborating as part of their innovation activity
- Need to remember that these results are based on survey evidence, however, and for some of the smaller and rural LEAs samples can be small

LOWER	UPPER	
25.0	35.0	
20.0	24.9	
15.0	19.9	
0.0	14.9	



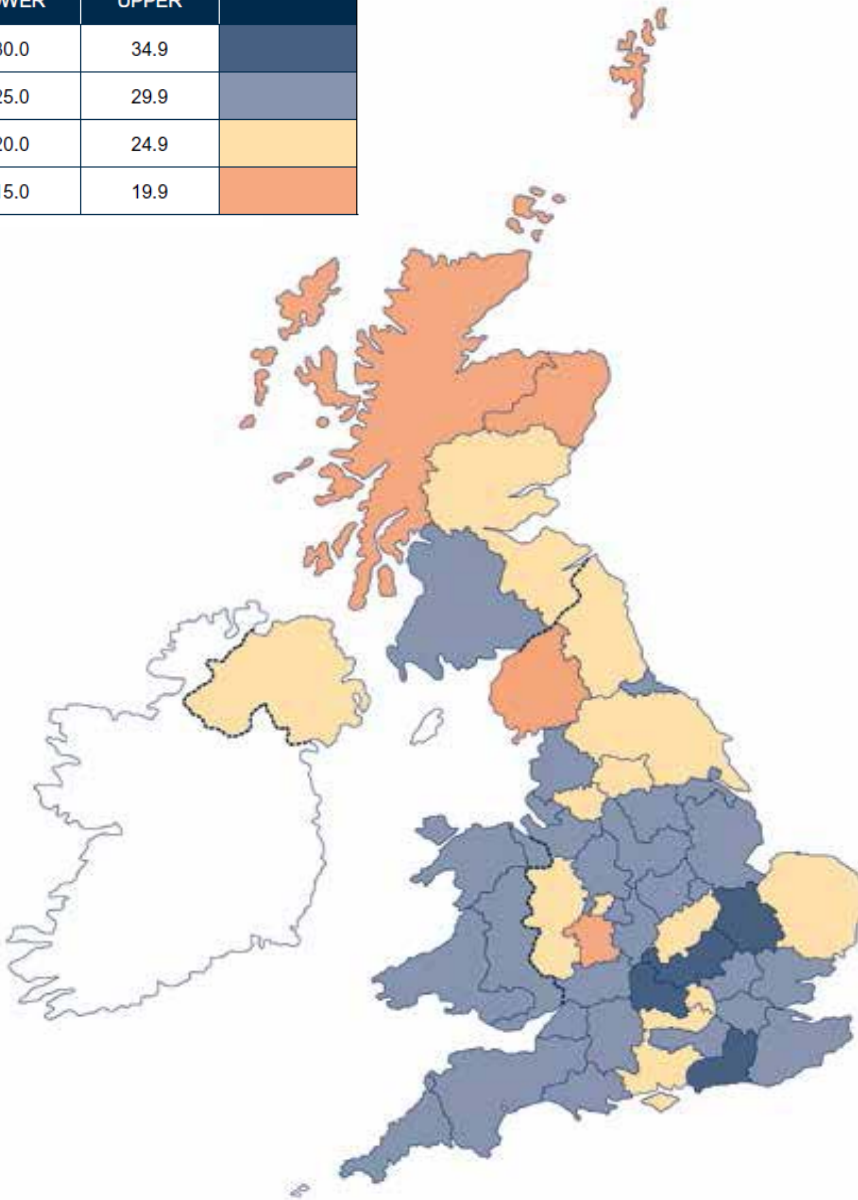
Product and Service Innovation

- Proportion of firms reporting the introduction of a new or significantly improved product or service during 2010-2012
- The highest levels of activity are recorded in an arc from Oxfordshire, Gloucestershire and along the M4 corridor
- Lower levels of innovation are generally associated with more peripheral and coastal areas (but note Tees Valley)
- Metrics influenced by local industrial structure

LOWER	UPPER	
30.0	34.9	
25.0	29.9	
20.0	24.9	
15.0	19.9	

Strategic and marketing Innovation

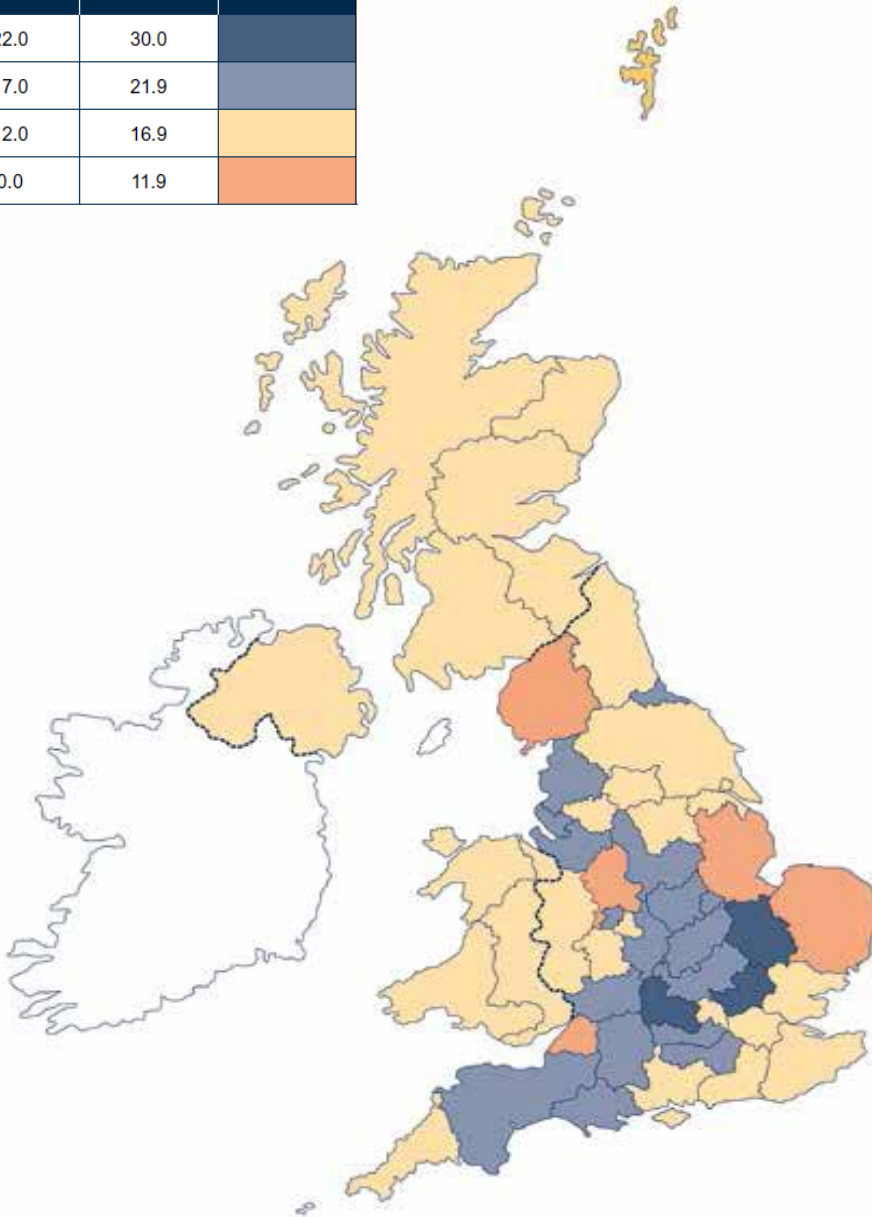
- Proportion of firms reporting the introduction of new methods of organising work or marketing strategies
- Strong performance among those local economic areas in Central and Southern England but perhaps a more even level of performance in other areas
- Lower levels of innovation are generally associated with more peripheral and coastal areas. Again note Tees Valley



LOWER	UPPER	
22.0	30.0	
17.0	21.9	
12.0	16.9	
0.0	11.9	

Research and Development (R&D)

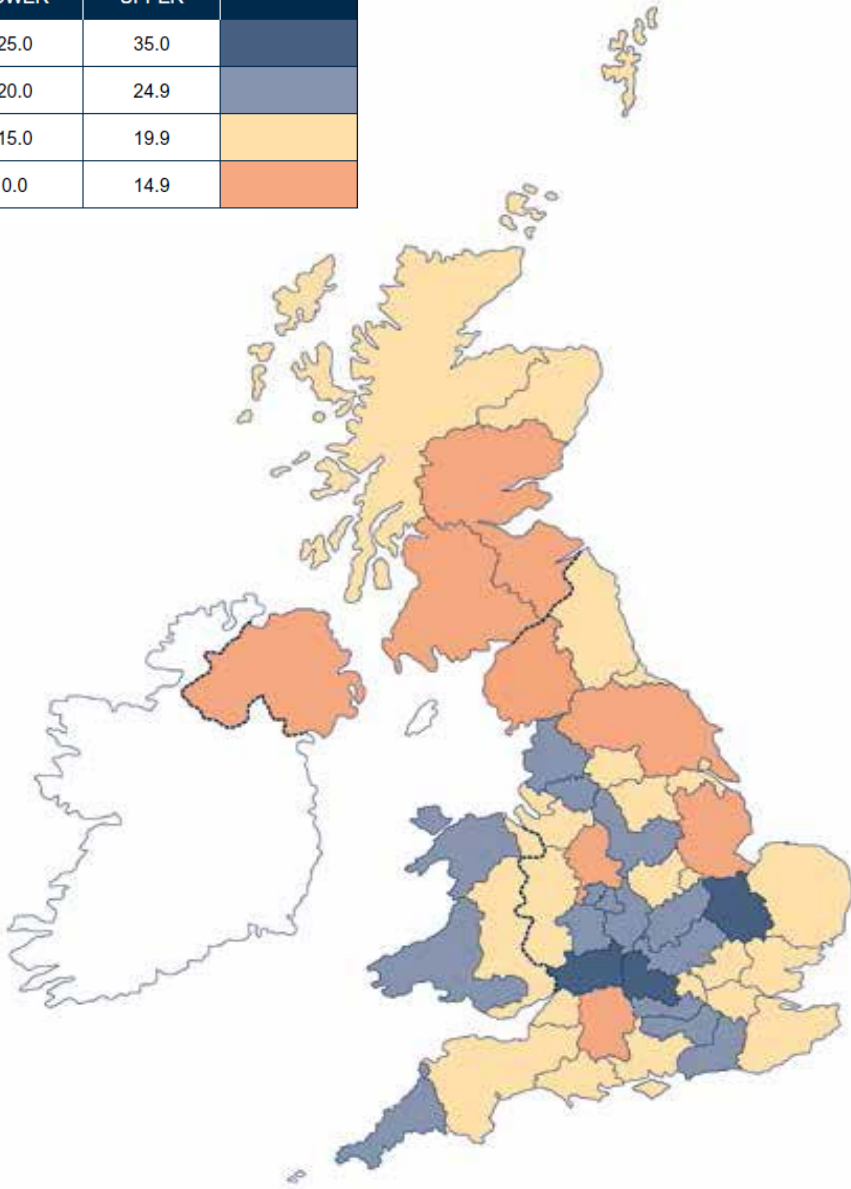
- A key input into innovative activity
- Geography of R&D closely matches that of product and service innovation with the familiar heartland arc from Cambridge and Peterborough through Oxfordshire and along the M4
- Low levels of R&D are generally associated with more peripheral and coastal areas. But note Tees Valley



LOWER	UPPER	
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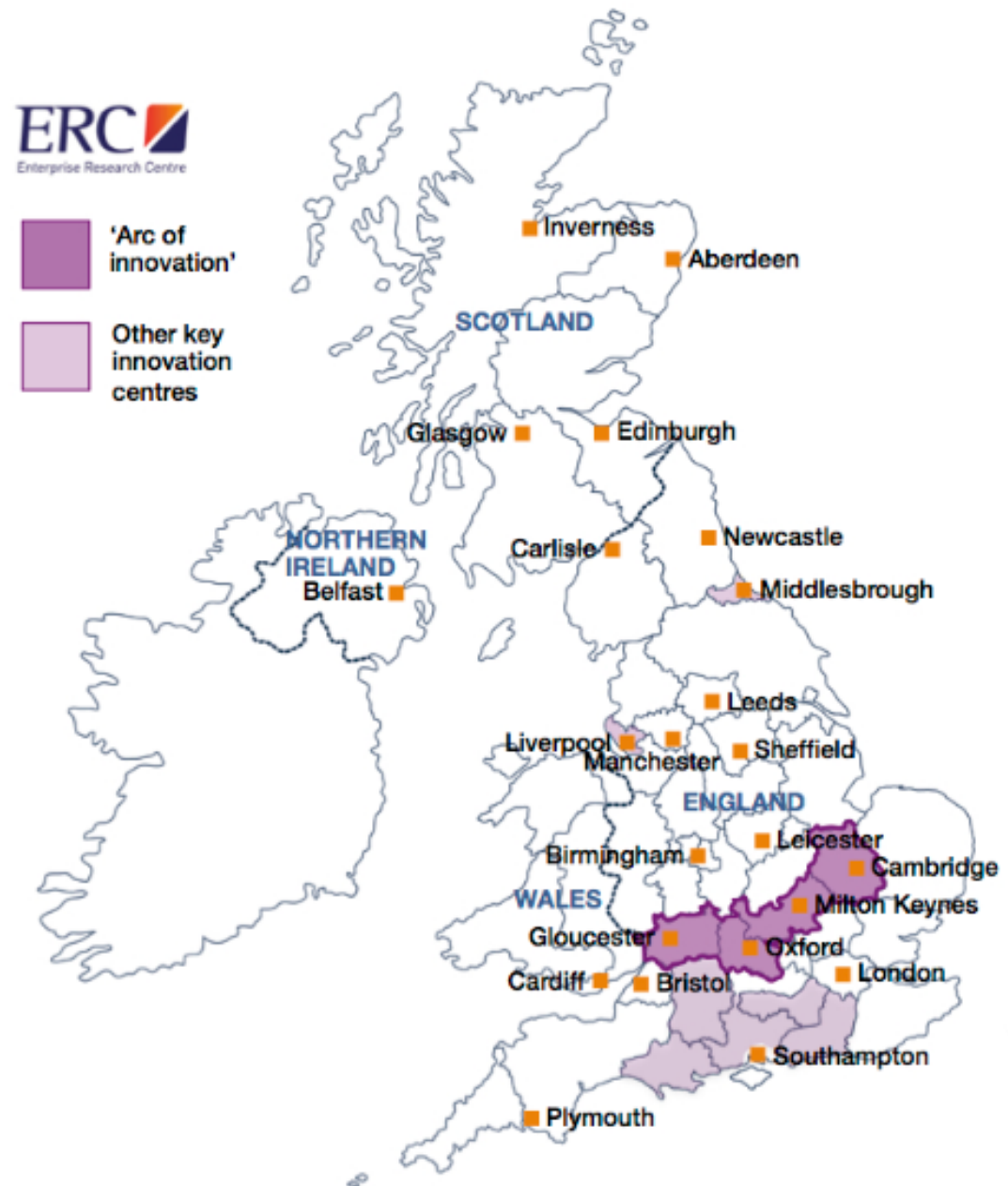
Collaboration for innovation

- ‘Open’ or ‘networked’ innovation helps firms innovative and helps knowledge diffusion.
- Proportion of firms collaborating for innovation 2010-12 with partners *anywhere*.
- Collaboration generally higher where innovation levels are higher in central areas.
- Collaboration levels low in Scotland and NI (and relatively low in Tees Valley!)



The 'Arc of innovation'

- Taking these different indicators together we can describe an 'arc of innovation'
- Why does this matter? Because innovation is strongly linked to exporting and growth?
- We should – perhaps - worry what this says about rebalancing . And, what are the implications for policy both local and national.
- Promoting collaboration seems obvious at local levels and perhaps targeting support from Innovate UK?



And the future?

Two important caveats

- Innovative activity in a local area is affected by local industrial structure as well as the innovativeness of individual firms
- Data based on a survey of 14,000 firms – but results similar to analysis we have conducted for earlier period

Why does this pattern arise?

- Requires detailed statistical and institutional analysis of the drivers of innovation locally: ***local innovation eco-systems***
- This analysis now being carried out at ERC – of this more later!

Summary

- Growth and innovation metrics highlight the contrasts across the UK
- Not London and the rest but some evidence of a SE to rest divide on some metrics
- Areas of low expectation entrepreneurship seem to coincide particularly with lower innovation investments (NE, Wales, coastal areas)
- Does suggest the potential value of locally differentiated policies reflecting local realities

Contact us:

If you would like any more information about the ERC and any of its activities please contact us: or Stephen Roper (stephen.roper@wbs.ac.uk) or Mark Hart (mark.hart@aston.ac.uk)

More details about the activities of the ERC and our latest events can be found at:

www.enterpriseresearch.ac.uk