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SQW

Leeds City Region Strategic Growth Survey

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Executive Summary

The Leeds City Region Strategic Growth Programme Survey is a new source of intelligence on the regional economy. The intelligence uses feedback from the businesses working with the Oxford Innovation Advice team to provide a snapshot of business conditions, challenges and support requirements. The aim is to generate evidence on business confidence and to offer insights into how future support can be tailored to be as effective as possible.

The Strategic Growth Programme

The Strategic Growth Programme (SGP) is delivered by Oxford Innovation Advice on behalf of Leeds City Region Enterprise Partnership. The programme supports businesses that have been trading for three years or more and delivers a package of bespoke support that will help them unleash their potential and overcome the challenges of an economy hit by COVID-19 and Brexit.

The Programme uses a High Growth digital assessment tool called GROWTHmapper to measure the maturity of the business and its potential for expansion. This produces an action plan that addresses both barriers and opportunities for growth. A dedicated team of local Growth Managers will deliver assistance and brokered introductions to other business support who will provide through one-to-one coaching. Support available includes help with sales and marketing, productivity improvements, upskilling and digital technologies. The Programme aims to work with 400 small to medium sized businesses across the Leeds City Region.

1. The report is launched at a time of considerable economic uncertainty, with the economy recovering from the effects of the Covid pandemic and the associated financial impact. As the recovery continues, businesses face a further set of challenges:
 - the climate crisis and the increasing urgency to reduce greenhouse gas emissions
 - the UK's continuing battle to raise productivity levels. Both require ongoing support for innovation and investment in skills and new digital technologies.
2. Both challenges require ongoing support for innovation and investment in skills and new digital technologies.
3. The report provides a six-monthly snapshot of business optimism and looks specifically at the obstacles that businesses face and how these change over time. It also gathers valuable data on business sustainability plans and investment. At the time of the this first report there were 200 businesses engaged with the Strategic Growth Programme. All the businesses were contacted to participate in a short online survey. Of these, 51 provided completed responses for analysis.

4. The survey will be repeated in six months and will enable us to understand more about how the outlook, barriers and support requirements change over time.

Results summary

- The survey took place during the early autumn of 2021 after most of the restrictions imposed because of Covid were lifted. As a result, it is not surprising that businesses, particularly micro businesses, in the service sectors, were very optimistic about their prospects over the next 12 months. The outlook has fluctuated significantly over the past 18 months and will continue to do so.
- This optimism is reflected in the levels of anticipated growth and recruitment over the next year.
 - 63% expect growth of more than 10%
 - 26% expect to grow employment by more than a quarter
- The tight labour market that has emerged after the pandemic is seen as the biggest challenge. A quarter of the businesses cited challenges in recruiting staff as the single biggest obstacle to growth, along with the wider general economic conditions, and access to finance remains an important obstacle.
- Reflecting this, business support for recruitment and training, supporting innovation and investment in technology, and access to finance are among the main areas where they considered support to be most needed. There was less demand for support with reducing environmental impact or with supply chain management.
- 80% of businesses currently have no plan to become more environmentally sustainable. This is higher than the British Chamber of Commerce Survey which found that two thirds (64%) of businesses do not currently have an environmental sustainability policy. Half of these business plan to develop one in the next 12 months and a further quarter were unsure.
- The results suggest that environmental sustainability is a relatively low priority for businesses and while many plan to address this, there is likely to be considerable uncertainty about what needs to be done.

Introduction

- 1.1** The Leeds City Region Strategic Growth Programme Survey is a new source of intelligence on the regional economy. The intelligence uses feedback from the businesses working with the Oxford Innovation Advice team to provide a snapshot of business conditions, challenges and support requirements. The aim is to generate evidence on business confidence and to offer insights into how future support can be tailored to be as effective as possible.
- 1.2** The report provides a six-monthly snapshot of business optimism and looks specifically at the obstacles that businesses face and how these change over time. It also gathers valuable data on business sustainability plans and investment. At the time of the this first report there were 200 businesses engaged with the Strategic Growth Programme. All the businesses were contacted to participate in a short online survey. Of these, 51 provided completed responses for analysis.
- 1.3** The survey will be repeated in six months and will enable us to understand more about how the outlook, barriers and support requirements change over time.

The survey

- 1.4** The barometer is an on-line survey sent to all the businesses participating in the SGP. The pool of businesses will grow as more businesses participate. It has been kept short to maximise the response rates and will use a consistent set of questions to monitor business views over time.
- 1.5** At the time of the this first report there were 200 businesses. All the businesses were contacted to participate in a short on-line survey. Of these 51 provided completed responses for analysis. The sample slightly over-represents businesses with turnover of less than £1 million and businesses in service sectors as shown in Error! Reference source not found..

Table1-1: Sample structure

	Responses (sample)	Population
Number of cases	51	200
10 or fewer FTEs	50%	49%
Turnover of less than £1 million	63%	53%
Proportion in Production sectors	37%	46%
Proportion in Service sectors	63%	54%

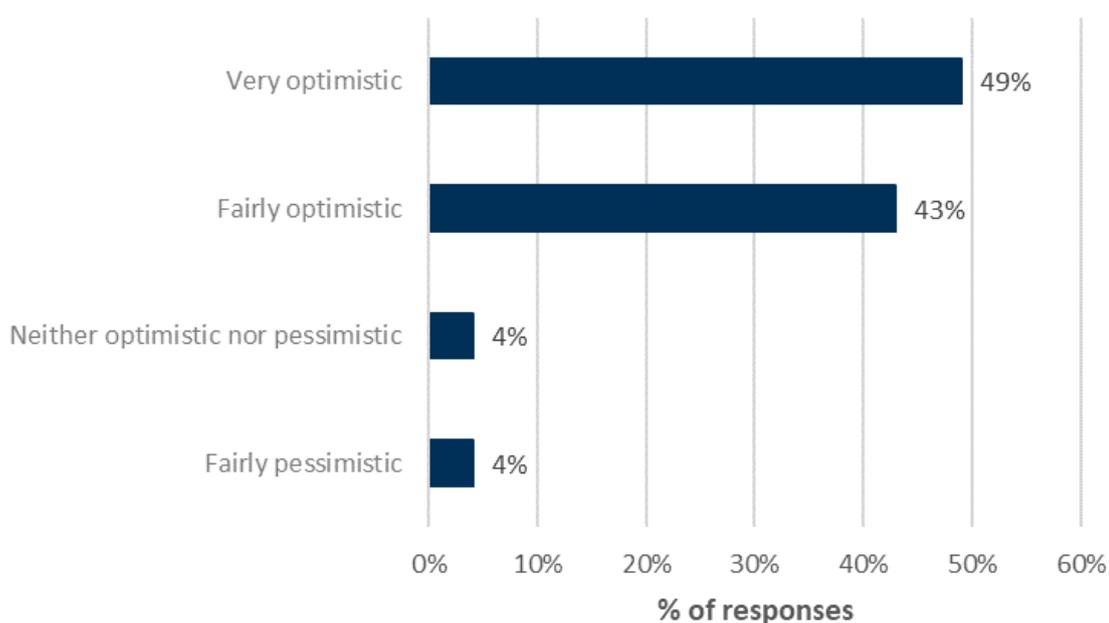
Source: LCR SGP data Nov 2021

Results

Outlook

- 2.1** Businesses were asked how optimistic they are about the future. The results are presented in Figure 2.1 and show an overwhelmingly positive view of prospects over the next 12 months. This reflects the sense of recovery through the late summer and early autumn of 2021 after most of the restrictions imposed because of Covid were lifted.
- 2.2** Overall, almost half of the businesses (49%) were very optimistic and 43% fairly optimistic. Given the conditions over the previous year it is perhaps not surprising that there should be such a high level of optimism, but this may change as issues such as energy prices, supply chain bottlenecks and the risks of further Covid restrictions start to have an effect.

Figure 2-1: How optimistic are you about your company's future over the next 12 months?



Source: OIS/SQW SGP survey 2021 (46 responses)

- 2.3** Optimism was also slightly higher among businesses with fewer than 10 employees (micro) compared with those with 10 or more employees. Table 2-1 shows the results for four broad sectors¹. ICT and finance, along with “other” service sectors appear to be slightly more optimistic than manufacturing and production businesses.

¹ Other production is defined as D: electricity, gas, steam & aircon, E: water; sewerage, waste & remediation, F: construction.

Table 2-1: How optimistic are you about your company's future over the next 12 months? (by sector)

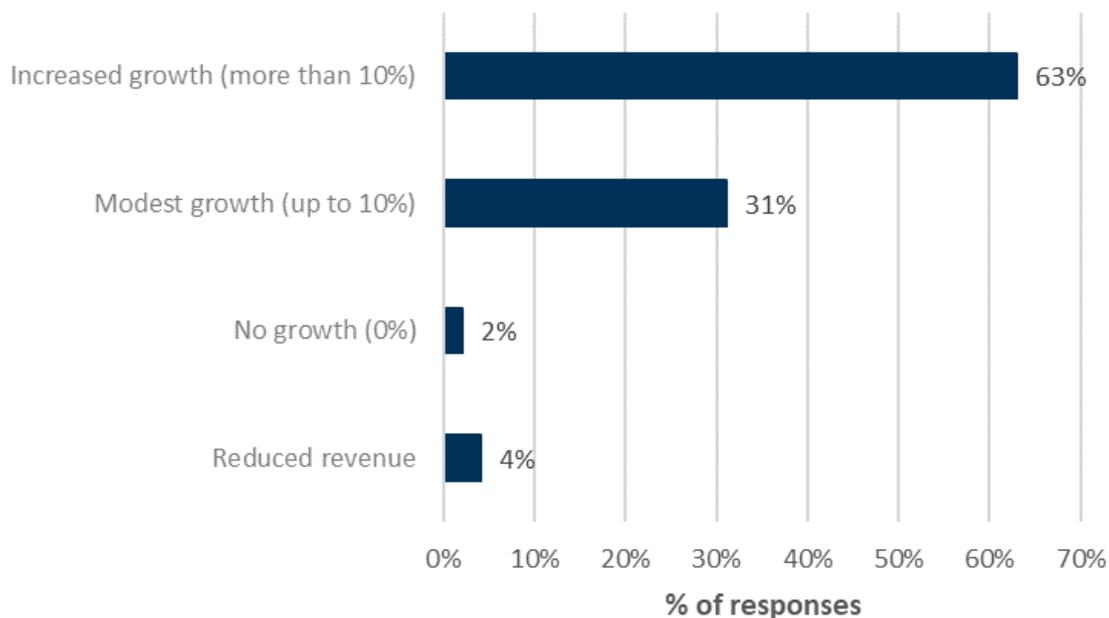
	ICT and finance	Manufactur e	Other production	Other services	Total
Fairly pessimistic	8%	0%	0%	5%	4%
Neither optimistic nor pessimistic	0%	13%	0%	0%	4%
Fairly optimistic	33%	53%	50%	42%	44%
Very optimistic	58%	33%	50%	53%	48%
Number of cases	12	15	4	19	50

Source: OIS/SQW SGP survey 2021 (46 responses)

Business growth

2.4 Anticipated business growth follows a similarly positive pattern. Of the 51 businesses, 63% expect growth of more than 10% and a third (31%) growth of up to 10 (Figure 2-2).

Figure 2-2: What are your expectations for business growth in the next 12 months?



Source: OIS/SQW SGP survey 2021 (51 responses)

Other services include G: wholesale & retail; repair of automotive, M: professional, scientific & technical, N: admin & support, P: education, Q: human health & social work, R: arts, entertainment & recreation, S: other service

ICT and finance is J: information & communication and K: financial & insurance

- 2.5** The results showed that the micro businesses tended to be more positive along with those in the service sectors. Almost 80% of the respondents working in the “other” service sectors anticipated increased growth of more than 10% (Table 2-2).

Table 2-2: What are your expectations for business growth in the next 12 months? (by sector)

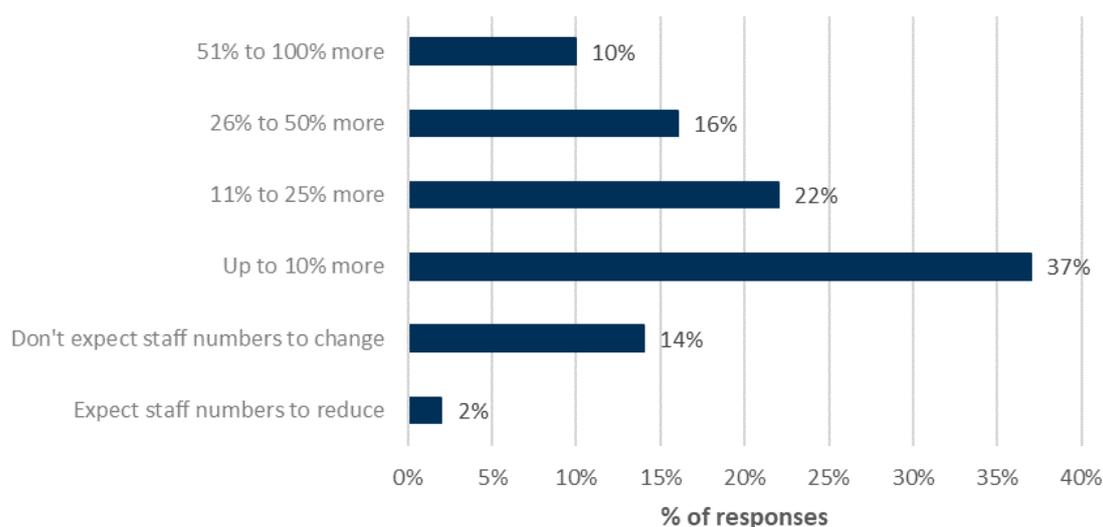
	ICT and finance	Manufactur e	Other production	Other services	Total
Reduced revenue	8%	0%	0%	5%	4%
No growth (0%)	0%	7%	0%	0%	2%
Modest growth (up to 10%)	42%	40%	50%	16%	32%
Increased growth (more than 10%)	50%	53%	50%	79%	62%
<i>Number of cases</i>	12	15	4	19	50

Source: OIS/SQW SGP survey 2021 (46 responses)

Recruitment

- 2.6** Overall, 84% of the respondents expected an increase in employment in the next 12 months. The results also show that around half of the businesses expected to increase employment by *more than 10%* (Figure 2-3). Business expectations are their *best guess* at how they will fare over the next 12 months.
- 2.7** The results found that the anticipated growth among the micro businesses tended to be a lot higher than for larger businesses (for micro businesses a small number of additional employees can represent a large percentage increase).

Figure 2-3: How many people do you expect to employ in 12 months' time?

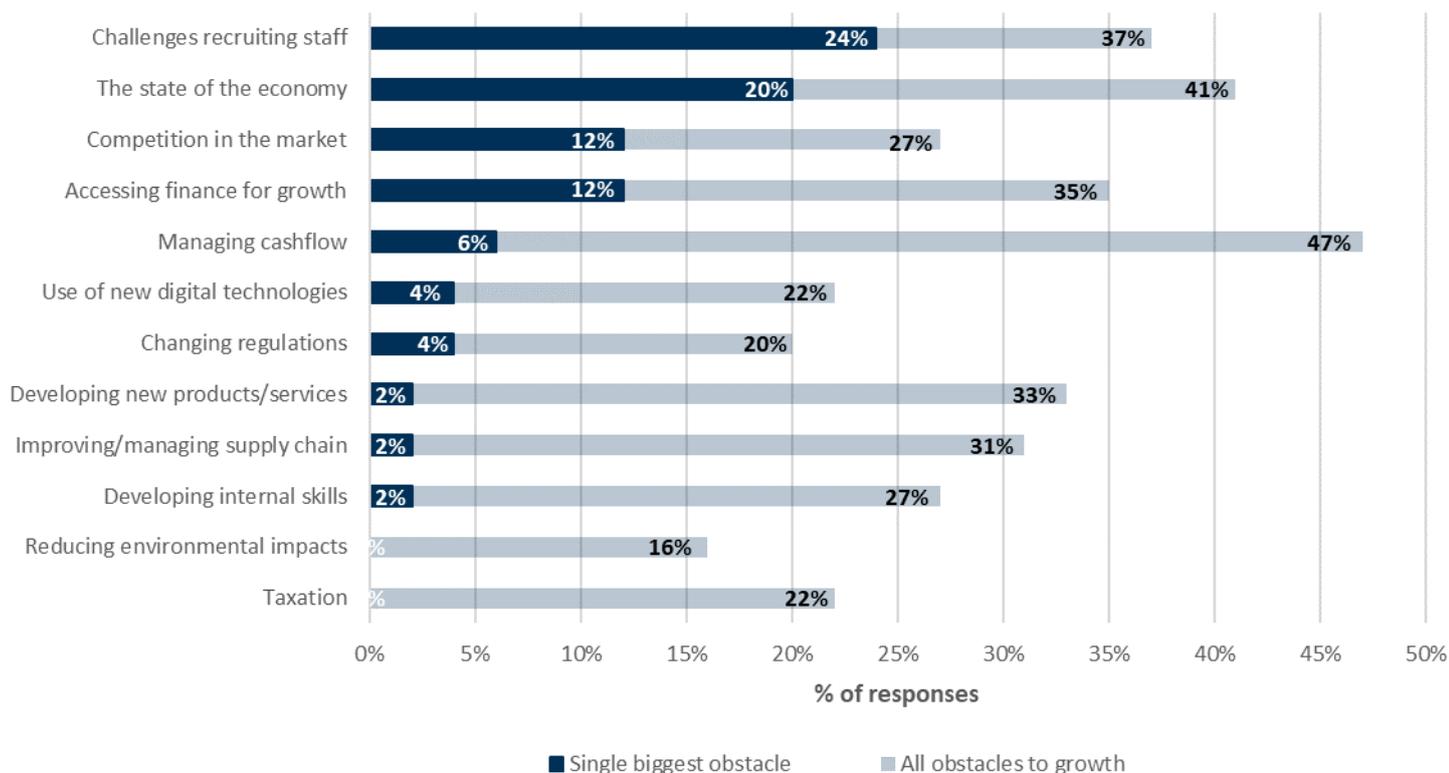


Source: OIS/SQW SGP survey 2021 (51 responses)

Obstacles to growth

- 2.8** A key part of the Survey is understanding the barriers to growth as the economy recovers. The survey asked businesses about the obstacles over the next three years. The lighter pink bars (in Figure 2-4) show the proportion indicating that this is an obstacle, and the red bars indicate the proportion that said this was the single biggest obstacle.
- 2.9** Challenges in recruiting staff and the state of the economy generally are the two single biggest obstacles reported, reflecting the current tightness of the labour market. Managing cashflow was a barrier for almost half of all the businesses, although it was less likely to be the most important one. Management of supply chains is seen as less of an obstacle and reducing environmental impacts was only an obstacle for 16% of the sample.
- 2.10** The survey also found that while the use of new digital technologies, and developing new products and services were not the main obstacles for most businesses, it was an area where businesses would welcome more support (Figure 2-5). These may be areas where support is seen as having more potential to be effective.

Figure 2-4: Which of the following are obstacles to your company's growth over the next three years? Please specify which is the single biggest obstacle



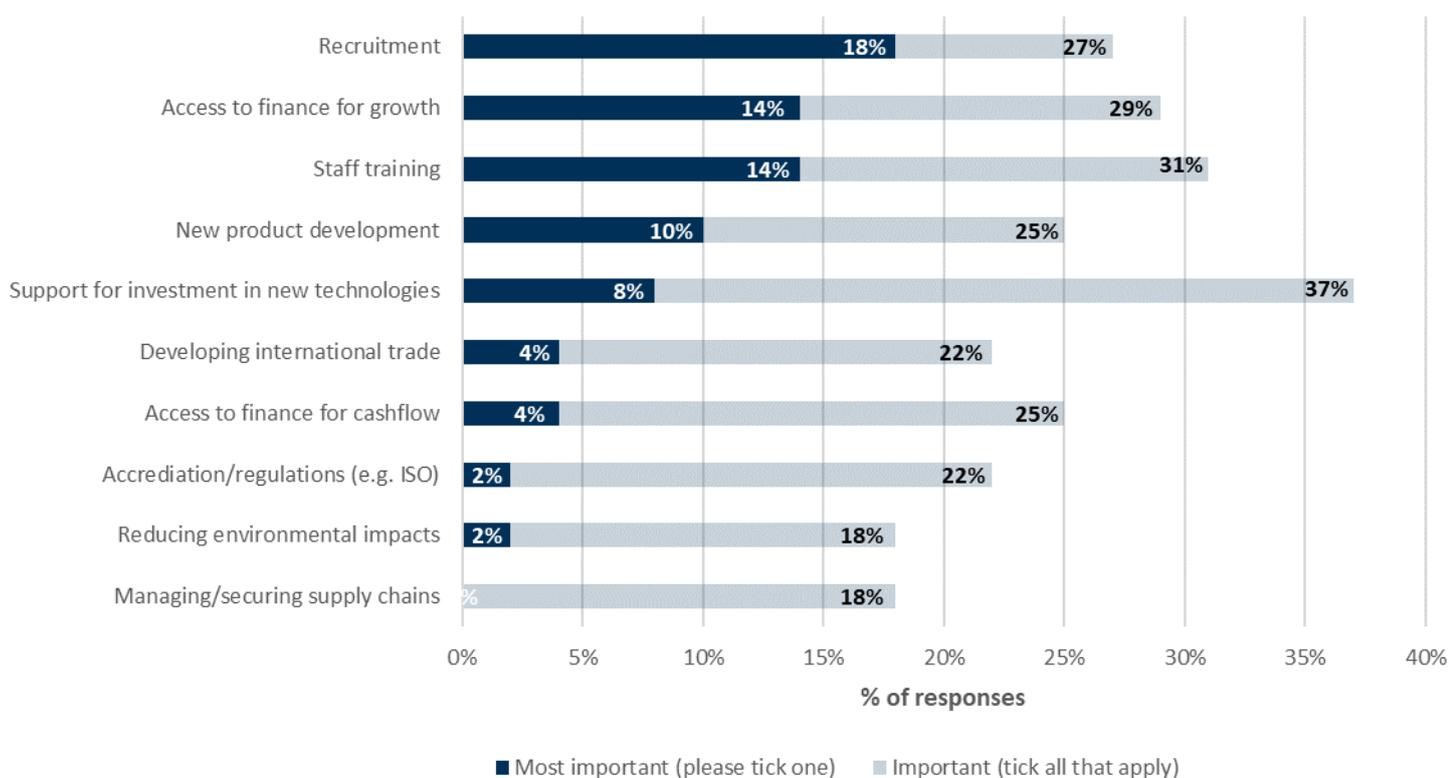
Source: OIS/SQW SGP survey 2021 (51 responses)

Business support

2.11 The survey also tested interest in different areas of business support. Given the challenges reported above it is not surprising that the main areas of support identified were around recruitment and training (Figure 2-5). Almost a fifth (18%) would prioritise support for recruitment and 14% for staff training. Access to finance was also important for 14% and support for new product development and investment in new technologies was also towards the top of the list.

2.12 There were fewer businesses that said they would welcome support with regulations and standards, reducing environmental impacts and supply chain management.

Figure 2-5: In which of the following areas would you most welcome business support, and which would be the single most important?



Source: OIS/SQW SGP survey 2021 (51 responses)

Digital technologies

2.13 Business were asked whether they had invested in any new digital technologies in the past year. Overall just over two thirds (68%) had made an investment. Table 2-3 shows how this breaks down across the four broad sector groups.

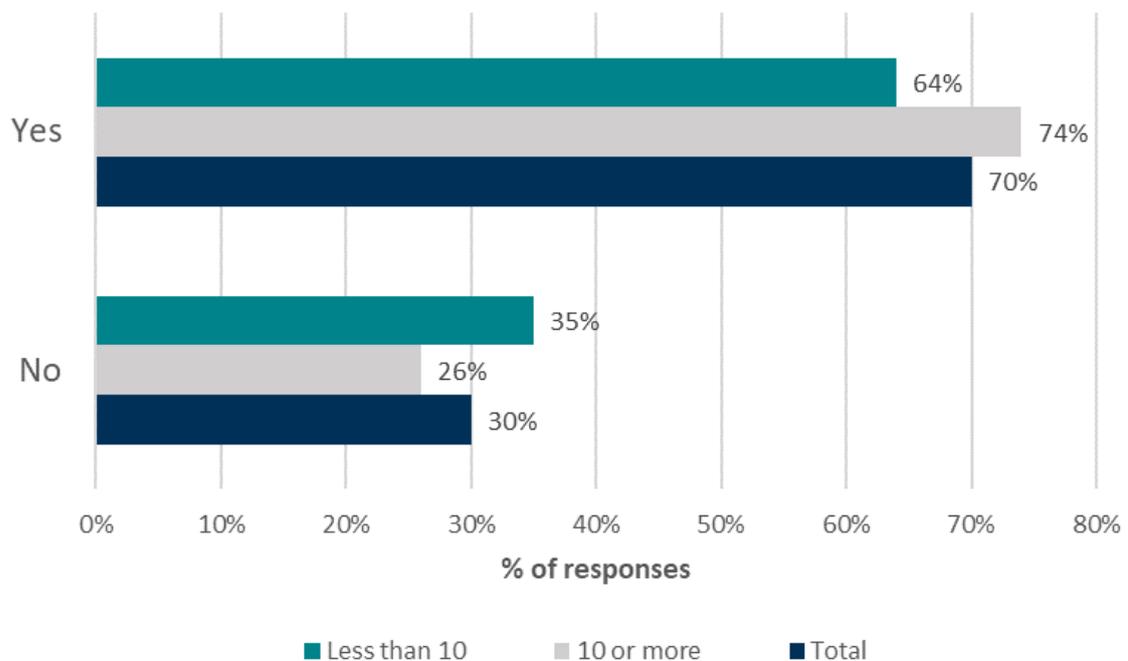
Table 2-3: Has your business invested in any new digital technologies over the past 12 months?

	ICT and finance	Manufactur e	Other production	Other services	Total
No	33%	33%	50%	21%	30%
Yes	58%	67%	50%	79%	68%
Unsure	8%	0%	0%	0%	2%
Number of cases	12	15	4	19	50

Source: OIS/SQW SGP survey 2021 (51 responses)

2.14 The results also showed larger businesses slightly more likely to invest in new digital technologies (74%) than the micro businesses (65%)(Figure 2-6).

Figure 2-6: Has your business invested in any new digital technologies over the past 12 months

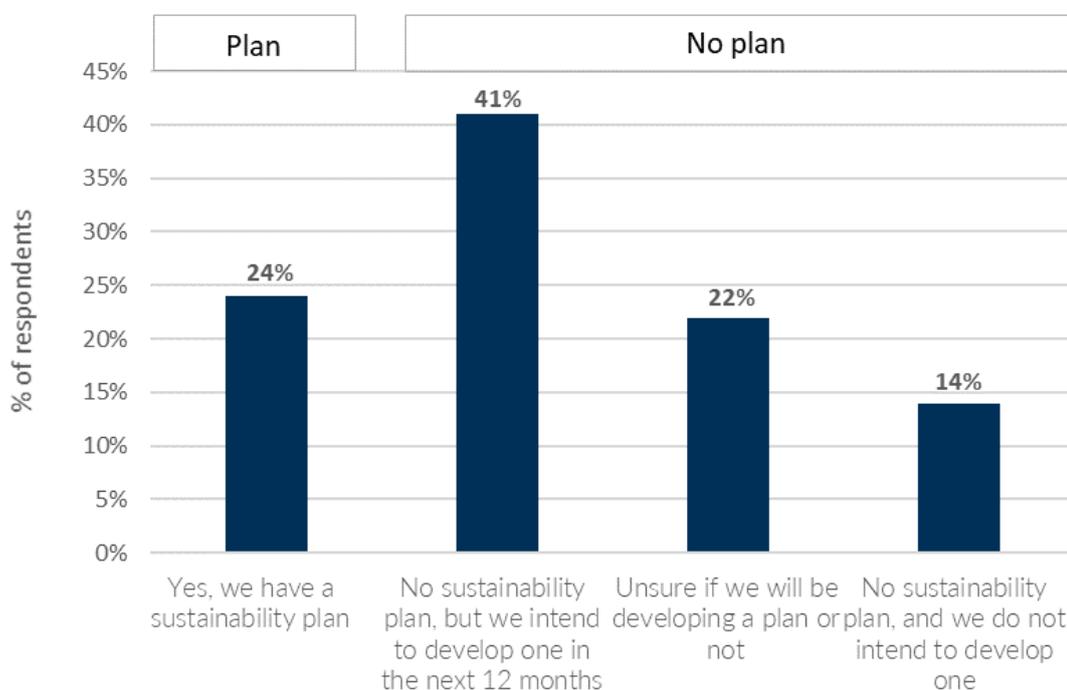


Sustainability plans

2.15 A large majority (76%) of these businesses have no plan to become more environmentally sustainable (Figure 2-7). This is higher than a British Chamber of Commerce Environmental & Social Value Survey (September 2021)² which found that two thirds (64%) of businesses do not currently have an environmental sustainability policy.

2.16 A total of 41% of the businesses intended to develop a plan over the next 12 months and a further 22% were unsure if they would develop one. 14% do not intend to develop one at all.

Figure 2-7: Does your business have a plan to become more environmentally sustainable, and if not, do you intend to put one in place in the next 12 months?



2.17 By sector, only 13% of the manufacturing businesses had a sustainability plan and 17% in ICT and finance (Table 2-4).

² British Chambers of Commerce Environmental & Social Value Survey, September 2021
<https://www.britishchambers.org.uk/media/get/Suez%20and%20BCC%20-%20September%202021.pdf>

Table 2-4: Does your business have a plan to become more environmentally sustainable, and if not, do you intend to put one in place in the next 12 months?

	ICT and finance	Manufactur e	Other production	Other services	Total
Yes, we have a sustainability plan	17%	13%	50%	32%	24%
No sustainability plan					
We intend to develop one in the next 12 months	42%	40%	50%	37%	41%
Unsure if we will be developing a plan or not	25%	33%	0%	16%	22%
We do not intend to develop one	17%	13%	0%	16%	14%
<i>Number of cases</i>	12	15	4	19	50

Source: OIS/SQW SGP survey 2021 (51 responses)

These results suggest that environmental sustainability is a relatively low priority for businesses and while many plan to address this, there is likely to be considerable uncertainty about what needs to be done. For small manufacturers in particular this may become more important as customers start to require evidence of the sustainability.



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About us

SQW Group

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For over 30 years Oxford Innovation have been a major contributor to making places thrive; championing innovation and ambition, we deliver services that help entrepreneurs to thrive, their businesses to grow and local economies to strengthen.

We provide SMEs with support in three crucial areas:

- Space for entrepreneurs to innovate and collaborate
- Business expertise and Advice for leaders of ambitious businesses
- Access to Finance for growing innovative businesses

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Oxford Innovation Advice

The Strategic Growth Programme is designed and delivered by Oxford Innovation Advice.

We facilitate economic prosperity by providing ambitious businesses with trusted and timely advice that enables them to thrive. Drawing on our proven expertise, we design and deliver business support programmes that generate sustainable growth and help nurture innovation and dynamic thinking.

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SQW supported the creation of this report and the CORE analysis. SQW is a leading provider of research, analysis and advice on sustainable economic and social development for public, private and voluntary sector organisations across the UK and internationally. Core services include appraisal, economic impact assessment, and evaluation; demand assessment, feasibility and business planning; economic, social and environmental research and analysis; organisation and partnership development; policy development, strategy, and action planning.

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