

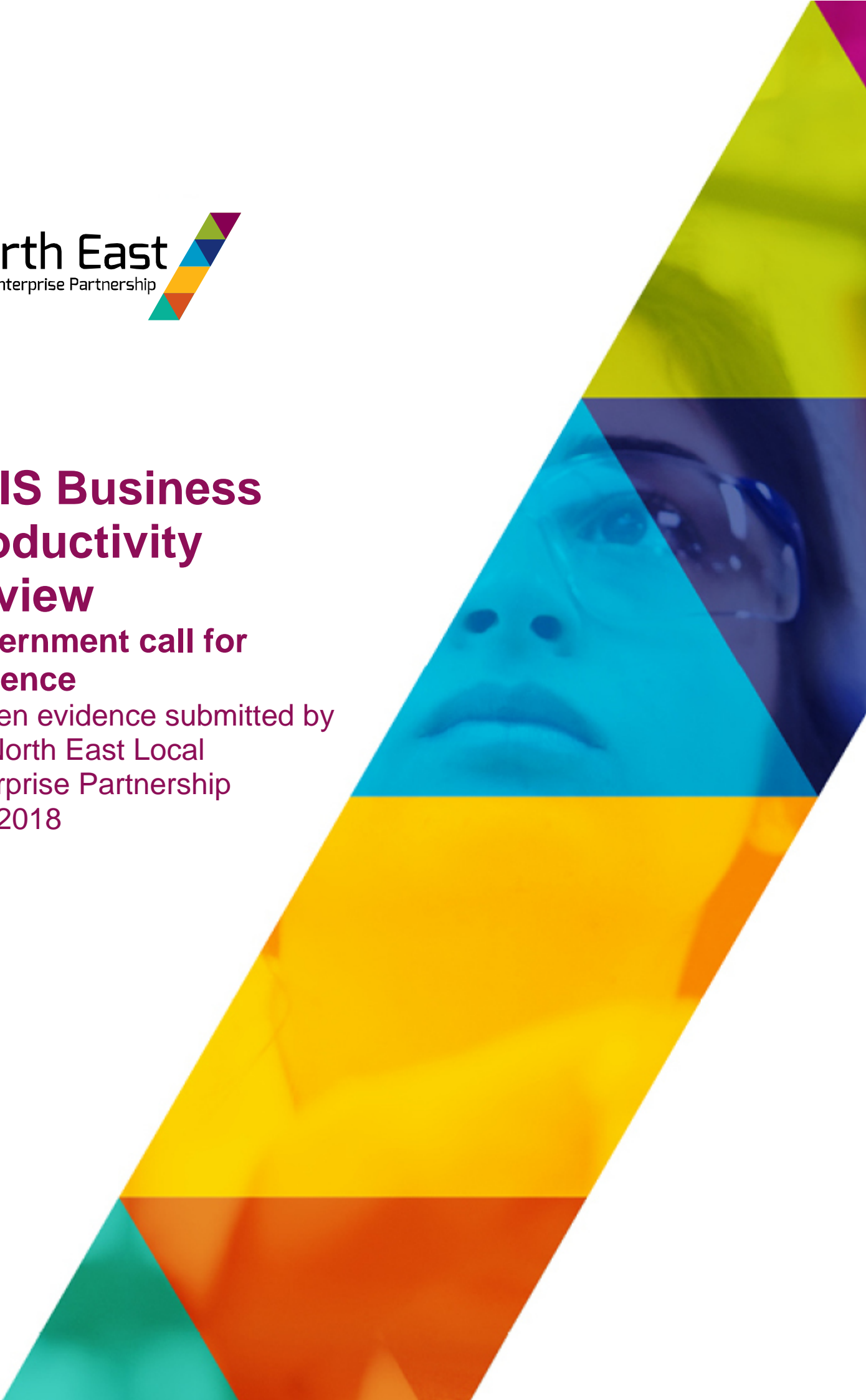
**North East**  
Local Enterprise Partnership



# **BEIS Business Productivity Review**

**Government call for  
evidence**

Written evidence submitted by  
the North East Local  
Enterprise Partnership  
July 2018





This is a response to a request for evidence on the issue of business productivity. Rather than answer each question posed, we have focused our response on the questions where we have identified evidence that can be used to further inform governments approach to driving business productivity.

## The UK's productivity challenge

### Question 1:

#### **Do you agree with our working definition of low-productivity businesses?**

No rationale is given for defining low productivity businesses as those with productivity below the UK median, with this group being considered the 'long tail'.

In his 'productivity puzzles' speech, Haldane<sup>1</sup> (2017) argues that there is a long tail of companies with low productivity growth alongside an upper tail of companies with high and increasing rates of productivity. He makes the case that this is partly due to a slowing (or stalling) of technological diffusion from leaders to laggards. Focusing on those in the bottom 50% would mean the opportunity to raise the productivity of those that are above median productivity but significantly behind the leaders is lost. The experience of our Growth Hub High Performance pilot (discussed in more detail later in our response) is that there is significant scope to increase the productivity in these companies.

Consideration should also be given to whether the choice of median productivity will have implications for other policy goals. For example, the Industrial Strategy recognises that achieving its vision requires ensuring "every part of our country realises its full potential" and it is important that government explores what the implications of choosing this definition will have on their ability to achieve this goal.

We welcome the review's commitment to consider the variation in median productivity by sector and size but would encourage this to be broadened to other considerations. For example, research<sup>2</sup> has shown that foreign direct investment (FDI) firms have higher productivity than non-FDI firms, with outward FDI firms having higher productivity than inward FDI firms. Similarly, recent research by the Joseph Rowntree Foundation<sup>3</sup> has found that UK workers in low-wage sectors are less productive than those in France, Germany and the Netherlands with this being attributed to a less effective utilisation of available labour, rather than a lack of capital investment or workers having lower levels of formal skills.

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<sup>1</sup> Haldane, A. (2017) Productivity puzzles. Speech given at London School of Economics.

<sup>2</sup> ONS (2017) Foreign direct investment and labour productivity, a micro-data perspective: 2012 to 2015.

<sup>3</sup> Summarised in Innes, D. (2018) The links between low productivity, low pay and in-work poverty, Briefing, Joseph Rowntree Foundation.



**Question 4:**

**Is the long tail of low productivity firms being driven by weaker competition in UK markets?**

One of the indicators within the EU Regional Competitiveness Index<sup>4</sup> is market size. Data is available for 263 regions across the EU, including 34 in the UK.

- London and regions covered by its commuting zone is the region with the largest market size in the EU (ranked 1/263).
- Six regions (including London and regions covered by its commuting zones) are ranked in top 25.
- The regions in the UK with the lowest rankings are the Highlands and Islands (204/263), Northern Ireland (166/263) and Cornwall and Isles of Scilly (165/263).

This suggests that the extent to which weaker competition is driving lower productivity will vary on a geographic basis. Similarly, competition is likely to vary across sectors and as a result of other factors.

**Leadership and management**

**Question 8:**

**Is there further evidence on the links between management practices and productivity? If so, which management practices have the biggest impact on productivity?**

Evidence<sup>5</sup> suggests that leadership and management is critical to motivating staff as well as catalysing and managing change. It's also widely accepted that strong leadership is intrinsically linked to the key drivers of productivity such as innovation, internationalisation<sup>6</sup> and digital adoption<sup>7</sup>.

Line and middle managers form a vital link to connecting the business people and stakeholders with the business' vision and strategy<sup>8</sup>. It's therefore paramount that the senior leaders spend time to engage and communicate their vision to middle and line managers.

Evidence from the Growth Hub High Performance<sup>9</sup> evaluation (see Case Study 1) demonstrated almost half of leaders fail to carry out the practices required to engage their

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<sup>4</sup> [http://ec.europa.eu/regional\\_policy/en/information/maps/regional\\_competitiveness/](http://ec.europa.eu/regional_policy/en/information/maps/regional_competitiveness/)

<sup>5</sup> The Relationship between UK Management and Leadership and productivity, Strategic Labour Market Intelligence Report, IES & UK Commission for Employment and Skills, Feb 2016.

<sup>6</sup> Unlocking UK Productivity Internationalisation and Innovation in SMEs, ERC, Goldman Sachs, British Business Bank, 2015

<sup>7</sup> Small business, big technology, Google & Deloitte, 2014

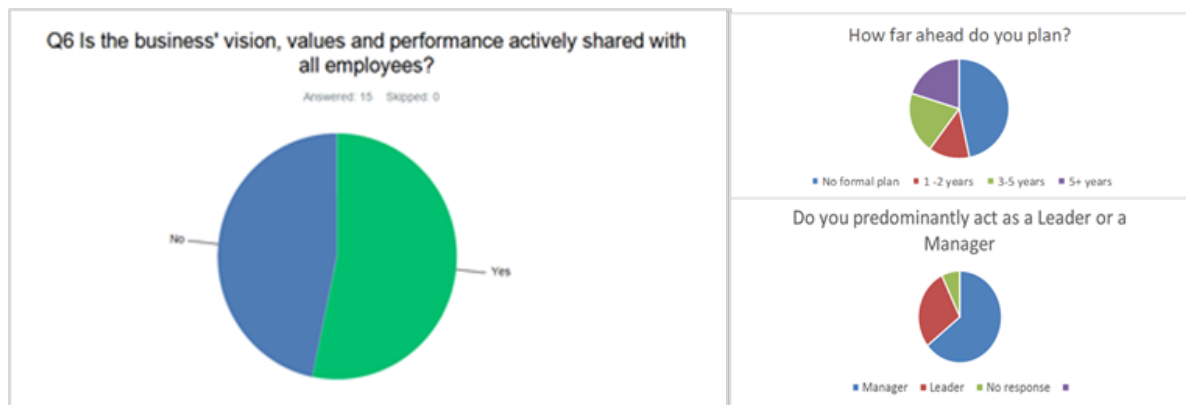
<sup>8</sup> The Relationship between UK Management and Leadership and productivity, Strategic Labour Market Intelligence Report, IES & UK Commission for Employment and Skills, Feb 2016.

<sup>9</sup> Growth Hub High Performance Evaluation Report (A Be the Business Pilot Programme) – RTC, June 2018



people in the business' vision. Prior to participating in the programme almost half of the participating businesses reported:

- They had no formal plan in place
- That most owners spent the majority of their time acting as a manager rather than a leader
- That almost half of participants did not share their vision and strategy with employees.



On average, participants of Growth Hub High Performance had 25 employees and a turnover per employee of £122,000. It's therefore likely that the participating businesses are above the mean average in terms of productivity performance. Evidence demonstrates that significant improvements can be made in these businesses and that they are motivated and willing to improve. **These findings signal that there is a significant opportunity for improvement in leadership practice and in turn significant productivity gains to be made.**

### Question 9:

**What are the main reasons for businesses adopting or not adopting management best practice?**

Established market failures exist<sup>10</sup> that prevent businesses from adopting best practice, which we have summarised below:

- **Businesses do not believe suitable assistance exists:** most businesses face problems and have the opportunity to grow or improve. However, they are so focused on the day-to-day operation<sup>11 12</sup> of their business that they fail to recognise such opportunities and remain unaware of the range of support available to them
- **Businesses doubt the benefit that they will receive in return for the time and money they invest in business support:** SME's are time poor and have limited working capital, so investing time and resources into business support requires

<sup>10</sup> Research to understand the barriers to take up and use of business support, BIS, CEEDR 2011

<sup>11</sup> Growth Hub High Performance Evaluation Report (A Be the Business Pilot Programme) – RTC, June 2018

<sup>12</sup> Evaluation of the North East MGP Pilot, New Skills Consulting, 2017



careful consideration, especially when it's difficult to comprehend the level of benefit they could receive in return for their time and money invested

- **Businesses find it hard to trust external information and advice:** On a daily basis, businesses are bombarded by a plethora of messages promoting products and services that promise business growth and improvement. The reality is that many businesses have received a poor experience in the past that has tainted their perception of business support <sup>5</sup> – it's easy therefore for businesses to become skeptical and mistrusting.

Recommendations and being shown how peers have benefited from the adoption of best practice strongly influences others to do the same. Peer learning and showcasing exemplar businesses were the overriding success <sup>7</sup> of Growth Hub High Performance (see Case Study 1). Exemplar businesses provided the reference point where businesses could understand how best practice applied to their business.

*"It was excellent to be in the room with individuals going through similar issues so the owner managers could engage at that level and talk openly and frankly about business challenges"*

In addition Growth Hub High Performance demonstrated that prior to attending the programme, most of the participating owner managers continued to be 'hands on' working at the operational rather than a strategic level and in most cases did not recognise that this situation was holding the business (and themselves) back.

Exposing delegates to exemplar businesses who had recognised and acted on the need to break away from the day-to-day helped others to realise the need to do the same. Moreover, the opportunity to talk and question exemplars allowed participants to learn about the challenges they faced and how it had benefited them personally as well as the business.

*"I hadn't really appreciated the difference between leadership and management. I have been too operationally focused. Working in the business, rather than on it"*

Growth Hub High Performance also demonstrated that connecting businesses to exemplars to whom they could directly relate to was of fundamental importance. Businesses needed to be able to see that exemplars had faced similar challenges to themselves in order for them to relate to and draw influence from their experience - suggesting that a one size fits all approach won't work. Of the four exemplar businesses, three were SMEs and one was a large organisation. Participants reported that they found it easier to relate to the changes which had been implemented by the SMEs than the large business.

*"The large organisation has implemented some great processes but they have the resources to throw at projects to make them work"*



**Question 10:**

**Are there further examples, from the UK or internationally, of approaches that have worked to increase the adoption of management best practice?**

**Case study 1: Growth Hub High Performance**

The Growth Hub High Performance was designed by the North East Local Enterprise Partnership, funded by Be the Business and delivered through North East Growth Hub partner RTC North. The pilot programme was delivered between November 2017 and March 2018.

The focus for this programme was on a 'middle tier' of SMEs likely to have between 10 and 50 employees, where productivity improvement depended on owner managers or small leadership teams. Typically, businesses at this stage of growth lack the 'critical proficiencies' internally to identify and overcome barriers to growth around planning, recruitment and selection, leadership, management development, operational improvement and digital adoption.

A simple customer journey took business leaders through an online Be the Business benchmarking exercise and a face to face diagnostic prior to the first workshop. Four workshops which mirrored the Be the Business movement benchmark surveys were hosted on-site at exemplar businesses who were chosen for their expertise or relevance to the productivity themes:



Marketing of the programme was done primarily through referral from Growth Hub delivery partners. Joint PR activity with the North East LEP was published in regional media and via the North East Growth Hub and social media was used to create additional reach. 15 businesses were recruited with an average of 25 employees and turnover employee of £122,000.

Conclusions reached in the interim evaluation included:

- Peer group learning enables delegates to share knowledge and ideas and is effective in stimulating discussion which helps delegates to devise action plans.
- Sharing initial plans with peers enables constructive challenge of preconceived ideas, as well as the sharing of expedience and best practice.
- Prior to the programme most owner managers were only accountable to themselves so having peers to hold them to account was key to build and maintain momentum.



- The introduction of practical tools and techniques and examples allowed delegates to immediately implement actions and were already seeing the benefits.
- Visits to exemplar businesses that could show tangible benefits of implementation of methodology in their own business provided the motivation for productivity improvement – delegates found the honesty of exemplars in discussing failures as well as successes inspirational.
- Choosing the right size of exemplar was vital and larger SMEs (as oppose to large) businesses made productivity improvement seem more achievable and realistic.
- The North East Growth Hub network was an effective and trusted route to market and provided the vital linkage to access the expertise required to follow through and implement the plans developed during the programme.

In terms of quantitative impact, following the initial diagnostic, participants forecast that with improvement they could raise T/O per employee by almost £10k within one year from an average of £122,863 to £132,203. These forecasts will be updated with actual improvement data once available, providing a more accurate assessment.

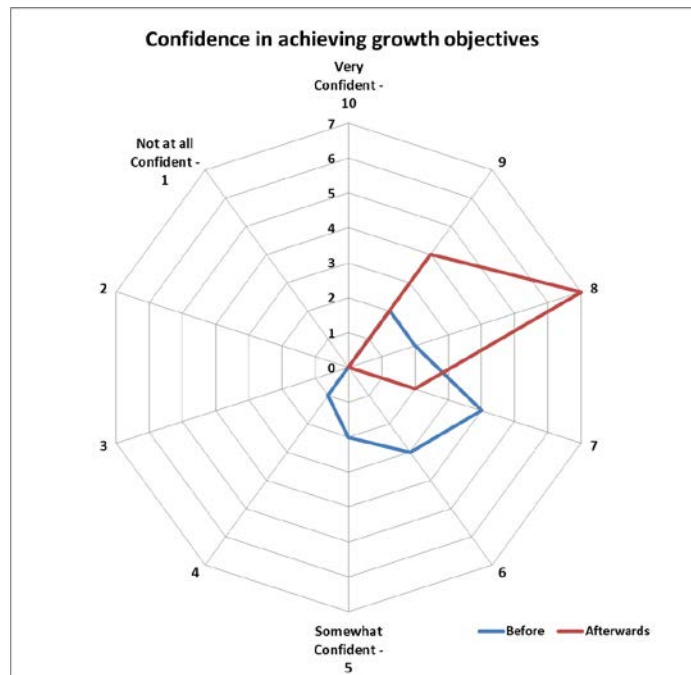


## Case study 2: Growth through Mentoring

The Growth through Mentoring programme brings together successful North East business leaders, all of whom have had the experience of leading and scaling a business beyond £3m turnover. Understanding the barriers and challenges of business growth, our mentors give their time, without cost, to support an earlier stage entrepreneur realise their high growth ambitions.

The programme matches mentees with mentors, with the mentors committing to work with the business over three sessions, usually completed within a six month period. We have found however that the majority of mentors stay in touch with their mentees on an informal basis and continue to be a trusted sounding board. Both the 'first hand' insight and understanding is particularly valued by our mentees together with the willingness of the mentors to share their own experiences.

Based on initial research and evaluation conducted by Northumbria University the below diagram demonstrates that Growth through Mentoring has had a huge impact on the confidence of mentees in achieving their business objectives.



In addition the table below demonstrates the areas of proficiency where peer mentoring has had the biggest impact on mentees.

Areas with the highest impact	Areas with medium impact
Business planning	Business development
Personal skills	Business efficiency
HR	Personal effectiveness
Personal effectiveness	Communication skills
Problem solving	
Managing unpredictable environments	

These findings demonstrate that not only does mentoring have a huge impact on the confidence of owner managers to achieve their objectives, but it has a demonstrable impact on raising performance and effectiveness in key areas of business proficiency.

### Case study 3: Manufacturing Growth programme

The North East Growth Hub's Manufacturing Growth Programme (MGP) provided 12hrs 1-2-1 support with a high quality manufacturing growth specialist. The main areas of development were increasing sales and marketing capacity and leadership and management development. Findings included:

- Focusing on these areas tended to result in more structured approaches and the adoption of technology





- 56% of businesses said that it was unlikely that they would have made these improvements without the support of MGP
- The credibility of the advisers was key to building trust and confidence and that the diagnostic and planning tools provided a useful structure
- The businesses found the pressure and discipline provided by the external advisor was important and valuable in making them take time away from the day to day pressures of the business
- The evaluation concluded that without ongoing support there may be a risk that the growth plans of some of the businesses may not be delivered, reducing overall impact.

The forecasted impact of the MGP programme was £5,784 TO/per employee increase per business. A NET additional impact (taking into account leakage, displacement, multiplier and deadweight effects) of 18.2% resulted in a net additional TO/per employee increase of £1,053 t/o per employee uplift.

**Question 11: What actions by the public or private sector would be most effective to facilitate effective adoption and embedding of management practices?**

In order to facilitate the adoption and embedding of management practices the public sector should focus on addressing the established market failures that suppress demand for private sector leadership provision:

**Market Failure #1: The business support landscape is confusing:** Should an SME recognise the need for leadership development they often find that the business support landscape can be confusing and difficult to navigate. An opportunity exists to build on the national Growth Hub network to build on the momentum already generated to provide simplified access to business support.

For instance the North East Growth Hub includes an intuitive online platform ([www.northeastgrowthhub.co.uk](http://www.northeastgrowthhub.co.uk)) which aggregates over 220 business support and finance solutions making them easily accessible through a searchable platform.

**Market Failure #2: Many businesses do not believe suitable assistance exists:** Most businesses face problems and have the opportunity to grow or improve. They are however so focused on the day-to-day operation of their business that they fail to recognise such opportunities and remain unaware of the range of support available to them. The public sector has a role in raising awareness of the support that's available and the benefits that this could deliver. Increasing the visibility of exemplars and peers who have faced similar challenges and benefited from support is an essential element in stimulating greater levels of awareness of the benefits.

The North East Growth Hub raises awareness of the possibilities and reaches out to businesses through a series of targeted online campaigns and events that introduce businesses to inspirational stories from high profile and inspirational business leaders. Events and online campaigns are backed up by practical tools and techniques and introductions to solution providers that leaders can use to drive change in their business.

**Market Failure #3: Businesses doubt the benefit that they will receive in return for the time and money they invest in business support:** SMEs are more often than not





time poor and have limited working capital; investing such precious resource therefore requires careful consideration. When making these judgments, owners of SMEs find it difficult to comprehend the level benefit they are likely to receive in return for their time and money invested. The public sector Growth Hubs should continue to provide access to impartial and objective triage diagnostics and signposting (online, telephone and face-to-face) designed to help businesses identify opportunities for improvement and to help them to identify targeted solutions.

Our Growth Hub Connectors and Scaleup Partners work with businesses to identify opportunities for growth and improvement, identify relevant solutions and quantify the benefits that the business is likely to receive.

**Market Failure #4: Businesses find it difficult to trust external information and advice:** On a daily basis businesses are bombarded by a plethora of messages promoting products and service that promise business growth and improvement. In most cases approaches take little regard of the business' situation, needs and barriers – it's easy therefore for businesses to become skeptical and mistrusting. Moreover the evidence presented in this response suggests that there is a role for the public sector to be the arbitrators of quality and to provide facilitated and targeted access to proven and high quality suppliers and solutions.

The North East Growth Hub provides established businesses and scaleups managed introductions to solution providers followed-up an aftercare service. The Growth Hub's Quality Assurance framework measures the quality of provider delivery meaning that poor performance is identified and dealt with accordingly.

"There are many leadership programmes available in the marketplace. I attended this one as I trusted and know the coach. I wouldn't sign up unless I knew I would get value from the time I spent out of the business"

## Technology and innovation adoption and diffusion

### Question 12: Is there further evidence to demonstrate the link between technology or innovation adoption and a business' productivity growth?

If a company performs well in a particular area then chances are that they are using technology as an enabler of performance. Businesses don't want technology; they do however want the benefits that technology can deliver.

Too many businesses do not understand the benefits and how technology could apply to their business. The benefits of technology can be significant not only in terms of productivity improvement but also in relation to business growth. For instance Deloitte identified that SMBs who utilise cloud computing are 21% more profitable and experience 26% faster growth<sup>13</sup> than those who do not. Such findings suggest that it's not the technology itself that delivers performance but rather its technology coupled with the right

<sup>13</sup> *Small business, big technology, Google & Deloitte, 2014*



leadership, culture and underpinning business model that drive performance<sup>14</sup>. Technology adoption can therefore not be viewed in isolation.

Opportunities to embed the theme of digital technology as across cutting theme across all aspects of business support should be considered.

**Question 13:**

**What are the main reasons for businesses adopting or not adopting new to firm technologies?**

**A general lack of awareness of the potential benefits and opportunities:** Many businesses do not adopt new to firm technologies as they are unaware of the benefits and opportunities that they present. Growth Hub High Performance demonstrated that prior to attending the digital best practice visit (to exemplar business Orange Bus) that most participants thought that digital technology was going to be of little relevance to their business<sup>15</sup>.

“I had not considered the digital opportunities for our business until that session”

**A lack of commitment from leaders and managers:** such low levels of awareness can result in limited buy in from leaders as they have not made the strategic linkage between the adoption of technology and their business and its future. Adoption needs to be led from the top<sup>16</sup> it needs to be a firm wide initiative set with in the context of a clear vision<sup>17</sup> and leaders need to cascade and develop competencies across the organisation and make sure that everyone is pulling in the same direction.

**A Lack of resources and knowledge:** the vast majority of SMEs lack internal capacity and capability to identify, manage and implement new technology. Evidence demonstrates that digital skills are lacking across the tiers of many organisation. Such a lack of skills can be self-fulfilling as increasingly employees want to work for digitally savvy firms.<sup>9</sup>

**A lack trust in solutions/providers:** many businesses have a level of awareness yet struggle to understand exactly how technology applies to their business and what the implementation of such technology entails. Their lack of understanding results in businesses being unsure and wary of potential suppliers and solutions. Such businesses value impartial support to identify which solutions are most appropriate and to guide them through the implementation process.

**Question 15:**

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<sup>14</sup> State of Gigitisation in UK Business, Strategic Labour Market Intelligence Report, SQW, UK Commission for Employment & Skills March 2016

<sup>15</sup> Growth Hub High Performance Evaluation Report (A Be the Business Pilot Programme) – RTC, June 2018

<sup>16</sup> PWC, Digital IQ survey 2015

<sup>17</sup> Accenture - Digital Transformation in the Age of the Customer 2015



**Do you have any examples, from the UK or internationally, of public or private sector approaches that have increased the adoption of best practice technologies or new to firm technologies?**

Growth Hub High Potential (see Case Study 1) included a visit to a digital exemplar business (Orange Bus). The visit significantly grew participants' awareness of and appetite to adopt new technologies<sup>18</sup>. The subsequent peer-to-peer discussion led to the sharing of best practice and stimulated ideas of how digital technologies could help participant improve customer service and enhance product and process innovation and access new markets. Facilitated and personal **exposure to the exemplar business proved to be an effective mechanism to diffuse best practice.**

*"The day was particularly thought inspiring.....the discussion and interaction between delegates was also very beneficial in terms of digitisation and forward thinking. The workshop and discussion, which followed were also very good and hit home the common challenges to all of the delegates".*

Delegates stated "Digital adoption and perfusion" was a key theme they would benefit in receiving more support to understand how to make the most of the right technologies.

*"Going forward it would be good to be introduced to some pre-vetted suppliers who have a track record in solving some of the issues the workshops threw up. No sales pitches, it's vital that these businesses have earned the right to be in the room. This would be especially relevant as a follow on to the Digital Workshop"*

**Question 16:**

**What actions by the public or private sector would be most effective in driving effective adoption of new to firm technologies?**

The following recommendations are drawn from the evidence presented and define actions that the public and private sector can perform to drive the effective adoption of new to firm technologies:

- Both the public and private sector should collaborate to make sure that new to firm technologies (especially digital technology) is a cross cutting theme in development programmes (e.g. leadership, talent management, sales and marketing etc.)
- There is an opportunity for the Growth Hub network to embed digital adoption as a cross cutting theme in their approach triage, diagnosis programmes
- The public sector has a role to play in raising awareness of the benefits and opportunities digital adoption presents. This can be achieved through facilitating exposure to relatable peers and exemplars that have adopted and benefited from new to firm technologies
- Growth Hubs should draw out the adoption of new technologies in case studies and during events as to raise awareness, develop curiosity and encourage business to find out more

<sup>18</sup> Growth Hub High Performance Evaluation Report (A Be the Business Pilot Programme) – RTC, June 2018



- There is an opportunity for government to learn from and build on Growth Hub High Performance (see Case Study 1) as a mechanism of raising awareness, selling the benefits and motivating businesses to act
- The public sector has a role to play in making introductions to proven and high quality suppliers who can support businesses to make the right technologies and to effectively implement the right solutions.

## Business support

### Question 17:

#### **What are the main reasons for businesses utilising or not utilising public and private business support?**

In addition to the market failures outlined in response to Question 11 (leadership and management), the utilisation of business support can be influenced by businesses' previous experience. Negative previous encounters can make businesses reluctant to engage in the future<sup>19</sup>.

To address this issue the North East Growth Hub adopts the principle of quality over quantity. Our approach is built on the belief that 'quality attracts quality' and if we deliver an excellent experience then businesses are more likely to tell other businesses about their positive experience and spread the message. We are therefore building a high quality team all with a track record of delivering business growth and performance. The North East Growth Hub's core roles include:

**Growth Mentors – successful business people volunteering their time to help others:** All of the Growth Hub's mentors are business owners and leaders who have a track record in scaling businesses beyond £3million. They all set aside time voluntarily, alongside running their business, to support the development of others. Our approach is designed to deliver high quality mentoring experiences that will lead to transformational change.

**Scaleup Partners – providing intensive Account Management:** We don't believe that a one size fits all approach works for scale up businesses, our team of six Scaleup Partners are highly skilled and have a range of tools, techniques and areas of expertise that allow them to develop a bespoke approach for each business – it's all driven by the businesses' unique needs. All of our Scaleup Partners have a track record in scaling businesses and therefore hold credibility and are in a position to deliver value.

**Growth Hub Connectors:** The North East Growth Hub a team of experienced Growth Hub Connectors all with a track record in business. Adopting an independent, impartial and objective approach, Connectors work with businesses to understand their opportunities and barriers to growth and pinpoint the solutions that will deliver the businesses objectives. Connectors motivate businesses to engage with business support through helping them to understand the benefits they can expect to receive in exchange for their investment of time and money.

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<sup>19</sup> Research to understand the barriers to take up and use of business support, BIS, CEEDR 2011



**Question 20:**

**What actions by the public and private sector would be the most effective to facilitate uptake of business support?**

**Build on the momentum generated by LEPs and Growth Hubs:** At the heart of the English business support landscape is the national Growth Hub network and an opportunity exists to diffuse best practice across the Growth Hub network and further develop their capacity. Our message for Government is therefore to build on the momentum generated by Growth Hubs.

**Use peer learning and exposure to exemplars to diffuse practice and inspire growth:** The evidence presented in our submission demonstrates that businesses want to learn from other business people to who have faced similar challenges. A one size fits all approach will not work however and businesses need to be exposed to peers that they can directly relate to.

"I liked the look of the programme themes and in particular the visits to businesses who are examples of best practice"

**Focus on addressing market failures and stimulating the private sector market for business support:** Growth Hubs should retain their position of tackling established market failures (see answer to Q11) and delivering impartial and objective triage, diagnosis and signposting. Drifting into the direct delivery of support would compromise Growth Hubs ability to achieve a trusted and impartial position and detract focus from tackling market failures.

**Make sure funding and targets drive the right behaviours:** the wrong targets and funding mechanisms can encourage an overly transactional and 'tick box' style of support. If Government want to diffuse best practice across the business population and deliver real transformational change then funding mechanisms and associated targets must encourage the approaches that will deliver the desired result.

**Question 23:**

**How can Government promote self-sustaining business support ecosystems, where firms seek and access information, advice and tools that improve their performance?**

It should be noted that self-sustaining business support ecosystems such as the Entrepreneurs' Forum do exist and are effective in diffusing best practice. **The application of such models across a wider geography presents an opportunity for government to explore.**

**Case Study 4: Entrepreneurs' Forum**

The Entrepreneurs' Forum was first established by ONE North East and is now 100% self-sustaining without the need for public investment.





Their strategy is simple; they provide inspiration and a helping hand to North East entrepreneurs through an annual calendar of events, an award-winning peer-to-peer mentoring programme and by connecting and championing the region's entrepreneurial community. All of the Forum's members have ambition and growth at their core which is reflected in the below figures:

**2013**

Total members 284,  
Collective turnover of members £2.1bn,  
Collective number of employees 16k.

**2016**

Total members 294,  
Turnover £2.3bn,  
Collective number of employees 23k

Focusing on expanding and diffusing best practice across such communities could have a significant impact on productivity performance and help to spread the productivity bug across the wider population.

The North East Manufacturing Growth programme<sup>20</sup> evaluation found that most businesses are willing to pay for business support but this is on the condition that they have a choice of high quality, credible advisers and that they are clear in advance about the benefit of the support/return on investment and that they have the opportunity to 'try before they buy'.

The Manufacturing Growth programme findings are consistent with the Growth Hub High Performance pilot evaluation<sup>21</sup>. As part of the evaluation a roundtable meeting was held in partnership with Be the Business. Participants expressed that they would not have considered paying for Growth Hub High Performance beforehand but now that they have tried it and understand the benefits that they received that they would be willing to pay and engage in more intensive forms of development in the future. This finding reinforces that many businesses do not engage in business support as they are unsure of the benefits<sup>22</sup> that they will receive.

This dynamic presents an opportunity for private sector providers to work with Growth Hubs to deliver taster sessions designed to demonstrating the impact their solution will have on businesses.

## Summary

### Question 24:

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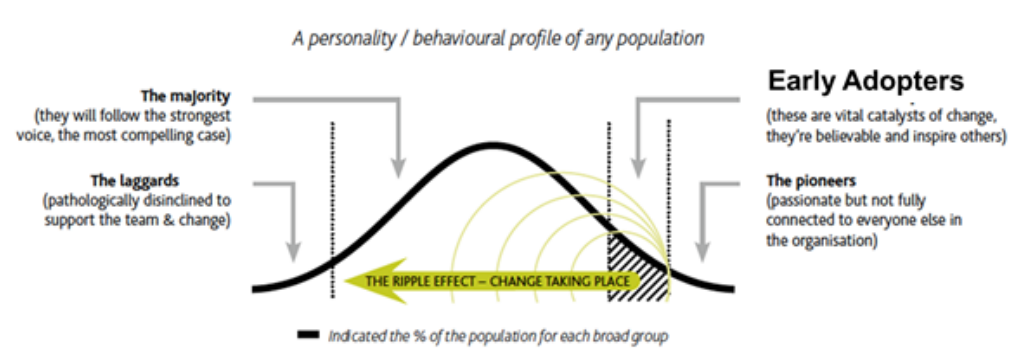
<sup>20</sup> Evaluation of the North East manufacturing Growth Programme Pilot - New Skills Consulting, 2017

<sup>21</sup> Growth Hub High Performance Evaluation Report (A Be the Business Pilot Programme) – RTC, June 2018

**Do you agree that we are focusing on the right set of businesses? Do you agree that there are opportunities to increase productivity in the long tail?**

Productivity gains can be achieved across a wide range of businesses but the barriers and motivations will be very different in businesses of varying size, sectors and supply chains. A one size fits all approach will not work and a segmented approach should be adopted. It should also be recognised that as Centre for Cities suggest<sup>23</sup> some businesses are unlikely to engage and will have a limited opportunity to achieve gains of any significance.

The dynamics of the innovation diffusion curve (below) should be observed and adopted to diffuse best practice across the majority of the business population. The focus should be on 'Early Adopters' (otherwise known as exemplars) and their influence to spread the productivity bug across the wider population - this will not be instantaneous and will require tenacity to reach the 'tipping point'.



<sup>23</sup> The Wrong Tail, Centre for Cities, 2018