ERC
Enterprise Research Centre

News release

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UK's 'innovation geography' mapped for first time

London and Manchester are way behind Oxford, Liverpool and Teesside in 'league table' of UK areas creating new goods and services.

Liverpool has a higher proportion of firms creating new cutting-edge goods and services than London, according to a new study which turns received wisdom about the UK's 'geography of innovation' on its head.

The research shows the UK has a clear 'arc of innovation' stretching from Cambridge through the South-East Midlands and along the M4 corridor to take in Oxfordshire and Gloucestershire.

More surprising beacons of innovation elsewhere include the Tees Valley, Dorset and Liverpool.

London, meanwhile, is way down the list, while Scotland, Wales and Northern Ireland show below-average levels of innovation.

The study, *Benchmarking local innovation – the innovation geography of the UK*, has been produced by the Enterprise Research Centre (ERC), the UK's leading independent research institute on the drivers behind business growth and success.

ERC's analysis of six key indicators of innovation has allowed it to produce an 'innovation league table' for 45 Local Enterprise Partnership (LEP) areas in England and equivalent zones in Scotland, Wales and Northern Ireland. These indicators range from new products being brought to market, to collaboration and research and development (R&D) activity.

The findings are based on a new analysis of data from the 14,000 firms which responded to the UK Innovation Survey 2013, relating to their innovation activity over the period 2010-2012. This survey found that while nationally 45% of firms reported being 'innovation active', only 18% were engaged in new product innovation.

Key findings include:

- Firms in Oxfordshire report the most innovation activity followed closely by Greater Cambridge and Peterborough. South East Midlands (centred on Milton Keynes) and Gloucestershire follow relatively closely. ERC academics believe this could be explained by the concentration of high-end manufacturing companies in this belt, as well as a focus on research and development (R&D), particularly in areas with major universities.

- Tees Valley is the best performing of the Northern English local economic areas. This new finding runs counter to the current narrative of a 'northern powerhouse' in the North-West centred on Manchester (Greater Manchester is only ranked 20th for innovation).

- London’s innovation rate relative to the total number of firms there is relatively low – with the capital only making number 25 on the list. Experts believe this could be due to London’s specialisms in service sectors such as law and finance, which tend to be highly regulated and therefore less innovative.

- Eastern Scotland, Northern Ireland and Cumbria report the weakest overall innovation performance.

- While in general innovation activity is lower in more northern and peripheral areas, there are isolated pockets of above-average innovation across the UK.

Professor Stephen Roper, who led the ERC research, said firms’ ability to innovate played an important role in sustaining growth and competitiveness, with economic implications for whole regions:

> “For the first time, this research gives us a picture of which localities of the UK have the highest proportion of firms introducing new products and services. The findings run counter to the dominant narrative of a country dependent on London, with innovation being much more dispersed across the country than was previously thought.
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> “Innovation is strongly linked to growth, exporting and productivity - all areas in which the UK economy needs to improve if we want to boost our international competitiveness.
>
> “The significant variation between different parts of the UK suggests that some localities are succeeding in creating a more innovation-friendly environment than others.
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> “Policymakers and researchers need to examine the local factors that could be contributing to this so that we can create the conditions for firms to become more innovative – creating jobs and growth - in every corner of the UK.”

Case study 1: Carroll & Meynell

Stockton-on-Tees based Carroll & Meynell has been manufacturing transformers for 40 years and currently has 113 employees and a turnover of £8.5milllion.
It makes a range of standard and bespoke transformers for clients in the rail, subsea, mining and construction industries.
Recently, it applied to patent a new model of transformer capable of charging up to 10 electric vehicles at once – a huge breakthrough considering standard models are only able to charge one at a time.
The finding that the Tees Valley is a hotbed of innovation didn’t come as any surprise to operations manager John Auger: “Teesside has a highly-skilled workforce which helps the area add value to manufactured products. We are not going to be able to compete with the rest of the world on labour costs, so we need to compete in the manufacturing of products that require a certain level of skills to produce. That’s important, not just for Teesside, but for the whole UK.”

Case study 2: Perspectum Diagnostics

Oxford-based Perspectum Diagnostics started life as a spin-off from the city's world-famous university.
Their technology – a software platform that can be added to MRI scanners – can determine the level iron, fat and fibrosis (inflammation) in a human liver, which are the key indicators of liver disease.
Their novel technique has the potential to negate the need for patients to undergo invasive biopsies to diagnose liver disease, which is standard at present.
The company received a grant of £1.2m from Innovate UK in 2013. This allowed it to recruit staff and start large-scale clinical trials at specialist liver centres attached to the universities of Birmingham and Edinburgh. It is now seeking investment funding for a major expansion.
Research project manager Dan Green said: "We're quite proud of the fact that we'll be contributing to the recognition of UK expertise in medical and biotechnology."

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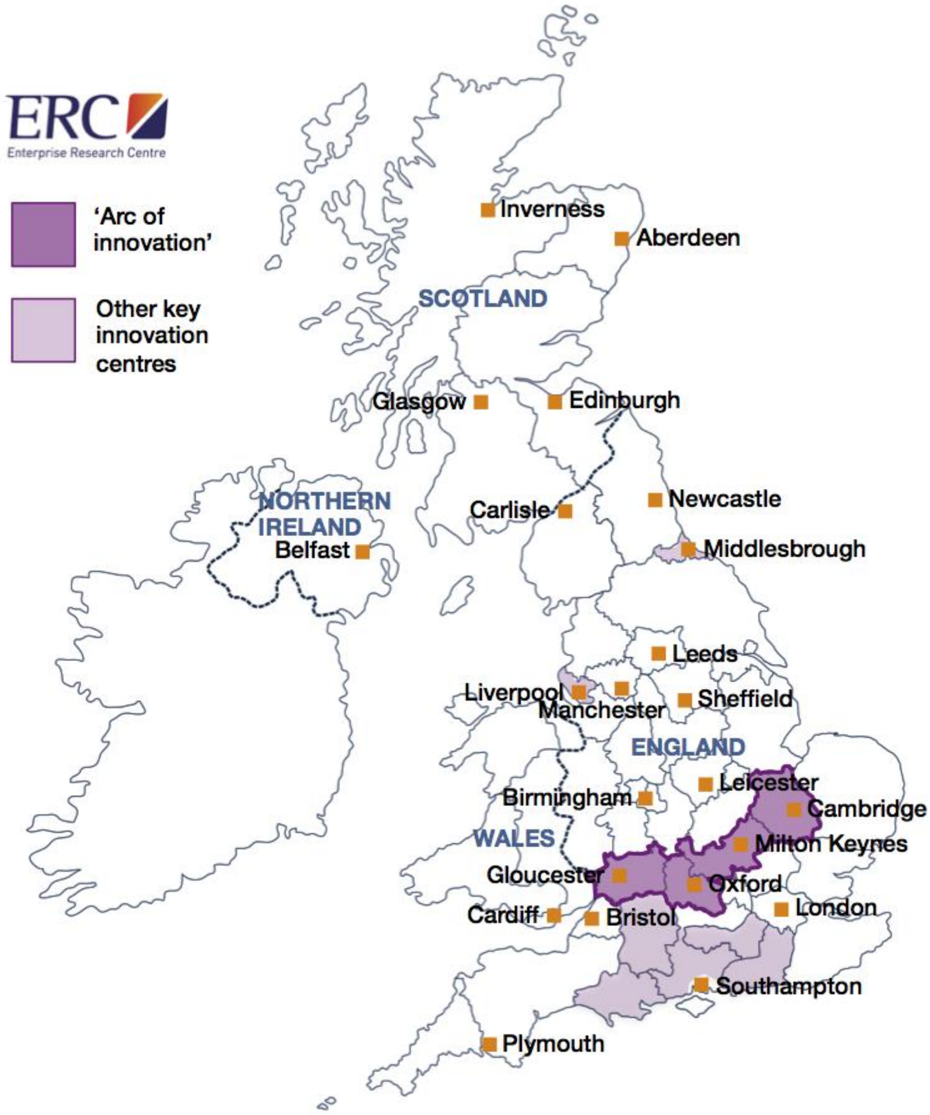
Notes to editors

1. **Full report and innovation maps**

The full report, *Benchmarking local innovation – the innovation geography of the UK*, which includes maps showing the concentration of innovative firms in different geographical areas across the UK, is available on request. Please contact James Tout at Journalista (details below).



2. Innovation ranking

The innovation ranking for 45 different areas of the UK is based on a new analysis of the [UK Innovation Survey 2013] which relates to firms' innovation activity during the 2010 to 2012 period. This involved re-weighting survey responses to provide results which are representative of each local economic area.

The ERC research focused on six benchmarks of innovative activity:

- ***Firms engaged in product or service innovation*** – measured as the proportion of firms reporting the introduction of a new or significantly improved product or service during the 2010 to 2012 period.
- ***Firms engaged in new to the market innovation*** – measured as the proportion of product or service innovators reporting that their new products or services were new to the market.
- ***Firms engaged in process innovation*** - the proportion of firms reporting the introduction of a new or significantly improved process during the 2010 to 2012 period.

- ***Firms engaged in strategic or marketing innovation*** – the proportion of firms reporting new strategic initiatives or changes to marketing concepts or strategies.
- ***Firms engaged in R&D*** – the proportion of firms reporting undertaking R&D over the 2010 to 2012 period.
- ***Firms that were collaborating as part of their innovation activity*** – the proportion of firms partnering with other organisations as part of their innovation activity.

Full table below:

	Product/ Service	New to Market	Process	Strategy/ Marketing	R&D	Collab-oration	**Overall**
Oxfordshire LEP	1	5	1	2	1	1	**1**
Greater Cambridge & Peterborough	5	10	5	1	2	2	**2**
South East Midlands	3	6	7	3	9	6	**3**
Gloucestershire	2	17	12	7	6	3	**4**
Enterprise M3	4	1	21	12	7	4	**5**
Dorset	10	2	3	11	13	21	**6**
Tees Valley	8	15	2	10	12	14	**7**
Coast to Capital	18	3	11	4	18	8	**8**
Swindon and Wiltshire	7	9	4	5	5	38	**9**
Liverpool City Region	16	25	14	8	10	13	**10**
Northamptonshire	9	16	6	33	3	20	**11**
Cheshire and Warrington	15	22	13	16	14	22	**12**
Cornwall and the Isles of Scilly	19	26	8	6	37	7	**13**
Coventry and Warwickshire	24	23	23	17	11	9	**14**
Lancashire	6	33	16	22	16	15	**15**
Black Country	14	30	19	34	8	5	**16**
Leicester and Leicestershire	11	35	10	21	4	29	**17**
Thames Valley Berkshire	17	11	30	35	17	10	**18**
Hertfordshire	37	7	28	14	22	24	**19**
Greater Manchester	26	19	18	38	25	11	**20**
Heart of the South West	21	18	31	18	15	34	**21**
Derby, Derbyshr., Nottingham, Notts.	20	31	37	9	19	23	**22**
North Eastern	23	8	29	31	24	26	**23**
Leeds City Region	22	28	24	32	21	16	**24**
London	32	20	22	23	23	25	**25**
Worcestershire	39		26	13	31	12	**26**
Sheffield City Region	27	29	15	26	20	30	**27**
Greater Birmingham and Solihull	25	4	27	29	33	32	**28**
East Wales	12	36	34	20	32	28	**29**
South East	28	24	33	19	27	31	**30**
Solent	33	14	32	41	26	17	**31**
Stoke-on-Trent and Staffordshire	29	13	17	27	40	40	**32**
West of England	34	34	9	15	44	33	**33**
West Wales & The Valleys	35	37	20	28	28	27	**34**
SW Scotland	40	12	35	30	34	45	**35**
The Marches	38		39	37	35	18	**36**
Buckinghamshire Thames Valley	30	27		39	36	36	**37**
Humber	44		42	25	38	19	**38**
NE & Highlands & Islands	13	40	40	45	30	35	**39**
York and North Yorkshire	45	21	36	36	39	39	**40**
Greater Lincolnshire	31		41	24	45	41	**41**
New Anglia	43	38	25	40	41	37	**42**
Eastern Scotland	36	32	43	42	29	44	**43**
Northern Ireland	41	39	38	43	42	42	**44**
Cumbria	42			44	43	43	**45**

3. Areas covered

In England the report benchmarks for Local Economic Areas, those covered by individual Local Enterprise Partnerships (LEPs). In Scotland and Wales it examines benchmarks for NUTS 4 regions (West Wales and the Valleys; East Wales, Eastern Scotland, South West Scotland) but for statistical reasons amalgamates the data for NE Scotland and the Highlands and Islands areas. Northern Ireland benchmarks are also reported.

4. Case studies

Interviews with case studies can be arranged on request. Please contact James Tout at Journalista (details below). Additional case studies are available.

About the Enterprise Research Centre

ERC is the UK's leading independent research institute on the drivers behind the growth and success of small and medium-sized enterprises (SMEs).

ERC is producing the new knowledge around SMEs that will allow us to create a business-friendly environment nationwide, grounded in hard evidence. We want to understand what makes entrepreneurs and firms thrive so we can spread the lessons from best practice and make the UK a more successful country.

Our work covers six key themes: ambition, business demography, diversity, finance & governance, innovation & exporting and leadership.

We have 28 staff across 5 of the UK's leading universities and business schools (Aston University, University of Birmingham, Imperial College London, University of Strathclyde, Warwick Business School).

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Contact

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