

Regional Attitudes to Growth and Competitiveness

A report by Brother, supported by Professor Robert Huggins



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About Brother

Brother is a leading technology specialist providing print, scan, labelling and communications solutions for businesses of all sizes. Offering a range of tools to facilitate working in the office and on-the-go, Brother technology has been recognised with a total of 46 awards for innovation and design at the International Forum Design Awards.

Brother also provides the commitment and expertise to help businesses in the constant search for improved efficiency and productivity, working closely with its customers to establish long-term business partnerships.

Manchester-based Brother UK has recently been named as one of the Sunday Times' 100 Best Small Companies to Work For, demonstrating the company's commitment to ethical practice and staff wellbeing.

For further information, visit www.brother.co.uk

Contents

- 4 Introduction**
Phil Jones, Managing Director,
Brother UK
- 5 Foreword**
Professor Robert Huggins,
Cardiff University, UK
- 6 Overview: Regional Attitudes to
Growth & Competitiveness**
- 7 Section One: Attitudes to Regional
Competitiveness**
- 12 Section Two: Regional Skills and
Recruiting to Grow**
- 15 Section Three: Appetite for Expansion**
- 24 Section Four: Employees on the Move**
- 31 Section Five: Boosting Business Agility**
- 37 Section Six: Regional Spotlight**
 - 37 The East of England
 - 39 The Midlands
 - 41 The North West
 - 43 The North East
 - 45 The South East & London
 - 47 The South West
- 49 Section Seven: Conclusion**
- 50 Biography: Robert Huggins**
- 51 Useful Resources for Growing Businesses**

Introduction

Phil Jones, Managing Director, Brother UK

Our economy is finally, firmly in recovery following several tough years for businesses and consumers alike. In December 2013 the British Chambers of Commerce (BCC) became the latest organisation to make positive noises around growth¹, predicting that later in 2014 the UK will see its economy grow above its 2008 peak for the first time since the recession. Confidence amongst businesses is the highest it has been for 20 years as firms anticipate increased growth, exports and profits .

However, the prognosis for the economy is not wholly positive, with growth predicted to slow in 2015. As John Longworth, Director General of the BCC, explains: “What we need is strong, sustainable growth for a really great economy, and that means business investment and also a growth in exports.”

Delivering sustainable growth means avoiding some of the mistakes of the recent past, such as the lack of regulation of the financial services industry, or allowing consumers to rack up unmanageable levels of debt. Yet alongside these concerns, there are other, more fundamental challenges about the make-up of the UK economy and the private sector in particular. One of the biggest dilemmas is how can we enable businesses of radically different sizes, across all regions of the country, to prosper and flourish.

Small to medium-sized enterprises (SMEs) are often described as the engine-room of the UK economy. This is because they provide 99.9% of UK private sector employment and 60% of total growth². There’s no doubt that in order to further reduce unemployment the UK needs to support the growth and prosperity of our 4.9 million SMEs³.

The Government wants more growth to come from the SME sector, creating an entrepreneurial culture of increased opportunity, competition and diversification. Our research takes a look at this notion of ‘competitiveness’ amongst SMEs – their fundamental ability (and willingness) to compete effectively and achieve greater success in their respective industries. It shows that across the

regions of England, competitiveness and appetite for growth are improving; one third of SMEs think that their home region is more, rather than less, competitive than five years ago, with more than half citing technology as the key driver of competitiveness.

38% of firms would now consider expansion into a new region to improve competitiveness. To help SMEs capitalise this opportunity, we need to create a more agile SME sector, populated by businesses that are cost-light, fleet-of-foot and more dynamic in their approach to servicing clients and customers. 73% of SMEs – the vast majority – now believe it is possible to serve clients and customers across multiple regions effectively from their base locations, emphasising the huge potential for low-cost domestic expansions available to firms that take a progressive attitude to growth.

There are still many barriers that must be overcome in our quest to deliver sustainable growth – mid-sized SMEs showing considerable hesitancy towards expansion, along with challenges with the quality/availability of locally-based skills in several regions, to give just two examples.

However, three quarters of SMEs have taken steps in the last year alone to improve efficiencies or enable remote working, and nearly half would consider increasing remote working opportunities for staff to improve their competitiveness. With these growing numbers of SMEs adopting new business practices designed to boost flexibility and agility, and with growing awareness of how new technologies can underpin, support and enable this type of agile approach, small businesses look set to achieve big things in the year ahead.



¹ Lloyds TSB Commercial Business in Britain 2013: www.lloydsbankinggroup.com/media/pdfs/LTSB/2013/0301_bib.pdf

² Federation of Small Businesses 2013: www.fsb.org.uk/stats

³ Federation of Small Businesses 2013: www.fsb.org.uk/stats

Foreword

Professor Robert Huggins, Cardiff University, UK

The relationship between SMEs and the regions in which they are located is a close one. Regional economies are reliant on their stock of SMEs to generate the wealth and jobs required to develop and maintain high standards of living and reputation. Similarly, SMEs are often dependent on the home region to provide the skilled workers, infrastructure and markets required to ensure their own long-term competitiveness. This timely report provides an important overview of the link between the competitiveness of regions and their SMEs in the context of the UK. Policies to support SMEs in the UK's regions remains an area of particular contention, and evidence-based reports such as this one are important in highlighting where and how government policy can be best tailored to meet the needs of SMEs across differing regions.

SMEs are seen as wealth and employment creators, but are often in need of specific assistance to help them survive and grow. The general goal of SME policy, therefore, is to strengthen the existing base of small and medium sized enterprises by ensuring they are able to compete in the marketplace and are not disadvantaged by their size. Policy making may be necessary when smaller businesses are considered to be particularly vulnerable to 'market failures', and when such market failures are likely to be permanent unless steps are taken to address them. Despite this traditional emphasis on SMEs and market failure, enterprise policies have developed to become more pervasive, with increasing interest in promoting entrepreneurship in its broader context; that is, not simply in terms of business start-ups or SME growth.

In general, regions are an increasingly important source of economic development and organisation in a globalised economy. The competitiveness of regions refers to the presence of conditions that enable businesses – especially SMEs – to compete in their chosen markets, and for the value these businesses generate to be captured within a region. Regional competitiveness, therefore, is considered to consist of the capability of an economy to attract and maintain businesses with stable or rising market shares in an activity, while maintaining stable or increasing standards of living

for those who participate in it. This definition of competitiveness equates with the 'high road of regional competition', where regions compete by achieving high levels of innovation, upgrading and growth, rather than the 'low road competition' associated with promoting the lower costs of labour, land or capital.

Competitiveness often varies across geographic space, and regions develop at different rates depending on the drivers of growth. Regional development concerns the upgrading of the economic, institutional and social base, with entrepreneurship that is able to unlock wealth being a prime source of development. Consequently, SMEs and entrepreneurship are central to regional economic growth. Regions which do not incorporate entrepreneurship may fail to identify and act on key sources of regional development, with regions that are open and creative, able to attract human capital and enjoy more dynamic entrepreneurship.

As the UK economy begins to grow and emerge from recession, there is a very real concern that new growth is concentrated in and around London, to the detriment of the rest of the UK's SMEs. Indeed, there is significant evidence to suggest that there is an increased concentration of Britain's economic competitiveness and growth capacity within London, in particular the City.

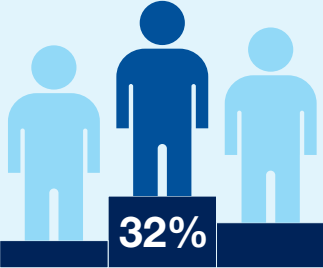
Local Enterprise Partnerships (LEPs) have been introduced across England to support SMEs and their entrepreneurs. As the evidence in this report suggests, there is a very real need for them to grasp the opportunity to diversify Britain's economy away from its dependence on the financial sector by supporting other industries in both the manufacturing and service sectors. Competitiveness is increasingly global in nature and all regions have an opportunity to find their own niche and economic model within this environment. LEPs, SMEs, as well as the host of other agencies representing either regional SMEs or government, must engage in meaningful collaboration and cooperation to achieve this goal.



Overview

Regional Attitudes to Growth & Competitiveness⁴

The ‘Regional Attitudes to Growth & Competitiveness’ research was carried out on behalf of Brother by Populus and saw 600 businesses of 2-250 employees surveyed across six regions of England. Respondents all held senior management positions within their respective firms; more than half of respondents were either the owner or founder of their business (54%). Here are some of the key findings:



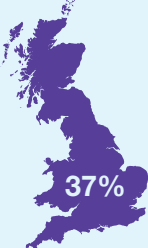
32% of SMEs think their home region is more, rather than less, competitive than five years previous




244 working days is the average amount of working days a year an SME loses travelling for business purposes




73% of SMEs believe it's possible to service customers and clients across multiple regions efficiently from their locations




37% of SMEs would consider expansion into a new region to improve competitiveness



36% of SMEs see a need to recruit staff from beyond their local talent pool in order to become more competitive



50% of SMEs would consider greater remote working opportunities to improve competitiveness



57% of SMEs claim tech is the key driver behind their regions increased competitiveness

⁴ Populus interviewed 602 senior decision makers at companies in England with 2-250 employees online between 21 November and 4 December 2013. More than half of those surveyed were the owner or founder of their business (54%). A further 23% were president/chairman/CEO/MD/General Manager, or a similar board position. The remainder occupied senior management positions. The breakdown of SMEs polled by size of business is as follows:

- 38% were businesses of 2-9 employees
- 19% were businesses of 10-20 employees
- 19% were businesses of 21-49 employees
- 11% were businesses of 50-99 employees
- 7% were businesses of 100-199 employees
- 5% were businesses of 200-250 employees

For the purposes of this research, the regions of England are defined as follows:

- East: Bedfordshire, Cambridgeshire, Hertfordshire, Essex, Norfolk and Suffolk
- Midlands: West Midlands – Birmingham, Wolverhampton, Herefordshire, Shropshire, Staffordshire, Warwickshire and Worcestershire; East Midlands – Nottinghamshire, Derbyshire, Leicestershire, Rutland, Northamptonshire and Lincolnshire
- North East: Northumberland, County Durham, Tyne and Wear and Teesside; Yorkshire & The Humber – South Yorkshire, West Yorkshire, North Yorkshire, East Riding of Yorkshire
- North West: Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside
- South East & London: London – includes City of London and 32 London boroughs; Berkshire, Buckinghamshire, East Sussex, Hampshire, the Isle of Wight, Kent, Oxfordshire, Surrey and West Sussex
- South West: Gloucestershire, Bristol, Wiltshire, Somerset, Dorset, Devon, Cornwall and the Isles of Scilly

Section One:

Attitudes to Regional Competitiveness

Key findings

32% of respondents think that their home region is more competitive than five years ago. Those in the North West are slightly more likely than average to note an increase in competitiveness (40% vs. 32%).

1 in 10 SMEs feel that their region has become less competitive than five years ago; however, more than half (57%) felt they had not seen an improvement in the past five years.

41% of respondents who think their region is less competitive attribute this to negative perceptions of the area.

57% of SMEs claim technology is the key driver of competitiveness for their region, particularly in the South East and London, the South West and Eastern England (69%, 65% and 67% respectively).

Improved external perception of the region and better transport connections with the rest of the UK are the second and third most cited reasons for an increase in competitiveness.

37% of businesses in Eastern England cite improved transport links as the reason for their region's increased competitiveness (vs. an average of 18%).

32% of SMEs in the South West believe improved perception of their region has enhanced competitiveness (vs. an average of 22%).

34% of small businesses (2-9 employees) think they would be more successful if they were based in London (vs. 13% of businesses with 200-250 employees).

On average, respondents outside of the South East were evenly split on whether their business would be more or less successful if it were in London (29% vs. 30%). More than a third said it would be neither more nor less successful.

However, these results vary regionally. Businesses in the North are more likely to think they would be more successful if they moved to London (33% in the North East and 36% in North West), whilst those in the South West (30%), and in particular those in the Midlands (44%), think they would be less successful.

Is competitiveness improving across England?

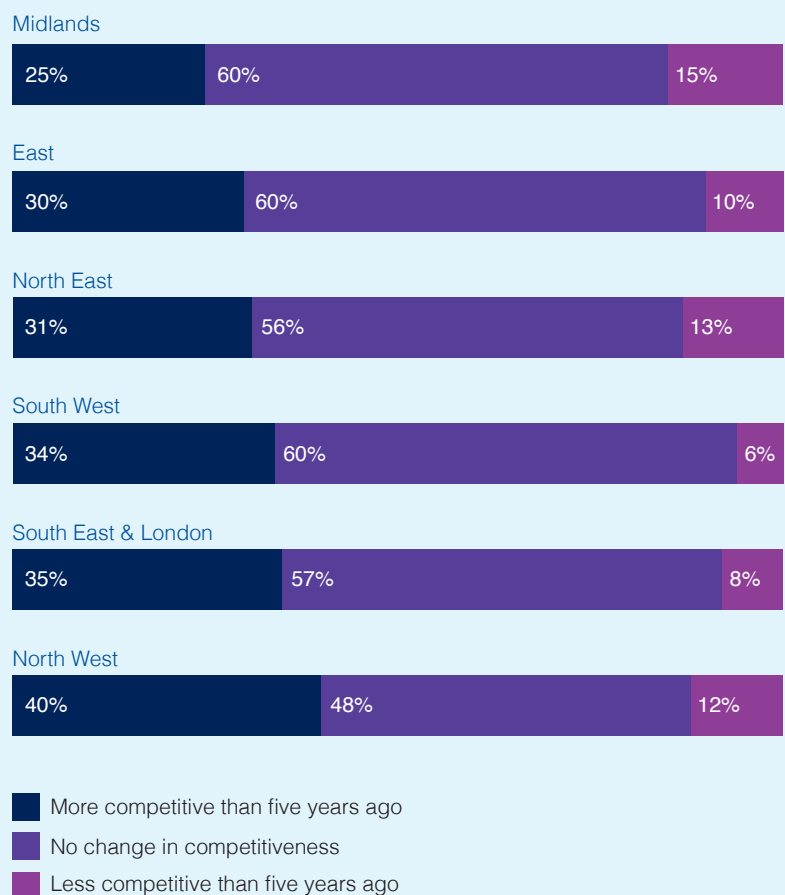
The most recent Quarterly Economic Survey from the British Chambers of Commerce in January 2014 highlighted the strongest growth in domestic trade recorded by British firms for at least six years⁵. The BCC noted that confidence is also rising sharply, with expectations that profitability will improve in the next 12 months, the strongest since 2007 among service providers and since 1994 among manufacturers.

Brother's research into regional attitudes towards competitiveness places this short-term optimism within a wider context. It shows that within the British SME sector – which comprises 99.9% of all British private sector employment⁶– there is a much broader sense that competitiveness has improved over the past five years.

Specifically, the research shows that across England's regions almost a third of SMEs believe their home region is more competitive than five years ago, compared to just one in 10 firms which felt there had been a decline in competitiveness. Nowhere is this optimism more apparent than in the North West, where a burgeoning technology and media industry, supported by advanced digital infrastructure, has greatly improved the region's growth prospects.

There are a number of factors informing these positive regional attitudes, ranging from improved transport links with the rest of the UK (Eastern England), to improved external perceptions of the region (South West). Most notably, a high proportion of respondents in every region attribute technology as being key to enhancing their competitiveness, with around two thirds of respondents in the South East, East and South West claiming that greater use of technology had boosted their region.

Fig1: SME's perspectives on their home regions competitiveness



⁵BCC Quarterly Economic Survey Q4 2013: www.britishchambers.org.uk/assets/downloads/policy_reports_2013/Q4%202013%20QES%20Summary.pdf

⁶Federation of Small Businesses 2013: www.fsb.org.uk/stats

The North/South divide

Since industry in England's Northern towns and cities began to decline many decades ago, countless economists, politicians, social and cultural commentators have examined the notion of the North/South divide – the idea of an affluent and thriving South of England contrasted against a North of England where opportunity and prosperity are comparatively scarce.

Regional growth statistics suggest that to some degree a North/South divide does still remain⁷. Take a look at the contrast between a region such as South East England – which produces 15% of the UK's economic output⁸ – and the North East, where the shift of workers from public to private sector has been particularly painful, resulting in growth of 0.2%⁹ and unemployment rates of 10.3%¹⁰. Back in 2012 *The Economist* went so far as to write that, "Economically, socially and politically, the north is becoming another country"¹¹.

Lambert Smith Hampton's UK Vitality Index provides a view of the health of the local economies of the UK's main regional towns and cities, identifying those best placed to support future economic growth. Of the top 10, seven are in the South East. The top performer is Cambridge in the East of England and none of the locations are in the North West or North East of England¹².

The Brother research shows that while the North West may be the most positive about its competitiveness, there is least negativity within the Southern regions; in both the South East and South West, fewer than one in 10 SMEs feel that the region has become less competitive, despite the effects of the economic downturn. The picture is less rosy in both the North East and Midlands – both regions in which the recession has led to increased unemployment and lower growth figures¹³. Optimism in both of these regions is lower and more than two thirds of SMEs feel that their region has either declined in competitiveness or flatlined during the past five years (69% and 75% respectively).

London versus the UK

This issue of regional discrepancy is further complicated by the London question: to what extent is the capital city distorting the overall growth picture across the rest of England? Some commentators have in recent months highlighted this imbalance in the make-up of the UK economy, suggesting that were the government to publish regional trade figures, they would show that London runs a current account surplus with the rest of the UK, offset by capital transfers from the rich south to the poorer north¹⁴.

The 2013 edition of the UK Competitiveness Index (UKCI) ranks the competitiveness of the UK's regions, towns and cities. Overall, London boroughs account for nine of the top 10 most competitive places in Britain, headed by some distance by the City of London and followed by Westminster, Camden, and Southwark¹⁵. The index score for the City of London, which rose by 85.2 points since the previous index in 2010, indicates that it is has become ever more vital to the UK's competitiveness in recent years.

Yet at the same time, PwC's 'Good Growth for Cities' index shows London as falling well behind the average UK city¹⁶ when a broader range of factors relating to economic wellbeing are considered – such as housing, transport, income distribution, work-life balance and the environment. In this index London is in fact one of the lowest performers. Firms in key growth sectors are also turning their backs on London, choosing to base themselves elsewhere in England due to the excessive costs involved in doing business in the capital.

The Brother research supports this mixed picture, showing a range of opinions on whether SMEs feel their business would be more or less successful if it were in London. Across England as a whole – outside of the South East – 29% of SMEs feel a move to London would positively impact their business while 30% feel it would achieve the opposite.

⁷ The Telegraph, "UK's economic growth masks north-south divide" 2013: www.telegraph.co.uk/finance/economics/10375057/UKs-economic-growth-masks-north-south-divide.html

⁸ Office For National Statistics 2013: www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/region-and-country-profiles---key-statistics-and-profiles---october-2013/key-statistics-and-profiles---north-east---october-2013.html

⁹ Office For National Statistics 2013: www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/region-and-country-profiles---key-statistics-and-profiles---october-2013/key-statistics-and-profiles---north-east---october-2013.html

¹⁰ Office For National Statistics 2013: www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/region-and-country-profiles---key-statistics-and-profiles---october-2013/key-statistics-and-profiles---north-east---october-2013.html

¹¹ *The Economist*, The Great Divide: www.economist.com/node/21562938

¹² UK Vitality Index 2013: www.lsh.co.uk/campaigns/uk-vitality-index/the-index

¹³ Office For National Statistics 2013: www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/region-and-country-profiles---key-statistics-and-profiles---october-2013/key-statistics-and-profiles---north-east---october-2013.html

¹⁴ *The Guardian*, "UK growth? Make London independent to mend the north-south divide": www.theguardian.com/business/economics-blog/2013/sep/22/uk-growth-london-north-south-divide

¹⁵ The UK Competitiveness Index 2013: www.cforic.org/downloads.php

¹⁶ PwC Good Growth for Cities Index 2013: www.pwc.co.uk/government-public-sector/good-growth/good-growth-for-cities-report-on-economic-wellbeing-uk-urban-areas.html

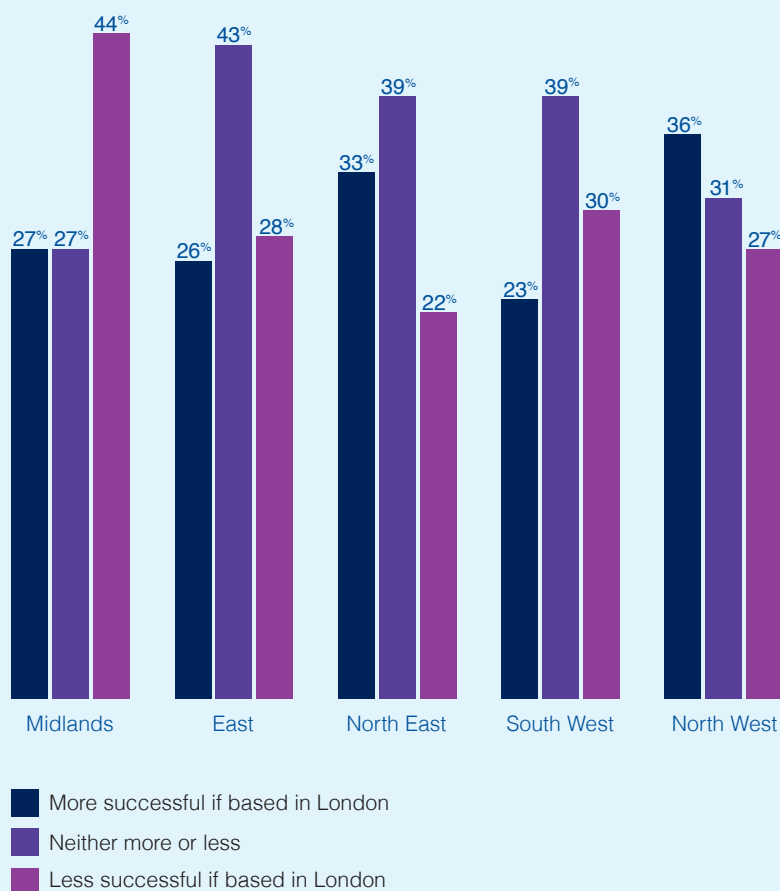
The picture becomes clearer when examined region by region. Respondents from the North are more likely to view a move to London as advantageous, even though the majority are located within ten miles of some of the biggest cities in the UK, while those in the South West and particularly the Midlands feel that moving to London would harm their business.

In contrast, almost half (49%) of firms already based in London and the South East feel that their proximity to the capital gives them a competitive advantage (with 20% of these claiming it is a significant advantage), while just 2% see it as a disadvantage.

So while there may be insufficient evidence in the research to suggest a North/South divide on the issue of regional competitiveness, there is a perception amongst Northern SMEs that their businesses are disadvantaged by the fact that they are not located near to or within London.

Interestingly, it is the smallest businesses (20 employees or less) where there is the strongest conviction that a move to London would boost their success (34% of businesses with 2-9 employees, 30% of businesses with 10-20 employees), perhaps because they feel the capital would afford them greater opportunities to win new clients/customers. When businesses reach the upper end of the SME bracket (200-250 employees), just 13% feel a move to London would be an advantage.

Fig 2: Do SMEs feel that being based in London would impact their competitiveness?



Commentary

Professor Robert Huggins,
Cardiff University, UK

Despite the mixed picture across some of the indicators, it is clear that SME perceptions of regional competitiveness vary across regions. Although a London location may have some downsides in terms of individual well-being and issues such as congestion and the high cost of living, it does provide SMEs with considerably more access to key and growth markets.

The recession has clearly indicated the need for a geographic rebalancing of the UK's economy away from its dependence on London. This is not to say that London's competitiveness position, especially globally, should be weakened, but that there is a need for a concerted effort to boost the economic development prospects of the rest of the UK.

Evidence of on-going disparities in regional competitiveness suggest the continuance of market failure, whereby leading regions continue to attract resources and stimulate entrepreneurial opportunities at the expense of less competitive regions. This alone indicates the requirement for effective governance and policies to tackle these issues.

Section Two:

Regional Skills and Recruiting to Grow

Key findings

63% of SMEs are happy with the quality of their regional talent pool, with one-fifth of respondents very happy.

36% agree they need to be able to recruit staff from a wider talent pool to improve their competitiveness.

73% of respondents in the South West are likely to be satisfied with their local talent pool, while those from the East of England and the North East are least satisfied with the local talent pool (56% and 57% respectively).

46% of SMEs in the Midlands have a strong appetite to recruit from a wider talent pool in a bid to improve their competitiveness (compared to 28% in the South West).

38% of SMEs who feel their region's competitiveness has declined blame falling standards of education for weakening the local talent pool.

Recruiting from a wider talent pool

According to the CBI's Employment Trends Survey 2013, more than half of employers (51%) expect to grow their workforce over the next 12 months, while just 12% expect it to shrink¹⁷. Private sector jobs growth, according to the CBI research, is expected in every part of the UK.

Overlaying this data with the Brother survey it is striking that, while there are high levels of satisfaction with the quality of local skills and talent among SMEs, a sizeable number – more than a third – believe that to truly improve their competitiveness they will have to recruit from further afield.

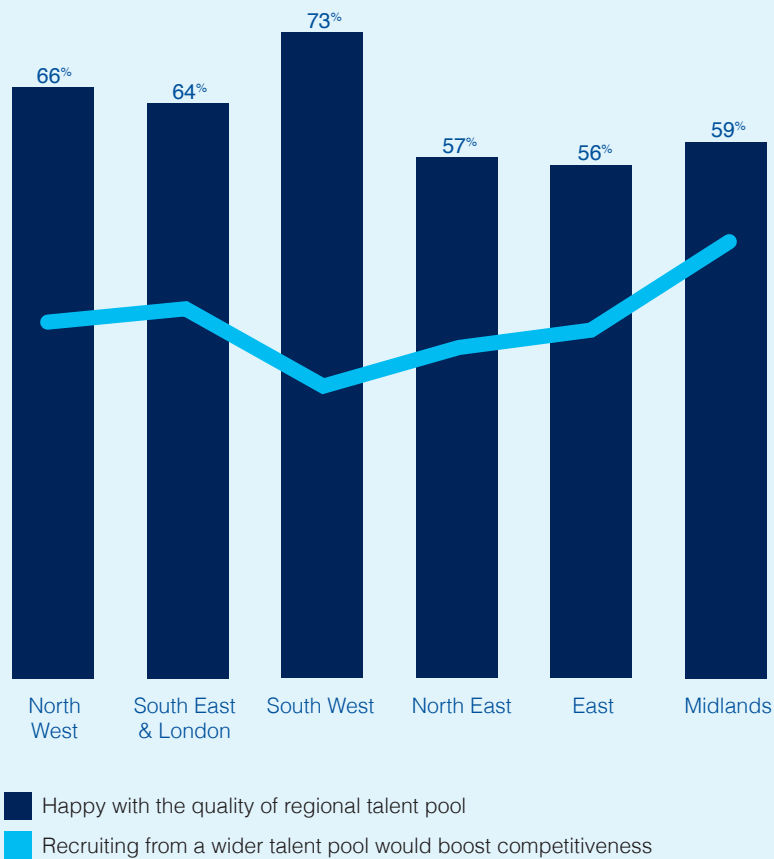
The difference in regional attitudes is most pronounced in the East and the Midlands, where satisfaction rates with the current talent pool are below 60%. More than one third (35%) of firms in the East of England believe recruiting from a wider talent pool would boost their competitiveness, a figure which rises to almost half (46%) in the Midlands. Referring back to Section One of the report, the Midlands is the region where the fewest SMEs had identified an increase in competitiveness during the past five years, while 15% of firms felt the region had become less competitive – the highest of any region.

This contrasts with the North West, where there is a high degree of satisfaction with regional talent but also strong recognition of the need to recruit from further afield to boost competitiveness – more evidence of region-wide self-confidence and appetite for future growth. It also contrasts with the South West, which has the highest level of satisfaction with regional talent, to the extent that SMEs in the region do not see as many competitive gains from recruiting further afield.

¹⁷CBI Employment trends survey 2013:
www.cbi.org.uk/media/2521218/
cbi_employment_trends_survey_2013.pdf

Finally, the figures for South East and London are illuminating. While it may appear surprising that the satisfaction level with regional talent (64%) is not higher given the comparative size of the available talent pool, this may be because firms – blessed with the luxury of choice – are a lot more exacting and selective over the candidates considered for employment.

Fig 3: SME's perspective on quality of regional talent pool



A flexible approach to recruitment

Of course, recruiting from beyond their locale is easier said than done for many SMEs. They need to be able to demonstrate their credentials and ambition, as well as provide salaries and prospects that compete with larger, more established players. Furthermore, there's the fundamental question of the location itself – i.e. is the SME located in an area that appeals to prospective candidates?

In this respect firms may be at the mercy of many external factors, such as the way in which the location is perceived by the rest of the country. As Brother's research shows, of the SMEs that felt their region's competitiveness had declined in the past five years, 41% blamed this on negative external perceptions of their region, for example, within the media.

Other factors could include average wages within the region or house prices and other related costs of living, while the accessibility of the location itself may also be a challenge when recruiting. It's interesting to note that the research shows 64% satisfaction with the regional talent pool for SMEs located within 10 miles of a major town or city, compared to 56% for SMEs that aren't in close proximity to an urban centre. Almost one third (30%) of these rural SMEs believe recruiting from a wider talent pool would boost competitiveness, yet these locational issues could present a significant roadblock.

For SMEs looking to boost their competitiveness and enhance the range of skills within their business, a more flexible approach to recruitment may be necessary – for example, equipping employees to work remotely several days a week, or giving them the business tools to achieve more while travelling. They could even exclusively recruit home-based workers, giving employees the opportunity to work from wherever they want, irrespective of the SME's home location.

This could also help SMEs located outside of the South East and London to prevent staff being 'sucked in' to the capital. The reality is that, while there may be questions raised about quality and affordability of life in London, the capital nevertheless offers prospective employees a greater range of opportunities than anywhere else in the country – typically at salaries of £11k higher than elsewhere in the UK¹⁸. Agile working practices, enabled by technologies such as cloud computing, video conferencing, portable print and scan, collaboration and file-sharing, can help to level the playing field when it comes to recruitment.

Commentary

Professor Robert Huggins,
Cardiff University, UK

Each region must develop its own talent and human capital in order to provide SMEs with the skills and workforce they require to grow and improve their competitiveness. A key challenge of the global competitiveness agenda is to develop and maintain a skilled workforce, capable of adding value to an ever-changing portfolio of business, work, and occupational requirements.

In fact, this challenge has become heightened by patterns of globalisation and mobile capital location. There is an important link between productive performance and skill levels, with low productivity strongly related to a lack of long-term investment in education and training. Within current workforces, it is often those employed by SMEs that are not given the opportunity to participate in further education and training opportunities. The lack of investment in education and training has resulted in many UK companies adopting lower skill strategies than their rivals in other national economies, suppressing demand for training and trapping the economy in a low-skill equilibrium with low levels of innovation. This has led to growing wage differentials between skilled and unskilled workers.

¹⁸ CIPD, 2008: www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2013/01/29/average-london-salary-11k-higher-than-rest-of-uk-2008-07.aspx

Section Three:

Appetite for Expansion

Key findings

37% of SMEs have a client/customer base located within their home region. A similar amount (39%) have clients/customers predominately based outside of their home region.

14% of SME's say their entire customer/client base is located in their home region; 24% say their customer/client base is equally split between their home region and elsewhere.

40% of SMEs have the majority of their customer/client base within their home region in the North East and Eastern England, however, SMEs in the South West and Midlands say their customer/client base is largely located outside their home region (51% and 48% respectively).

37% of firms would consider expanding into a new region to improve competitiveness.

45% of SMEs in the South East and London would expand into new regions to improve competitiveness, the highest percentage of any region.

63% of firms located within ten miles of a major city have already expanded into new regions to improve their competitiveness (vs. 19% of firms not located within ten miles of a major city).

54% of firms that are not happy with the quality of local talent would be willing to expand into a new region (vs. 38% that are happy).

73% of SMEs believe they serve customers/clients across multiple regions effectively from their base locations. This view was most strongly held in the South East and London, in comparison to the North East (80% vs. 65% respectively).

One in three SMEs say they need greater access to local business support – e.g. Government or industry led bodies – to boost their competitiveness, particularly firms between 21-49 employees (40%).

Stimulating growth

Given the SME sector's role as core job creator in the UK – responsible for 59.3%¹⁹ of all private-sector employment – achieving sustainable growth will always be dependent upon creating a vibrant SME base. SMEs need to be innovative and agile enough to take full advantage of positive economic conditions while also being robust enough to endure lean periods without falling into insolvency or making redundancies. Crucially, growth cannot be sustained when the UK's SMEs lack the confidence to take risks.

Fundamentally, sustainable growth relies on helping the UK's SME base become more competitive, creating jobs and delivering growth when times are good and safeguarding jobs and profitability when times are hard. The Brother research tells a compelling story about the hurdles that growing SMEs face as they look to grow their customer base. It shines a light on the regional differences that exist both in terms of where SMEs' customers are located, as well as firms' willingness to expand into new regions. It also highlights some of the pain points that occur during the process of expansion – such as the costs involved or the risk vs. reward of growing beyond a certain size – as well as drawing out a number of positives, such as firms' belief in their ability to service customers and clients across the whole country from a specific regional base.

Where are SMEs' clients and customers located?

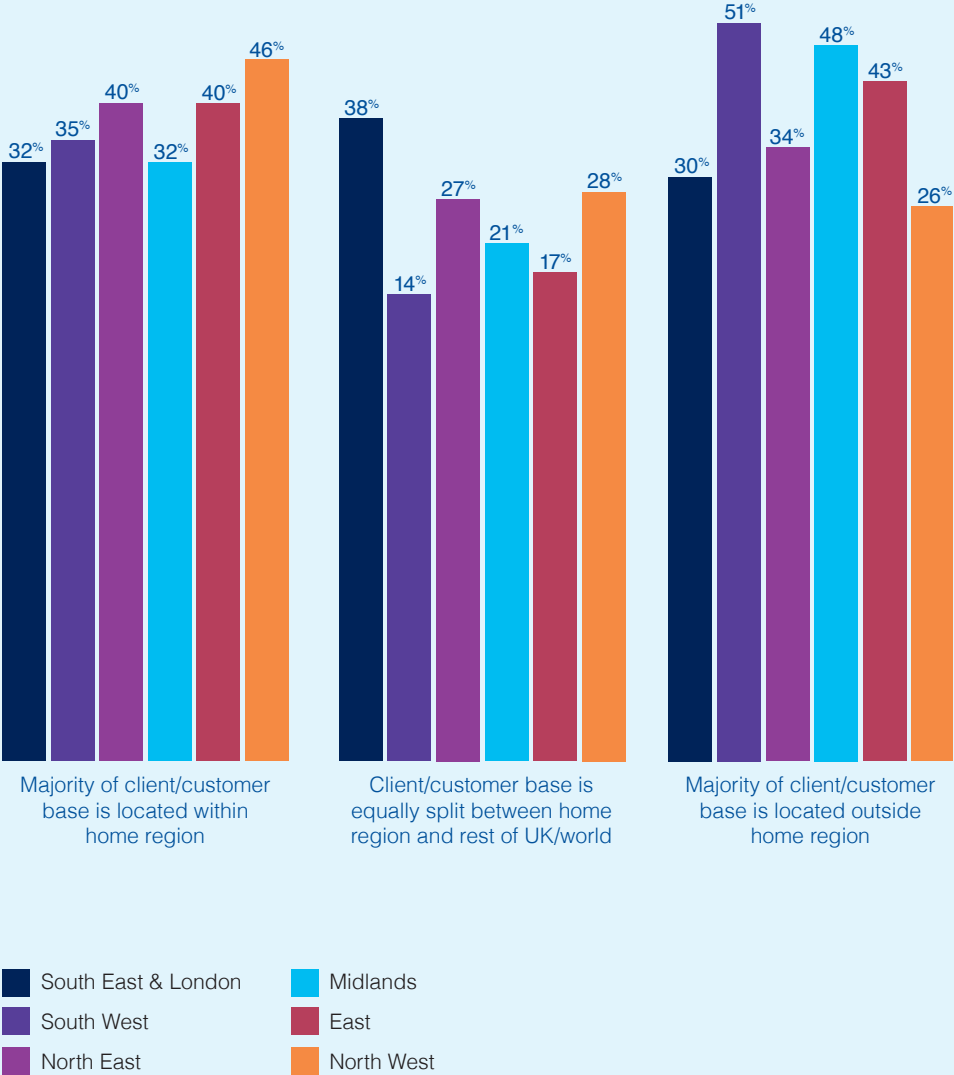
One aspect of Brother's research was to investigate the extent to which SMEs in different English regions were focused on servicing customers locally rather than further afield. The research showed a relatively even split between businesses as to whether their customer base was located within their home region (37%) or largely outside (39%).

For 14 per cent of SMEs, their entire customer base is located in their home region; for almost a quarter (24%), the customer base is equally split between the home region and the rest of UK and overseas.

Results also vary by region. In Eastern England and the North East, 40 per cent of SMEs have the majority of their customer base within their home region. However, SMEs in the South West or Midlands say they have customer bases largely located outside of their home region (51% and 48% respectively). In Eastern England firms appear to be more geographically isolated than any other region, with 29 per cent located more than 10 miles away from a major town or city.

The chart overleaf (Fig 4) provides a sense of the regions that have the most 'expansive' SMEs from a customer perspective. It shows that South East & London SMEs have the most balanced mix in terms of proximity to their clients and customers, while the South West and East are the most contrary, with SMEs tending to focus either on serving local customers, or placing far greater emphasis on their nationwide profile. In the Midlands too there is an impressive number of SMEs whose customers bases are nationwide, while in contrast the North West's SMEs appear to be more focused on building successful businesses servicing local customers.

Fig 4: Location of SMEs and their client/customers



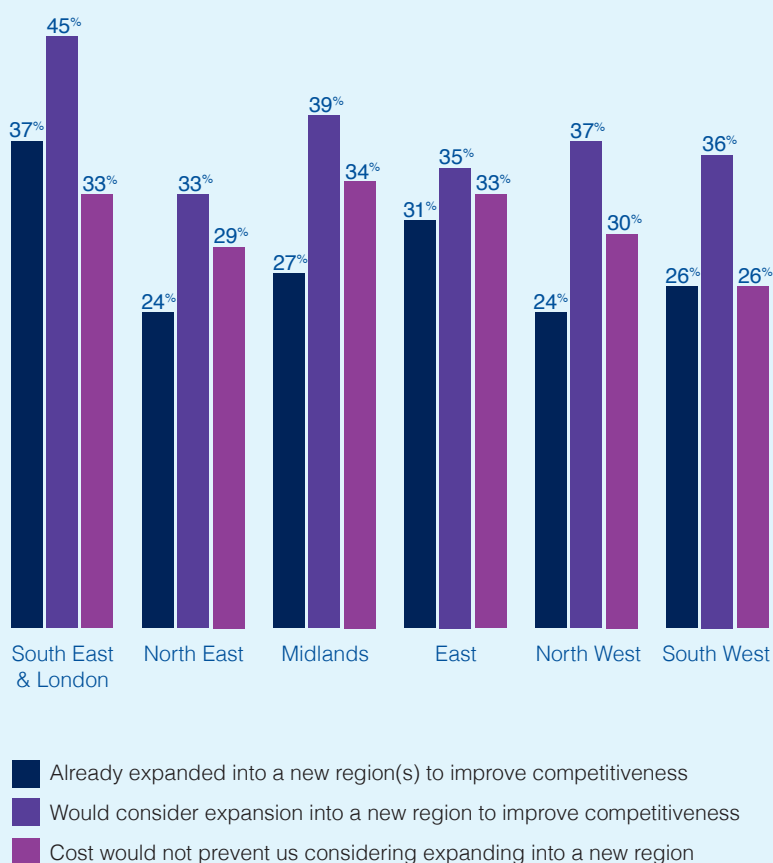
The risks and rewards of expansion

According to the Government's 2012 Small Business Survey²⁰, just 13% of UK SMEs were categorised as growers, while 13% were shrinking and 57% were stable. Though the survey reported 68% of SME employers did aim to grow their business over the next two to three years, this ambition was six per cent down on 2010.

Business advisory firm Baker Tilly recently cast further light on the same problem in its 'Your Business Outlook 2014' survey, which highlighted SMEs' reluctance to grow, despite the prevailing optimism about the UK's economic outlook²¹. On average, 45% of businesses surveyed said they were confident or extremely confident about growth opportunities for their businesses over the next 12 months, and more than three-quarters were expecting to increase their turnover over the same period. However, the vast majority of the SMEs also appeared cautious about the robustness of the recovery. Fewer than one in five plan to take on new staff, and less than a quarter anticipate an increased spend on sales and marketing.

The Brother study takes a complementary approach to Baker Tilly's research, examining the extent to which SMEs are looking to boost their competitiveness by expanding outside their own region. As the table and accompanying chart below shows, this appetite for expansion varies across the regions, with South East and London firms showing the greatest willingness to set up shop in new regions in an effort to make them more competitive.

Fig 5: Regional SME appetite for expansion #1



²⁰ www.gov.uk/government/uploads/system/uploads/attachment_data/file/204183/bis-13-883-small-business-survey-2012-growth-special-report.pdf

²¹ Baker Tilly, November 2012, Your Business Outlook 2014

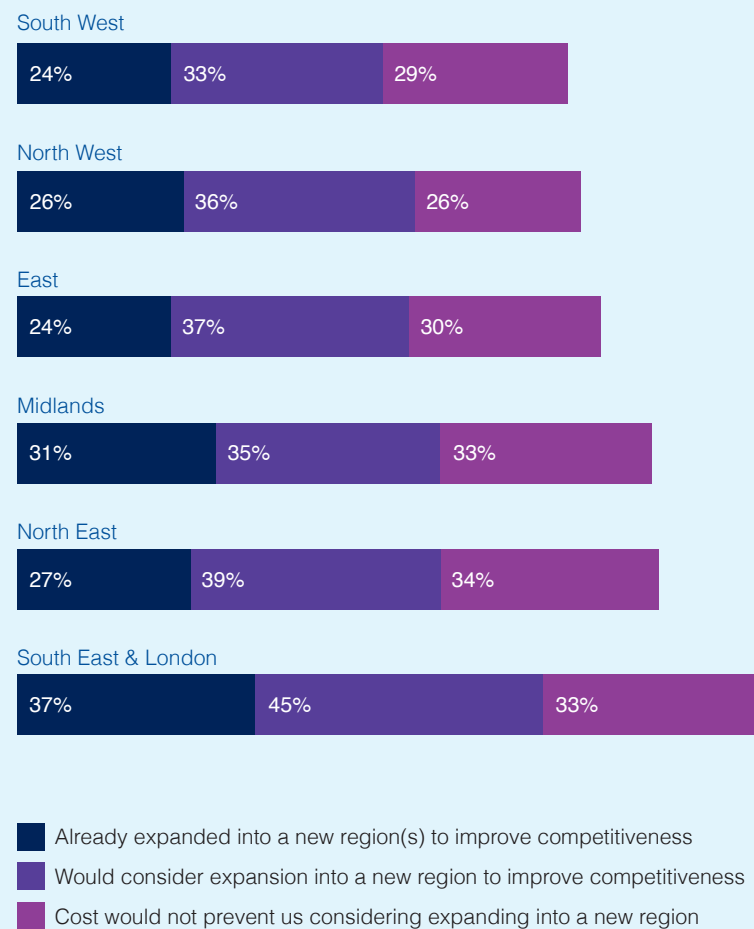
Interestingly, Brother's data shows that, irrespective of region, firms located within ten miles of a major city are more likely to have already expanded into new regions to improve their competitiveness (30% vs. 19%). Furthermore, willingness to expand into new regions is proportionately higher with firms that are not happy with the quality of local talent (54% vs. 38%).

However, the overall appetite for expansion demonstrated by SMEs across the English regions is perhaps best visualised in the chart opposite.

Here the positive actions and attitudes towards expansion displayed by respondents are laid out side-by-side, clearly showing that SMEs within the South East & London are showing the greatest appetite for expansion, followed by the North East and Midlands.

While the North West was shown in Section One to be the region with the strongest feeling of increased competitiveness over the past five years, this does not appear to have translated into an appetite for SMEs to expand into new regions. The South West polls lowest both in terms of SMEs that have already expanded and those that would consider it. Just one third (33%) are willing to entertain the idea of expanding into new regions to improve competitiveness. This is not however the whole story.

Fig 6: Regional SME appetite for expansion #2



Ability to serve

Many growing and agile SMEs would attest that effective customer or client service is not necessarily dependent on a significant local presence on-the-ground, which the chart overleaf (Fig 7) demonstrates. Accordingly, an SME may have no particular desire to expand into new regions if it feels adequately equipped to serve customers well from its home base.

The Brother research shows that a consistent majority of SMEs (73%) believe they serve customers across multiple regions effectively from their current base, with the East (69%) and North East (65%) the only regions where less than 7 out of 10 SMEs agreed. The reasons flagged by the minority of firms that say they would struggle to serve customers further afield are shown in the chart overleaf (Fig 7).

This offers greater insight into the precise motivations behind SMEs' expansion ambitions. The chart overlays data about firms' perceived ability to effectively serve customers across multiple regions from their base location and shows that North East and Midlands firms in particular are motivated to expand because of concerns over how well they could serve customers further afield. The fact that this view is not shared by firms in the South East & London further emphasises the confidence of SMEs in the region in the competitive advantage they feel their location gives them. In the South West, where there is least concern, there is also the lowest appetite for firms to expand in order to improve competitiveness, whilst in the North West there is a similarly low level of concern that may explain why firms are not more interested in expanding beyond the region's borders.

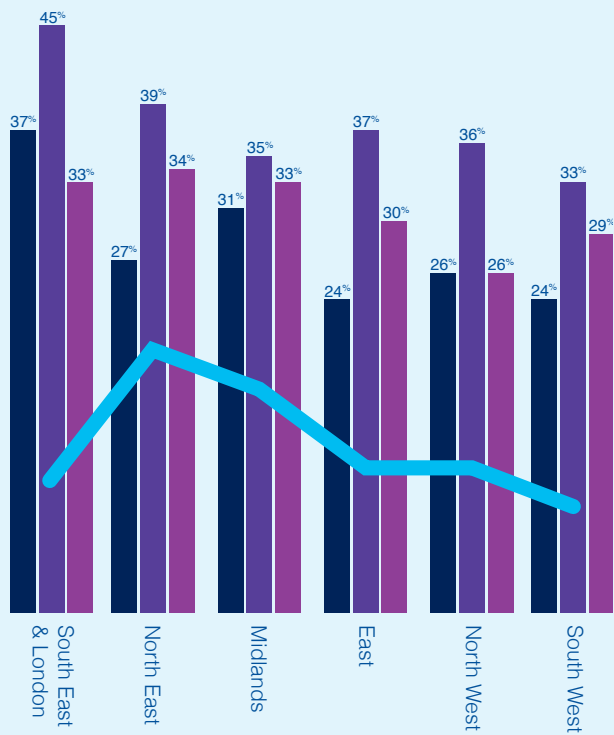
Separate research from Zurich and the Economist Intelligence Unit recently noted that 32% of SMEs think the risk of their business failing has increased in the past 12 months²². It's therefore interesting to observe what happens when the level of concern about customer service is contrasted against SMEs that have no current appetite for expansion.

Concern about the cost of expansion is significant across most regions; with the exception of South East and London, more than a third of SMEs feel that cost is a barrier to domestic expansion. Consider however the difference in perspective between SMEs in the South West, where fewer than 10% see any challenge in serving nationwide customers from their base location, and the Midlands or the North East. In these two regions there is a stronger sense among SMEs that expansion beyond the base location is needed, yet widespread concern that the costs involved would make this impossible (more than two in five SMEs in the Midlands).

As will be explored later in the report, it's clear that technology can have a huge impact on empowering businesses to expand their customer base at a lower cost, and without necessarily growing physically beyond their current location. Many SMEs are already introducing advanced mobile communication and collaboration technologies supported by cloud-based IT, with employees increasingly empowered to work remotely by more progressive employers. For those firms in the Midlands and North East, where concern is highest that firms' geographical location is holding them back, this type of agile approach to servicing clients and customers could prove particularly fruitful.

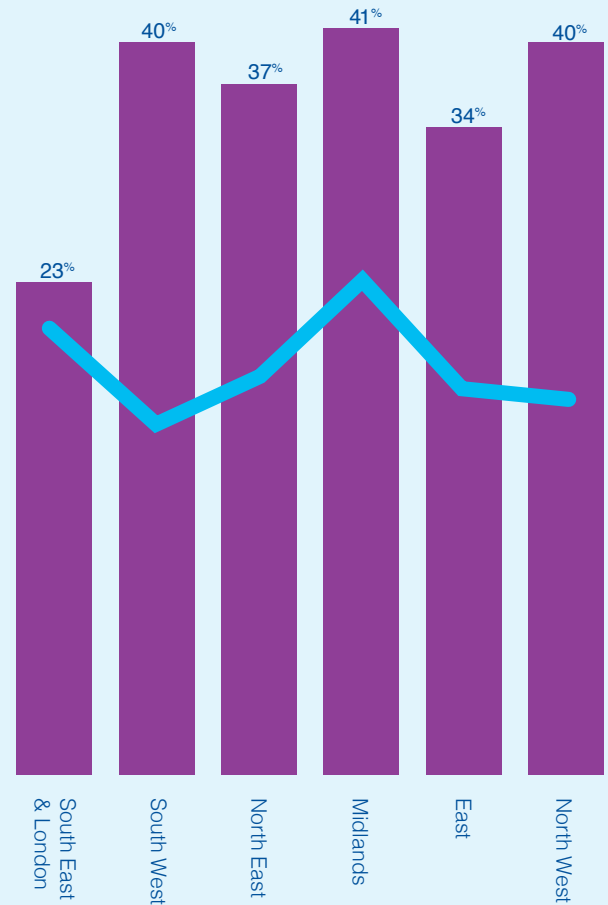
²² Zurich, "Adapting in tough times: The growing resilience of UK SMEs" Report 2013: www.zurich.co.uk/internet/home/sitecollectiondocuments/sme/zurich_adapting%20in%20tough%20times_final_lowres.pdf

Fig 7: Appetite for expansion vs. ability to serve clients/customers from home region



- Already expanded into a new region(s) to improve competitiveness
- Would consider expansion into a new region to improve competitiveness
- Cost would not prevent us considering expanding into a new region
- Cannot serve clients/customers across multiple regions effectively from base location

Fig 8: Cost of expansion vs. ability to serve clients/customers from home base



- We would not consider expanding into a new region due to the costs involved
- Cannot serve clients/customers across multiple regions effectively from base location

Growing beyond the tipping point

One of the most interesting aspects to the Brother research is the data on SMEs with 50-99 employees. The data suggests a tipping point exists between the 20-49 and 50-99 employee brackets where a number of fundamental changes occur to the basic make-up of the average organisation.

The chart opposite (Fig 9) shows us that the location of the average SME's customer base changes quite significantly as they grow. Once firms top 50 staff they find themselves servicing a far higher proportion of clients and customers located across the whole of the country.

As might be expected, average annual business travel spend for these SMEs rises substantially by 42% (from £36,580 for firms of 21-49 employees, to £52,070 for firms of 50-99). Just 19% of firms with 21-49 employees spend more than £50,000 per year on business travel, compared to 29% of firms with 50-99 employees, while the average number of mobile workers (i.e. employees required to travel for business) increases from seven to 10 staff.

Perhaps less expected is the revelation that within firms of 50-99 staff with mobile workers, employees actually spend less hours on the road each week than some of their smaller counterparts. Employees at these businesses accrue an average of 28.45 hours of business travel per week, compared to 39 hours within firms of 21-49 staff. However, the data also shows us that, as SMEs increase in size, a higher percentage of them locate themselves close to major towns or cities.

As a consequence of this relocation, access to substantial transport infrastructure is likely to improve, reducing the amount of time it takes for mobile workers to travel across the country. This could explain why for firms of 50-99 employees, despite travel spend and the number of mobile workers increasing, the overall number of hours lost to business travel each week actually goes down.

Fig 9: Location of SME's customer base vs. size of SME

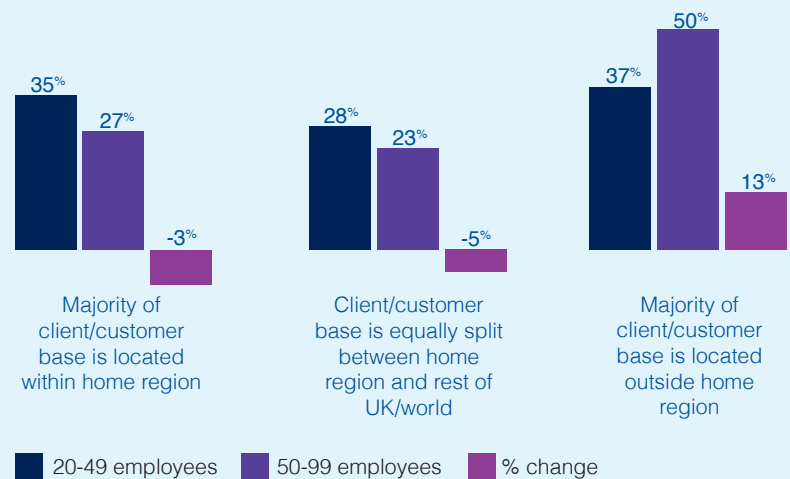
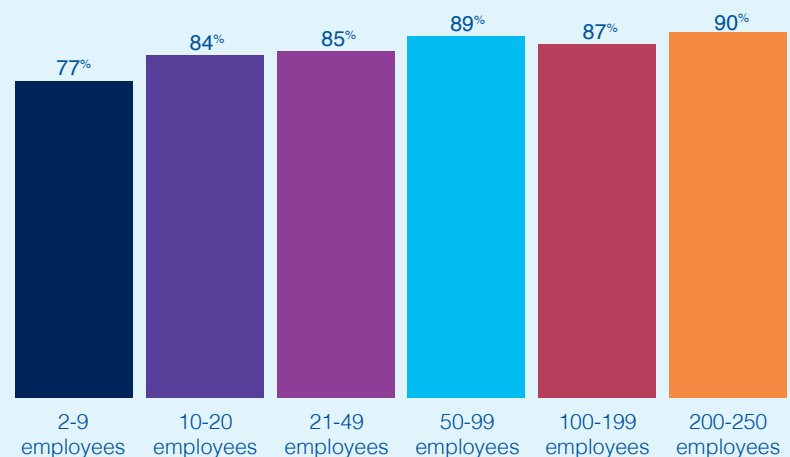


Fig 10: Percentage of SMEs located within 10 miles of major town or city



However, these fundamental changes at firms of 50-99 employees appear to dampen future appetite for growth and increased competitiveness:

- SMEs of 50-99 employees show less enthusiasm for expansion into other regions (just 42% plan to expand vs. 33% that do not), compared to both smaller and larger rivals
- They are more likely to be content with their regional talent pool (just 4.7% dissatisfaction, the lowest rate recorded amongst all SMEs)
- They are one of the least likely groups of SME to have introduced remote working in the past year (31% – only in the 2-9 employee bracket was a lower response recorded)
- Where remote working has been introduced, they are less likely to consider extending it to boost competitiveness (48% in favour, compared to 57% at firms of 21-49 employees and 53% at firms of 100-199 employees)

It may be that these firms, having already achieved greater size and scale by making fundamental changes to their businesses, are more inclined to behave cautiously, protecting what they have, rather than trying to expand further. For Government and industry-led business support services currently attempting to drive private sector growth and support the UK's ongoing recovery, engagement with this audience should be a top priority to maintain their competitive edge and appetite for expansion.

Commentary

Professor Robert Huggins,
Cardiff University, UK

Market expansion is a crucial aspect of SME competitiveness, with local demand often acting as the lever for expanding market penetration across regions and other nations. In particular, exporting is at the heart of competitiveness.

The de-industrialisation of an advanced economy such as the UK is of clear importance, and there is a strong significant relationship at the regional level between service exports and Gross Value Added per capita, indicating that regions with higher levels of exports in services tend to have higher levels of productivity. In the past, service exports have mainly been targeted at Europe and North America. With the emergence of the global economy and the economic growth of China, India and others, horizons now need to be broadened.

SMEs cannot ignore the impact of globalisation on their activities and on economic development, with the main driver of globalisation being trade. Internationally, levels of trade have increased markedly with enhanced access to new markets and increases in global population. There are now more open markets and more people interacting in them than there were a decade ago, let alone 25 years ago. Increased competition and specialisation is leading to the growth of the global economic pie, such that even when countries like the UK lose out in terms of their global share of output or trade, the increasing returns to globalisation mean that the UK still grows.

Section Four:

Employees on the Move

Key findings

£31,440 is the average SME annual business travel spend. SME business travel spend varies significantly based on business size – from £24,000 for firms of 10-20 employees, to £94,000 for firms of 200-250 employees.

SMEs located within 10 miles of a city spend more (£33,000) than those who are not (£25,000).

£40,970 is the amount spent by businesses in the South East & London, almost double the £22,210 spent by their counterparts in the South West.

9/10 SMEs have employees that have to travel for business during a typical work week.

Businesses in the South West have the fewest employees travelling for business on a weekly basis, with only six, which increases to nine in the North West and North East.

33hrs are spent travelling for business each week by the typical SME.

Employees from the North East and North West spend the longest travelling each week (approximately 40 hours combined), whilst those from the South West spend the least (25 hours combined).

When broken down by size of business, the average SME spends the following number of staff working days on travelling for business every year:

- 104 days** 2-9 employees
- 238 days** 10-20 employees
- 287 days** 21-49 employees
- 211 days** 50-99 employees
- 450 days** 100-199 employees
- 756 days** 200-250 employees

46% of SMEs are therefore considering greater remote working opportunities to improve competitiveness.

46% disagree that more time in the office breeds competitive advantage, while for firms based more than 10 miles from a town or city, that figure rises to 59%.

Rising costs

Section Three of the report examines the challenges of servicing clients and customers across multiple regions, including the extent to which growing SMEs are increasing the number of employees required to travel for business purposes. On this point, it is worth examining SMEs attitudes to travel and transport in more detail, as firms across the country are presented with many different challenges and opportunities in this area.

For example, employees of firms located some distance from major towns or cities will almost certainly be reliant on road transport, making the local traffic conditions, access to motorway connections and fuel costs serious daily considerations for them.

Petrol prices are currently a hefty 130.62p in the UK²³ – placing a heavy burden on an employer or its employees, depending on who pays for day-to-day business travel. Locating the business away from a town or city may also restrict employers in terms of the talent pool they can recruit from, potentially impacting on the calibre of recruits available.

It is not necessarily easier for firms based in towns or cities. With many local authorities actively discouraging inner city driving through prohibitive parking costs (not to mention limited spaces) many employees will be forced to look to the rail network to get to work. Rail fares have risen by an average of 57.7% over the last decade²⁴. Rail commuter employees may also be bound to fixed working hours as they rely on timetabled trains and thus have less propensity/ability to work overtime in the office. However they have the potential to be more productive as they can use their travel time to carry out work tasks.

In addition to basic commuter costs, ongoing business travel costs represent a major outlay for SMEs, particularly if these costs can't be passed on to clients. To put this into context, Zurich/ Economist Intelligence Unit research shows that 37% of SMEs surveyed see operating costs as the biggest threat to their business (up from 25% two years ago)²⁵, and that the UK has the second highest annual business travel spend of any Western European nation, despite its comparatively small size. At the beginning of 2013 the Global Business Travel Association predicted UK business travel spend would hit £26.3 billion for the year, up 1.6% on 2012, and would continue to pick up pace in 2014, advancing 2.9%²⁶.

The Brother research shows that SME business travel spend varies significantly based on business size – from £24,000 on average for firms of 10-20 employees, through to £94,000 for firms of 200-250 employees. The average annual business travel spend for SMEs is £31,440, though this also varies significantly from region to region. For example, businesses from the South East & London spend almost double the amount on annual business travel than counterparts in the South West (£40,970 vs. £22,210).

²³www.petrolprices.com/

²⁴The guardian, 2013: www.theguardian.com/money/2013/aug/13/rail-fares-rise-january

²⁵Zurich, "Adapting in tough times: The growing resilience of UK SMEs" report 2013: www.zurich.co.uk/internet/home/sitecollectiondocuments/sme/zurich_adapting%20in%20tough%20times_final_lowres.pdf

²⁶www.gbta.org/ - Figures of overall spending on UK business travel – GBTA BTI™ Outlook – Western Europe

Case study

Window manufacturer saves £120,000 per year with OmniJoin

At Altaterra, a window manufacturer with offices across Europe, OmniJoin web conferencing is improving collaboration and efficiency by enabling employees and customers to connect easily with one another, wherever they are. As a result, they're saving money by cutting the costs of business travel.

Benefits

- Improved operational efficiency and reduced outgoings
- OmniJoin did not require the company to build any special conferencing rooms, because employees can participate in meetings from their desks
- £10,000 saved for every monthly management meeting held via OmniJoin
- Ability to set up face-to-face meetings with global customers quickly, removing the hassle and cost of organising travel and accommodation

“In our business, as in most others, time is money. Before using OmniJoin web conferencing, we spent considerable amounts of both on travelling to meetings across our European office network – it was starting to have an effect on our growth. OmniJoin simply paid for itself with the first use. Colleagues can now communicate and collaborate effectively, regardless of office location.”

Martin Coult, Altaterra IT Manager

Infrastructure challenges

The future of the UK's transport infrastructure came under much scrutiny in 2013, particularly the costs versus benefits of the proposed HS2 rail link. There's no doubt that a strong transport infrastructure is hugely important to the UK regions' ability to remain competitive, and even though HS2 has proved divisive, there is a general consensus that transport improvements do need to be made to improve mobility in the UK.

To give just one example, a 2012 report by Centre for Cities highlights the fact that the growth of business in a city centre is dependent upon people and skills, and that improved transport links can indirectly support the development of this base. The report states that, “Improving transport links into a city centre would widen the potential range of workers that businesses can employ, e.g. around 90% of the total graduate population of the North East lives outside of Sunderland. Strengthening transport links from the rest of the North East into the city centre would increase the access that Sunderland-based firms would have to the regional graduate pool, enhancing their growth prospects²⁷.”

Interestingly, those businesses located within 10 miles of a city spend more (£33,000) than those who are not based within 10 miles of a city (£25,000), while businesses that are closest to London – where the transport infrastructure is strongest of all – spend even more on business travel. Some 19.6% of businesses that are based within 10 miles of London spend more than £100,000 annually, compared to businesses located within 10 miles from Manchester (5.4%) or Leeds (4.3%). While to some extent this may be as a result of the increased cost of travel within London, it is nevertheless further evidence to suggest that the greater the proximity to a city, and to an even greater extent the capital city, the more acceptance there appears to be amongst SMEs that business travel – and the accompanying cost – is necessary to maintain competitiveness.

²⁷Centre for Cities, PwC & Sunderland City Council, June 2012, Hidden Potential: Fulfilling the economic potential of mid-sized cities

Yet there is a balance between relying on government investment to boost a region and encouraging private companies to provide wealth. Disparities in public spending across the regions hits the headlines on a regular basis. For example, a 2013 study by the Institute for Public Policy Research North into government investment on transport found that, despite a series of high-profile ministerial announcements about transport spending in the north of England, more than 89 per cent of planned capital investment in transport infrastructure was allocated to projects in London and the South East. This shows that the UK is planning to spend nearly £2,600 on transport infrastructure for each Londoner: 500 times as much as the £5 per person in the North East; 150 times as much as in the South West; 20 times as much as the per capita figure for the North West and more than 16 times as much as in Yorkshire and the Humber²⁸.

Technology such as web-conferencing is a good example of how SMEs in different regions can combat these inequalities by providing a cost effective way of having a national and even global presence. For business, technology is increasingly levelling the playing field and allowing regions starved of government funding to be more competitive.

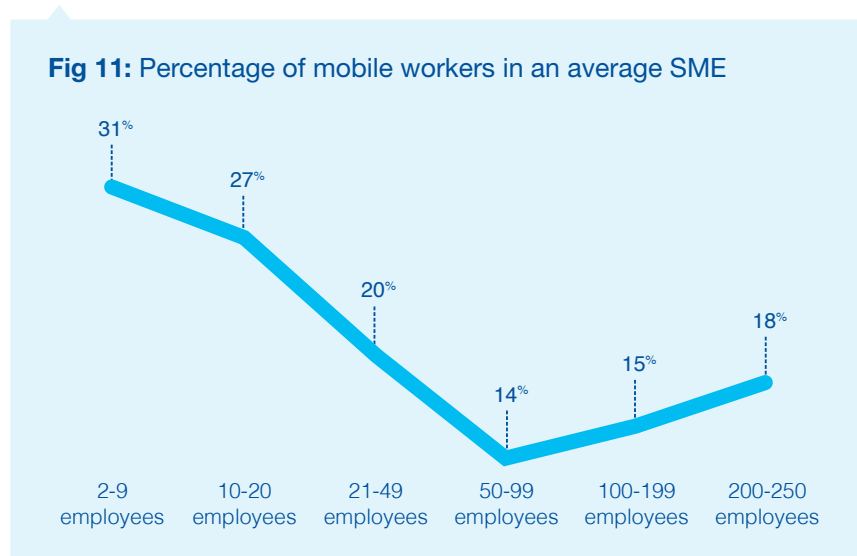
Growing numbers of mobile employees

The reality is that, irrespective of where clients or customers are based and of SMEs' appetite for expansion beyond their own region, a reasonable degree of business travel still comes as a pre-requisite for most – whether trips to secure new business, service existing customers, embark on marketing initiatives or attend meetings and events.

Brother's research shows that nine out of 10 SMEs have employees that travel for business purposes during a typical work week, broken down by size of business as follows:

- 2-9 employees = two employees travel for business purposes per week
- 10-20 employees = four employees travel for business purposes per week
- 21-49 employees = seven employees travel for business purposes per week
- 50-99 employees = 10 employees travel for business purposes per week
- 100-199 employees = 22 employees travel for business purposes per week
- 200-250 employees = 40 employees travel for business purposes per week

This is represented as a percentage of total workforce in the graph below:



²⁸ IPPR North: Still on the Wrong Track, 2013: www.ippr.org/images/media/files/publication/2013/06/still-on-the-wrong-track_June2013_10933.pdf

As identified in Section Three, the 50-99 employee bracket stands out in terms of overall business mobility. Mobile workers represent the lowest percentage of overall workforce for any size of SME, demonstrating again that there are particular challenges associated with encouraging growth within this bracket.

From a regional perspective, businesses in the South West have the fewest employees travelling for business purposes on a weekly basis, with only six. This is surprising given that more than half (51%) of South West SMEs claim the majority of their customers are located outside the region. There is a high degree of confidence shown by South West firms in their ability to service these clients effectively from their base location, however it seems that this confidence is not down to increased time spent on the road. In a typical SME, employees spend a combined total of approximately 33 working hours per week travelling, again emphasising just how comparatively small the South West's focus on business travel actually is at 25 hours.

When broken down by size of business, the average SME spends the following number of staff working days on travelling for business every year:

- 2-9 employees = 104 days
- 10-20 employees = 238 days
- 21-49 employees = 287 days
- 50-99 employees = 211 days
- 100-199 employees = 450 days
- 200-250 employees = 756 days

To place this within a broader context, research shows that British commuters spend nine working days a year stuck in traffic²⁹ (50 days for a firm of 2-9 staff, assuming everyone drives) and 5.5 days are lost each year per employee (30 days for a firm of 2-9 staff) as a result of slow computers³⁰. For firms of fewer than 50 employees, even time lost due to sickness absence – arguably the biggest cause of lost employee working hours – does not come close to the amount of time spent on travelling for business purposes³¹.

How important is office time?

The high number of working days staff spend out of the office demonstrates the challenges and opportunities that SMEs can have as a result of business travel.

For the smallest firms the problem is self-evident, as there could be minimal or no staff in the office to field calls or carry out other work. However, there are ways around this. For example collaborative technology, such as web conferencing means that having one or two team members out of the office at any given time does not impact too greatly, or cause inefficiencies that could seriously hamper competitiveness.

While travel can be expensive and time consuming, Brother's research suggests that firms are prepared to bear these costs and don't necessarily want more staff office time – they see travel time as an investment. With the rise in agile working, time on a train or plane can be equally productive as time in the office thanks to the proliferation of smartphones and tablets.

46% of SMEs disagree that more time in the office breeds competitive advantage, while notably, for firms based more than 10 miles from a town or city, this figure rises to 59%. This suggests that, while these firms are less likely to be travelling for business purposes than city-based rivals, there is recognition that the situation needs to change in order for rural SMEs to stay competitive.

Only where SMEs spend more than £200K on travel is there a sense that more staff time in the office would improve competitiveness (32%), but still more firms (40%) disagree with this sentiment. What is clear from the research is that SMEs are increasingly looking for more agile ways to improve workforce efficiency. For example, half (46%) of SMEs polled were considering greater remote working opportunities to improve competitiveness, a topic that will be explored further in Section Five of the report.

²⁹TomTom Traffic Index 2013 - <http://www.tomtom.com/news/category.php?ID=4&NID=1481&Lid=1>

³⁰SanDisk 2013 - <http://www.telegraph.co.uk/technology/news/10361881/Britons-lose-five-and-a-half-days-a-year-from-slow-computers.html>

³¹CBI/Pfizer Absence and Workplace Health Survey July 2013: 2-9 employee firms lose an average of 23.7 working days per year due to employee absence. 10-20 employee firms lose an average of 64.5 working days per year due to employee absence. 21-49 employee firms lose an average of 150.5 working days per year due to employee absence. www.cbi.org.uk/media-centre/press-releases/2013/07/work-absence-at-record-low-but-still-costs-economy-%C2%A314bn-a-year-cbi-pfizer-survey/

Opinion

'Roam' is the new Capital of Flexible Working

Phil Jones, Managing Director, Brother UK

Remote working started for me in 1994, with a massive laptop, a 28.8k bps modem and an inkjet printer – when set-up you'd think I was running a large enterprise compared to today's technology. Sales performance reports came in an envelope once per week, mobile phones were still a bit of a luxury and download speeds were woeful. More business was done by phone and face to face, human relationships really mattered, the internet was just taking off.

Contrast that to now. People are running not one, but multiple devices. A smartphone, an iPad and a laptop computer, all synced up via the cloud offering instant access to the world commercially and socially – disruptive times. Themes are contributing to this include:

- Collaboration
- Digitisation
- Globalisation
- Generation XYZ
- Speed + Agility

All these things are going on at once, in parallel, meaning the 'mash-up' effect is huge and creating instant opportunity to review how you do things. New starts are entering the marketplace with an 'edge of chaos' mentality, seeing nothing but tools, marketplaces and opportunity. They have no technology baggage, downloading the latest 'app' in seconds and 'plural working' numerous projects to pay the bills. Large enterprises can 'do more with less' by equipping 'roam' workers with new technology which allows them to work smartly, releasing

more 'face to face' time with the people that matter and adding value. According to a survey by CIO Net – 79% of enterprises see the primary driver behind mobility as "increasing employee efficiency."

Talent is looking at employers both current and future and asking the question – "what's your remote working policy." In all of this, there is the opportunity for you to create something new. A new business model, a new process, a new way of interacting with customers old and new. It does come with some baggage, mainly I.T. related with frustrations around Wi-Fi signals, access to power, battery life and security concerns, but nothing that can't be fixed or worked through.

The new world order is here, right now. Cappuccino commerce, start-ups getting going from coffee shops. American coffee houses already describing the "tablet trash" of customers sitting on free Wi-Fi all day for the price of a single cup of coffee.

All that aside, it's exciting times. If UK Plc is genuinely going to increase its productivity, then this is the way to go. I've already had feedback that one of our customers who has invested in our cloud based web conferencing service – OmniJoin – has held over 700 web conferences since January, proving that even with remote workers, you can stay connected.

The trend is here, it's not a fad, so fortune favours the brave. Get mobile, become a citizen of "Roam."

Commentary

Professor Robert Huggins,
Cardiff University, UK

Connectivity and the capacity to network is becoming of increasing importance and necessity to SMEs across the UK's regions. The need to access new markets and new sources of knowledge for innovation mean there is a need for heightened mobility alongside the increased capability for virtual and electronic communication. SMEs, therefore, need to take improved actions to factor in the costs and benefits of travel and its alternatives into existing budgets, and to understand that such costs are actually investments in the very future of the business.

SMEs should also seek to engage more with government sponsored activities such as trade missions. Trade missions often provide SMEs with an unrivalled opportunity to gain international know-how and access to new markets. In the past, business travel has been as a necessary evil among the SME community. It is now time for SMEs to develop stronger formal plans with regard to effectively managing and investing in the connectivity and networks required for sustained and improved competitiveness.

Section Five:

Boosting Business Agility

Key findings

3/4

SMEs have made operational changes in the last year, with the most popular being bringing in process changes to improve efficiencies/cut costs (44%) or enabling employees to work remotely (33%).

71%

of firms who believe in technology's ability to improve regional competitiveness have adopted remote working and 75% have introduced flexible working.

79%

of firms who have embraced remote working also believe they are better equipped to serve clients across multiple regions effectively from their base location.

46%

of SMEs would consider increasing remote working opportunities for staff to improve their competitiveness.

Firms that spend more on travel are proportionately more likely to increase remote working opportunities for staff (57% of those with net spend of £10,000+ agree, compared to 42% of net spend under £10,000).

24%

of SMEs have introduced cloud-based IT systems within the past year.

1 in 10

SMEs has also introduced bring-your-own-device schemes into the workplace in the past year.

Creating a flexible workforce

Irrespective of location, size or sector, the concept of 'business agility' has been gaining traction within the UK business community for the last few years, fuelled by a raft of both Government and industry-led initiatives. A slightly ambiguous term, 'business agility' refers to the need for companies to adopt different models of working in order to remain competitive in today's rapidly evolving and increasingly global market. Put even more simply, businesses can't just carry on working in the same way that they have in the past. Times have changed and only businesses that are able to respond and adapt to shifting customer demands, evolving demographics, global markets and game-changing technologies will truly be able to prosper.

PwC research is predicting a further 50% growth in mobile employees by 2020³², highlighting that for many firms increased business agility means creating a more fluid and versatile workforce. As John Cridland, Director-General of the CBI, puts it: "Businesses need to be agile as they go about creating and managing increasingly mobile workforces. That means thinking about flexible working, responding to fluctuations in demand to meet business and customer needs, as well as engaging with staff³³."

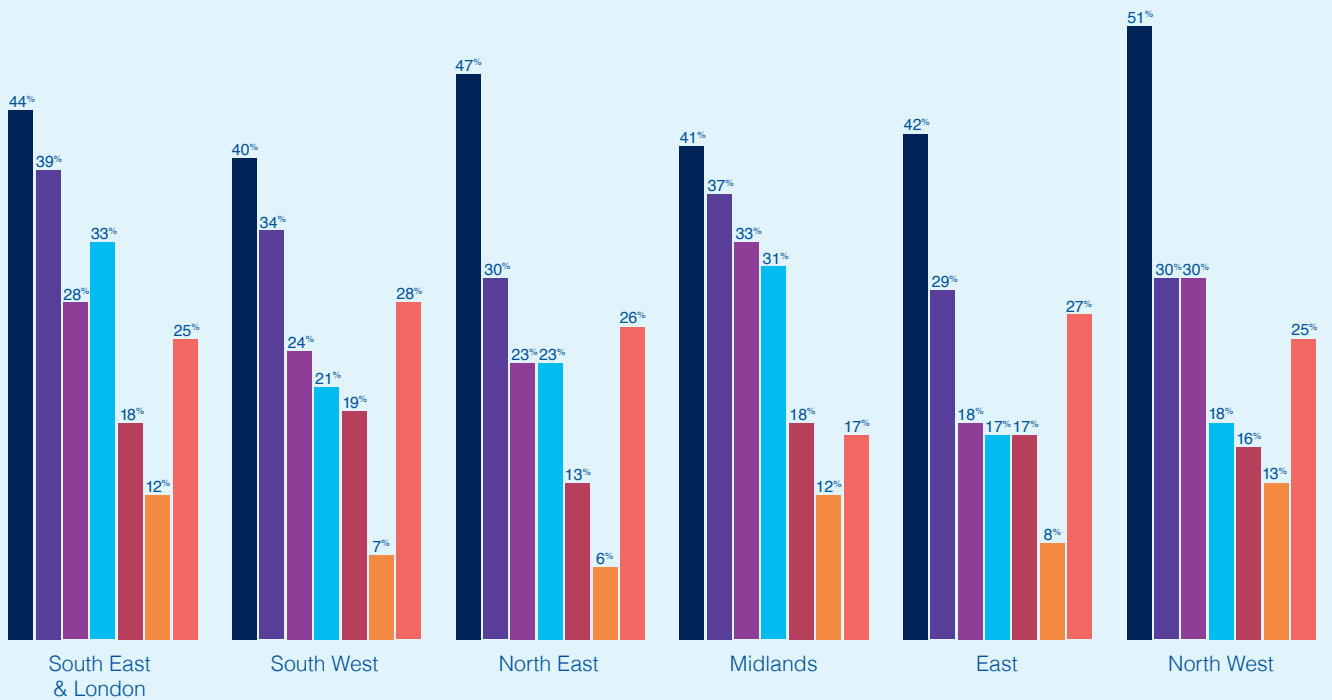
Brother's research suggests that SMEs are heeding the advice of organisations such as the CBI – three quarters of SMEs have made operational changes in the last year, with the most popular being bringing in process changes to improve efficiencies/cut costs (44%) or enabling employees to work remotely (33%). In addition, almost a quarter have introduced cloud-based IT systems within the past year, adding further weight to the suggestion that these businesses are recognising new opportunities to improve the efficiency of non-office-based employees.

The table overleaf (Fig 12) outlines the full set of responses when SMEs were asked which of the following changes their company had made in the past year.

³²PwC, 2012, Talent mobility: 2012 and beyond

³³Agile Future Forum: www.agilefutureforum.co.uk/

Fig 12: Operational changes made by SMEs in the last 12 months



- Bringing in process changes to improve efficiencies/cut costs
- Enabling employees to work remotely
- Introduction of flexible working hours
- Introduction of cloud-based IT systems
- Outsourcing operational functions e.g. payroll/ accountancy
- Introduction of bring-your-own device schemes
- None of these

Given the economic difficulties of the past five years it is no surprise to see SMEs across all regions looking to cut costs and improve efficiencies through internal process change – making their organisations leaner and more flexible. It's also encouraging to see one third or more of SMEs enabling more employees to work remotely across three of the six regions.

Notably, firms that spend more on travel are proportionately more likely to increase remote working opportunities for staff (57% of those with net spend of £10,000+ agree, compared to 42% of net spend under £10,000). Similarly, it's interesting to note that the introduction of remote working is higher among firms that are unhappy with the quality of their regional talent pool (41% vs. 34% that are happy), suggesting a recognition from these firms that they need to take a more flexible approach to how and where their employees operate.

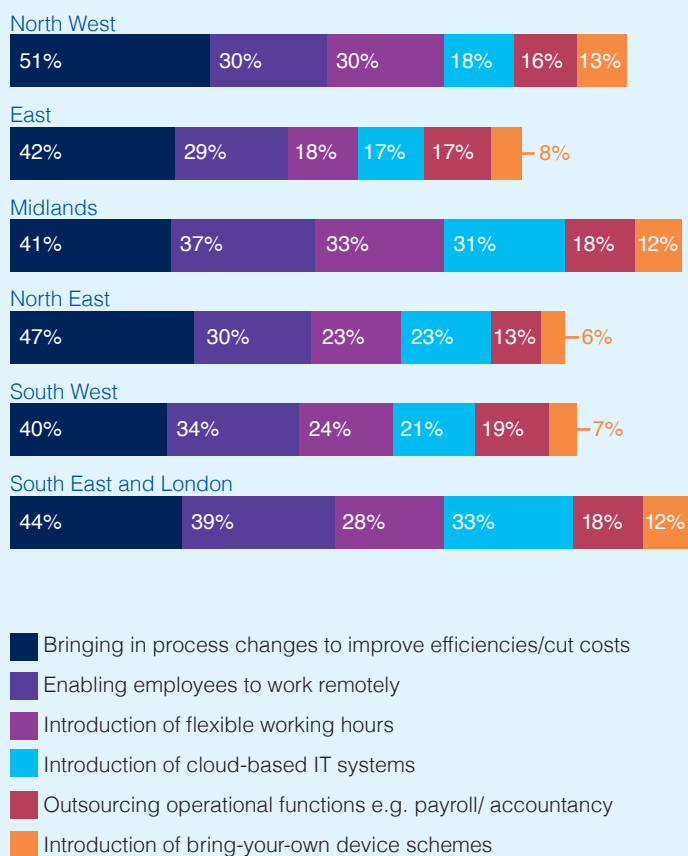
It's clear that agile working is finally being embraced by businesses of all sizes – whether it is simply checking emails on smartphones or going as far as running a business from a home office or even a café. The adoption of business technology has been the game changer for agile working – in many cases it is now employees, rather than employers, leading the charge towards working more flexibly, as demonstrated in the Brother research by the fact that one in 10 SMEs is now allowing employees to use their own devices in the workplace.

When these improvements are amalgamated, it's clear that the Midlands leads the way in SMEs introducing initiatives designed to boost business agility, closely followed by London and the South East.

In the East of England, where seven out of 10 SMEs feel the region has not become any more competitive in the past five years, where satisfaction with the regional talent pool is lowest (56% of SMEs) and where almost a third (29%) of SMEs are located more than ten miles from the nearest major town or city, the advantages of technology cannot be overstated in making employees more efficient when on the road or

at home, or by creating opportunities to recruit remote workers from further afield. These businesses need to be able to trust in technology to provide a high quality, reliable and secure way of communicating with clients, customers and colleagues, irrespective of their location.

Fig 13: Efficiency improvements made in the past year



Changing working patterns

There is growing demand across the UK from employees for more flexible working patterns, breaking with decades of traditional nine-to-five office working hours. Employees want the option to work at different times of the day, to work from home or other remote locations and balance the challenges of looking after children against the desire for a meaningful career. Research conducted by the Institute of Leadership & Management in 2013 showed that almost all (94%) UK organisations now offer staff some form of flexible working and 73% of managers say their organisation is largely supportive of it³⁴.

A separate Regus study showed that the majority (72%) of global businesses report that increased productivity is a direct result of flexible working practices³⁵. Small businesses have embraced flexible working more willingly than most, with 80% of small firms saying they work more flexibly than before, compared with 68% of large businesses. One fifth of businesses also say flexible working helps attract a wider talent pool (21%) and even allows them to employ valuable people that live in more remote parts of the country (19%).

Brother's research supports that evidence, showing that more than a quarter (26%) of SMEs have introduced flexible working in the past year, with this trend particularly prominent in the Midlands and North West. Flexible working hours are particularly attractive to employees when there is a pronounced need for business travel on their part. In the North West, for example, where the average SME will have nine employees racking up 40 hours of business travel each week, flexible working arrangements can ensure these employees are not worn out or demotivated by having to accrue these hours in their leisure time (i.e. so that they still do a full days' work either side of their travel time).

Developments in technology that allow employees to work flexibly can help staff achieve more when travelling (making travel time productive, as opposed to dead time), in doing so decreasing

the relevance of the location of the SME itself. Regional businesses can use this to their advantage for recruitment, by offering prospective and current employees the opportunity to work from home or from another location, potentially with working hours that better suit their needs and lifestyles.

Agile working for the benefit of all

One example of the Government's increased interest in the issue of business agility is the creation of the Agile Future Forum two years ago to "... define the business value of workforce agility in supporting the competitiveness of UK plc and provide the leadership and practical support required to increase agile working practices across UK plc"³⁶. Backed by some of the most prominent figures in industry, the Agile Future Forum (AFF) is a business-to-business initiative spearheaded by Nick Clegg and consisting of 22 founder members, which reflect a broad range of sectors, sizes and locations and which have a history of managing workforce agility in their organisations.

The AFF notes that business leaders need to lead the development of agile working, starting with a clear understanding of the needs of the business and their workforce³⁶. Brother's research suggests a growing acceptance of this need at business leader level. For example, when asked whether business leaders would consider increasing remote working opportunities for staff in order to improve competitiveness, almost half of respondents (46%) agreed, with responses particularly high in the Midlands and the North West.

For firms where travel spend tops £50,000 a year, agreement amongst respondents rises to 64% and agreement is also higher where there is dissatisfaction with the quality of the local talent pool (65%).

³⁴Institute of Leadership & Management, March 2013, Flexible working: Goodbye nine to five – www.i-l-m.com/

³⁵Regus: Flexibility Drives Productivity – www.regus.presscentre.com/imagelibrary/downloadMedia.ashx?MediaDetailsID=34636

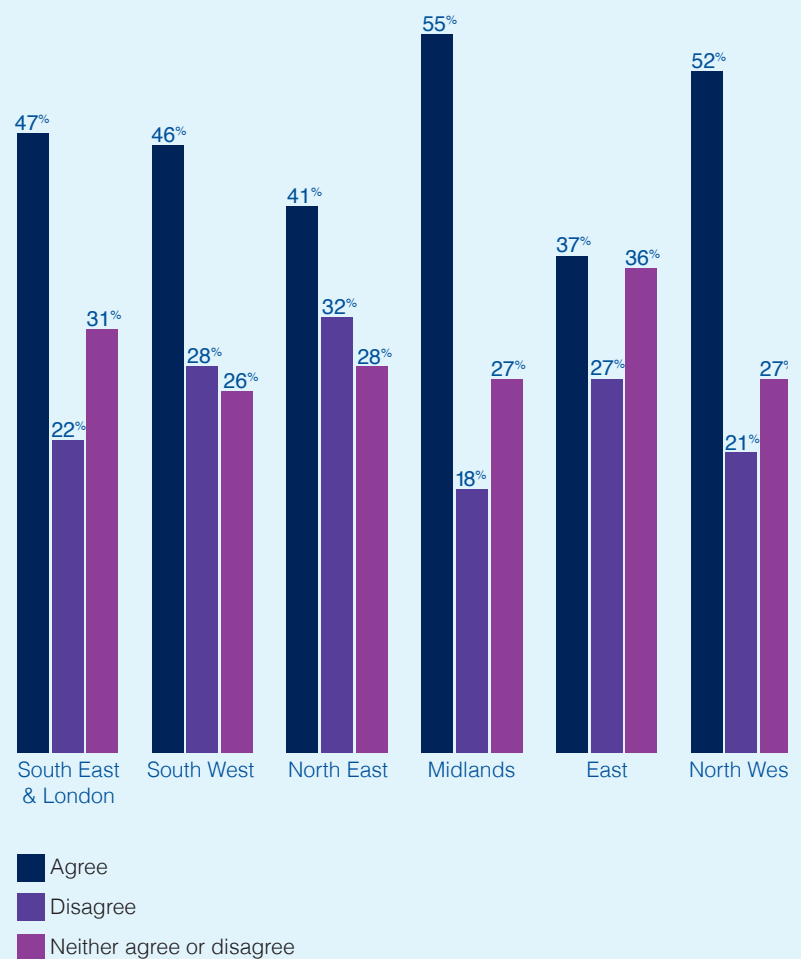
³⁶Agile Future Form, 2013:www.agilefutureforum.co.uk/introduction/

The Agile Future Forum has compiled strong research into the benefits of workforce agility, for example its June 2013 report, 'Understanding the economic benefits of workforce agility'. This study of agile working concluded that such practices (amongst AFF members) currently generate value equivalent to up to 13% of workforce costs, while rolling out these working practices further could generate additional savings of 3-7% of workforce costs and boost sales by 11%.

Similarly, a recent report produced by the Employers Group on Workplace Flexibility (EWF), which focused on 20 key companies of different sectors and sizes, found that for one company, each London-based desk reduction represented a saving of £10,000 a year. Another claimed that a move to flexible working created a 20% reduction in real-estate costs. The report also noted that flexibility should involve considering a shift to cloud-based software, which one company predicted would create a 38% reduction in data centre energy expenditure by 2020³⁷.

This type of research is particularly important, as in the past industry efforts to improve business agility have often been hampered by a reluctance to turn theory into reality. Growing SMEs want tangible guidance that generates quantifiable results rather than operating principles and best-practice frameworks. This is why addressing specific challenges – like better equipping mobile workers, or overhauling internal IT or accounting systems – may go a lot further to helping these businesses achieve greater efficiency.

Fig 14: Percentage of SMEs that would consider remote working to improve competitiveness



³⁷Employers Group on workplace flexibility report: <http://www.agilefutureforum.co.uk/wp-content/uploads/2013/06/The-Benefits-of-Flexible-Working-Arrangements-for-CEOs.pdf>

Commentary

Professor Robert Huggins,
Cardiff University, UK

Business agility refers to the capability to innovate across business functions in order to improve performance. In the long-term, the most successful SMEs will be those with the most agile business model. In this respect, the agility of future SME business models will be required to incorporate a strategy for continuous innovation that covers a whole host of dimensions beyond the traditional focus on product and service innovation. This includes operational, process and organisational changes discussed here. This form of agility is focused on the development of new or significantly improved:

- Production and delivery methods, often involving important changes being made to techniques, equipment, and software, resulting in improved operational effectiveness
- Organisational methods in the company's business practices, workplace organisation and external relations
- Methods of value delivery through the rearrangement of an SME's resources in such a way that it improves market competitiveness

Furthermore, business agility will increasingly relate to the capacity to be responsive with regard to market access and sales promotion and collaboration with customers, suppliers, and strategic partners. In the future, the most agile SMEs are also likely to be those with effective strategies relating to corporate social responsibility and green innovation.

“In the long-term,
the most successful
SMEs will be those
with the most agile
business model.”

Section Six:

Regional Spotlight

The East of England

Key findings

- 32%** working hours per week are spent travelling for business by a typical SME in the East of England.
- 35%** of SMEs believe they need to be able to recruit staff from a wider talent pool in order to improve competitiveness.
- 30%** of SMEs believe the East of England is more competitive than five years ago – of those who think this, 67% attribute it to greater use of technology.
- 37%** agree that increasing remote working could improve their firm's competitiveness.
- 43%** of respondents said the majority of their clients/customers are located outside of the East of England.
- 34%** would not consider expanding into a new region because of the costs involved.

The East of England's economy has continued to bounce back strongly since the recession ended and its growth has improved for the last three quarters in succession. While the economies of Norfolk, Cambridgeshire and Suffolk are traditionally predominantly agricultural, the area around Cambridge has become home to a cluster of hi-tech companies fuelled by a pipeline of expertise emanating from its world-renowned university.

It's perhaps therefore a little surprising that SMEs within this region are the least satisfied in the country with the strength of the local talent pool, with just 56% saying they were happy they could source the calibre of people they needed. This could be indicative of a broader UK-wide IT skills shortage³⁸, or indeed symptomatic of international corporations like Philips and Microsoft making a home in the region and swooping for the best talent at home grown firms' expense.

The East of England is a world leader in sectors from life sciences to low-carbon technology, and also has substantial construction and food and drink sector strength. In 2011 the region was responsible for 8.7 per cent of the UK economy, contributing £113.7 billion. It weathered the downturn relatively well and is one of the highest regions for private sector employment with one of the lowest unemployment rates in the country³⁹.

A growing number of businesses are starting up and its exports are growing too, with key markets including the USA, India, China and Brazil. Slightly more firms in the East say the majority of their clients are from outside the region compared to those that have most clients located within their home region, which helps explain why SMEs in the region spend £40,000 a year on average on business travel – the second highest in the country.

³⁸UK Commission for Employment and Skills, "Technology and Skills in the Digital Industries" 2013: www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-73-technology-skills-digital-industries.pdf

³⁹Government Department for Innovation and Skills, "Business populations estimates for the UK and regions" 2013: www.gov.uk/government/uploads/system/uploads/attachment_data/file/254552/13-92-business-population-estimates-2013-stats-release-4.pdf

However, a clear majority of more than two thirds (69%) said they could serve clients in different regions effectively from their base. Key infrastructure projects are improving the region's connectivity, including new roads and faster broadband⁴⁰. Businesses in the region clearly appreciate how technology can help level the playing field with larger competitors and improve their ability to service customers and clients in other parts of the country. 67% of SMEs which felt their region was more competitive felt that improving technology had helped. They were also quick to credit the competitive benefits brought by improving transport links in the region – 37% compared to a nationwide average of 18% – which include a £102m project to widen the A11, creating a direct dual carriageway from London to Norwich by 2014.

Firms believe that the East of England is well regarded, with only 7% feeling that there is any negative external perception of the region, and they were ambivalent about the idea of moving to London, with the majority (43%) saying a move into the capital would have no impact on their business at all. They were however dubious as to how the region had progressed in the last five years, with only 30% arguing it had become more competitive and the majority (60%) reporting no change.

That said, the data clearly shows that the East is helping the UK economy out of recession, in no small part due to its connectivity with other regions and focus on growth industries.

⁴⁰BBC News 2013: www.bbc.co.uk/news/uk-politics-23080965

The Midlands

Key findings

33% working hours per week are spent travelling for business by a typical SME in the Midlands.

46% of SMEs think they need to access a wider talent pool in order to improve competitiveness.

44% of respondents believe their businesses would be less successful if based in London.

55% agree that increasing remote working could improve their firm's competitiveness.

75% believe they can serve clients across multiple regions effectively from their Midlands base.

41% would not consider expanding into a new region because of the costs involved.

The Midlands is the heart of UK industry and led the world in pioneering the large-scale manufacturing of iron and steel, cars and trains, pottery and more. It is home to world-leading brands like Rolls-Royce, Cadburys, JCB and Dunlop, but the Midlands was hit harder than other regions by the recession and elevated unemployment remains a big issue as the region continues its recovery⁴¹. In 2011 the region's economy GVA was worth £175.8 billion, or 13.4 per cent of the UK economy, considerably less than it was pre-recession.

However, the Midlands has seen strong investment from overseas, particularly from Chinese and Indian investors, who see its central location as a good base to serve the rest of the UK. Exports are growing strongly, particularly to Asia, with the region's largest manufacturer Jaguar Land Rover forecast to sell 100,000 cars in China during 2013. Manufacturing in the region has also undergone something of a renaissance, with a particularly thriving supply chain serving the automotive industry. That could be why 44% of growing businesses in the Midlands – more than any other region of England – believe they would be less successful if they relocated to London.

The Midlands has a good transport infrastructure and could be set to receive a multi-billion pound boost from the HS2 rail link, which will particularly boost connectivity for the cities of Nottingham, Derby and Birmingham. Already three quarters of SMEs said they could serve clients across multiple regions effectively from their base, which is likely to have been enhanced by the fact that 37% had brought in remote working in the last year and 31% had introduced cloud-based IT systems.

⁴¹The Guardian 2011: www.theguardian.com/business/2011/jul/20/unemployment-midlands-hit-hardest

This is clearly a growing trend with 55% of firms saying they were considering increasing remote working. That would also facilitate recruitment from a wider talent pool, which some 46% of Midlands firms noted that they needed to do this in order to make themselves more competitive. While just 15% of SMEs believed the region's competitiveness had declined in the last five years, a third of those laid the blame with declining education standards affecting the local talent pool.

Most SMEs – three in five – said that the competitiveness of the Midlands had neither improved nor declined in the last five years, perhaps because of the shadow of the economic downturn which lingered over the region for longer than most and from which it has still yet to emerge⁴¹. One quarter of firms believe the Midlands is more competitive as a region than it was five years ago, with half these firms attributing this increase to the greater use of new technology. It certainly seems that, as the Midlands continues on its journey of recovery, agile firms that are willing and able to adopt new technologies and working practices are best placed to succeed.

⁴¹The Guardian 2011: www.theguardian.com/business/2011/jul/20/unemployment-midlands-hit-hardest

The North West

Key findings

40 working hours per week are spent travelling for business by a typical SME in the North West.

2/3 firms are happy with the quality of their regional talent pool.

40% of SMEs believe the North West is more competitive than five years ago, with 48% of these respondents attributing the improvement to greater use of technology.

30% of respondents have enabled employees to work remotely and introduced flexible working hours.

46% said the majority of their clients/customers are located within their North West base.

75% believe they can serve clients across multiple regions effectively from the North West.

The North West of England has always been an economic powerhouse. It is the birthplace of the industrial revolution, where the atom was first split and the home of the first programmable computer. It is also the third largest contributor to the UK economy, generating £120.5 billion in 2010⁴², boasts two international airports and enjoys excellent road and rail connectivity with the rest of the country.

Today, while the region still retains the largest manufacturing sector in the UK, the spotlight has shifted to its growing media and technology sectors. The BBC has relocated much of its operations to MediaCityUK in Salford and a raft of independent media production and technology companies have followed in its wake. That has only been possible because of the region's advanced digital infrastructure, which makes Manchester one of the most connected cities on earth⁴³.

The healthy North West economy supports a diverse range of SMEs operating both within their own region and across the whole of the UK. Almost half (46%) of the region's firms do not need to look beyond the North West to find the majority of their customers, while 18% carry out all of their business within their home region. This could be down to a legacy of caution and a desire to cap costs during the downturn. 57% of North West SMEs spend less than £10,000 a year on travel expenses, a figure that is understandably low given the close proximity of many of their clients and customers. What is interesting however is that while the direct cost of travel may not be breaking the bank, it does take up valuable time that could be spent exploring opportunities for growth.

⁴²Office For National Statistics 2013: www.ons.gov.uk/ons/dcp171780_266232.pdf

⁴³MIDAS 2014: www.investinmanchester.com/why-manchester/connectivity/

Some 90% of SMEs said their staff had to travel for business purposes every week, taking up 40 hours of employee time. With such a fantastic digital infrastructure, there is a clear opportunity for local businesses to take greater advantage of this asset, broadening their potential market and winning new customers further afield.

Two in five of the SMEs surveyed by Brother acknowledged that the North West is more competitive as a region than it was five years ago – the biggest increase recorded anywhere in the country – and 48% of these firms identified the main reason for this as being investment in technology.

The study also detected some signals that a growing number of firms are looking at imaginative ways to make the most of their technological advantage to expand across England. 36% said they would consider expanding into a new region to improve competitiveness. While 40% said the cost would be prohibitive, three quarters of SMEs felt they would be able to serve clients and customers effectively across multiple regions from their North West base.

A healthy 30% of North West SMEs have introduced remote working within the last year, with a further 52% claiming that they are looking to ramp up remote working provision in the future. The region's digital infrastructure means that even the smallest of North West firms can now gain a global reach and it is this capability which provides a raft of growth opportunities as the recovery builds momentum.

With that in mind, a growing number of firms believe now is the time to push ahead with plans to launch new products or target new markets. The North West led an industrial revolution that transformed our entire planet and, thanks to the advanced connectivity that the region enjoys today, it has the opportunity to take its place at the vanguard yet again⁴⁴.

⁴⁴Manchester Evening News, 2012: www.manchestereveningnews.co.uk/news/greater-manchester-news/david-cameron-manchester-at-the-heart-688498

The North East

Key findings

- 40%** working hours per week are spent travelling for business by a typical SME in the North East.
- 33%** believe they need to be able to recruit staff from a wider talent pool in order to improve competitiveness.
- 77%** of SMEs who think their home region is less competitive attribute this to the negative external perception of the region i.e. within the media.
- 33%** of respondents believe their businesses would be more successful if based in London.
- 40%** of SMEs said the majority of their clients/customers are located within the North East.
- 39%** would consider expansion into a new region to improve competitiveness.

Having spent decades reliant on an economy built upon natural reserves like coal⁴⁵, today the North East is in need of a return to growth after suffering high rates of unemployment and the lowest rate of job creation in the country⁴⁶. In recent years its reliance on public sector employment means it has been hit harder than other UK regions by government spending cuts – for example, the average council in the North East will lose £665 per person against £305 in the South East by 2017-18⁴⁷.

While the region's largest sector in terms of output remains manufacturing, particularly supplying the automotive and oil and gas sectors, it is followed by health and social work. The research shows that SMEs within the North East are clearly worried that the repercussions of the recession have been damaging to external perceptions of the region. The Brother research shows that where firms feel the region has become less competitive, more than three quarters believe they have been damaged by a negative view of the region by outsiders.

Yet despite some of the domestic troubles facing the region, there is nevertheless an extraordinary success story to be told in recent years about the exporters who have thrived in the region. Uniquely in the UK, the North East now exports more than it imports, with a total of £12.8 billion worth of goods and services exported from the North East in the 12 months up to March 2013. The region also experienced the largest percentage rise, 4.6%, in the number of exporting businesses⁴⁸.

⁴⁵The Northern Echo, 2008: www.thenorthernecho.co.uk/history/mining/coal/3183878.Coal___Industry_1500___1800/

⁴⁶Office for National Statistics, 2013: www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/economy--june-2013/economy---north-east--june-2013.html

⁴⁷SIGOMA, 2013: www.sigoma.gov.uk/Docs/sigomareports/A%20Fair%20Future%20or%20a%20Growing%20Divide_SIGOMA%20Updated%20Figures.pdf

⁴⁸HM Revenue & Customs Regional Trade Statistics – 2nd Quarter 2013: <http://bit.ly/1aHHSxQ>

More than half of the goods it exports travel outside the EU, with SMEs increasingly selling their wares across the whole world. Furthermore, exporters are well served by a strong transport infrastructure which includes three international airports, three main ports, and high-speed trains that now link Newcastle to London in under three hours.

The region generated £41.4 billion in 2011, or 3.2 per cent of the UK's output, and almost 40 per cent of that total was generated in the region's largest urban area of Tyneside. Perhaps because of the size and relative remoteness of parts of the region, staff in North East SMEs spend more time travelling for business than any of their counterparts elsewhere in the UK, racking up 40 hours per firm on average every single week. Two in five (41%) of these SMEs were considering increasing remote working opportunities for staff to boost competitiveness.

Though a respectable 65 per cent of SMEs said they could serve customers across multiple regions effectively from their base in the North East, this was the lowest in the country, perhaps demonstrating why there was a recognised need to get more staff out on the road. 40% of respondents from the region claimed that the majority of their customer base was currently located in their home region.

Some 30 per cent of respondents had already brought in remote working in the last year, which could also help tackle another bugbear of North East businesses that believe the area is suffering from a skills shortage. They are among the least happy with the quality of talent locally, with only 57 per cent satisfaction reported – offering remote working opportunities to prospective employees could conceivably help these firms to widen their recruitment area.

Firms in the North East recognise that they need to use all the tools at their disposal to counteract the impact public sector cuts have had and deliver great private sector growth and employment, and their recognition of the role technology can play is starting to pay dividends⁴⁹.

⁴⁹ONS, 2013 – North East economy grew by 1.7% in the past 12 months; Manpower Employment Outlook Survey, 2013 – 7% of employers across North East intend to increase the size of their workforce in the coming economic quarter – standing above the national average of 5%: www.manpowergroup.co.uk/media/100152/uk_meos_q113_final.pdf

The South East & London

Key findings

£41,000 is the average annual business travel spend of an SME in the South East or London.

64% of those surveyed are happy with their regional talent pool.

69% of those who believe the South East is more competitive attribute this to greater use of technology.

49% of firms in the region think their proximity to London gives them an advantage.

47% agree that increasing remote working could help improve their firm's competitiveness.

4 in 5 South Eastern SMEs believe they can serve clients across multiple regions effectively from their base location.

45% would consider expansion into a new region to improve competitiveness.

The hugely prosperous economies of London and the South East drive the national economy, and since the recession they have continued to pull further away from the rest of the country. London has by some distance the biggest, wealthiest and fastest-growing economy in the UK, which some argue is at the expense of the rest of the country. Together with the South East, they account for more than a third of UK economic output – 36.9% – generating around £475 billion a year.

The capital is a financial services powerhouse, known as one of the “command centres” for the global economy and ranked as the fifth largest city economy in the world. It is also a huge centre for the service industries, professional services, media, tourism and technology. More recently, London has benefited from infrastructure projects such as the Olympics that have seen a huge amount of public spending flowing into the city.

After London, the counties of Berkshire, Buckinghamshire and Oxfordshire are home to a host of multinational technology companies which have clustered along the M4 in Berkshire and M3 in Surrey, including Vodafone and Verizon. Unsurprisingly, 88 per cent of growing businesses surveyed by Brother in the region were located within 10 miles of a major town or city; for more than half of these firms, that city was London.

Interestingly, SMEs from the South East and London had the highest annual travel spend of any UK region at £40,970 per annum. London's global profile, world-class transport links and international outlook is likely to be why businesses there have a more widespread customer base than most regions, with one in five businesses reporting that the majority of their customers were located outside of the South East, while almost one in ten claimed the majority of their customers were in another country altogether.

Nine out of 10 SMEs surveyed said their staff had to travel in a typical week, with four out of five (80%) highlighting their businesses ability to serve clients and customers across the whole of the UK effectively from their South East home base, perhaps due to the region's extensive transport infrastructure.

Yet while 49% of SMEs said proximity to London gave them an advantage over firms in other regions of the UK, the same number felt that it was irrelevant – neither an advantage nor a disadvantage. Perhaps because of higher transport costs and higher overheads in general in the region, forward-thinking businesses have a growing interest in using technology to work smarter and enhance their business agility. The Brother survey found 39% of SMEs had brought in remote working in the last year and 47 per cent were considering it going forward.

Perhaps testimony to the already dominant position of the South East, only 35% of firms felt the region had become more competitive in the past five years. However, of those that did feel this was the case, 69% credited greater use of new technology as the primary reason.

Businesses in London and the South East are clearly the most plugged into the global economy and the survey suggests increasing recognition amongst SMEs as to how technology can enhance opportunities to expand their horizons and grow.

South West

Key findings

23% working hours per week are spent travelling for business by a typical SME in the South West.

65% of those who believe the South West is more competitive than five years ago attribute this to greater use of technology.

30% of respondents believe their businesses would be less successful if based in London.

46% agree that increasing remote working could improve their firm's competitiveness.

51% of SMEs said the majority of their clients/customers are located outside of the South West.

72% believe they can serve clients across multiple regions effectively from their base location.

The South West economy has historically been driven by maritime endeavour, largely based around the thriving port of Bristol. Today the region's most economically productive areas are generally those with the best transport connections to London, including the M4 corridor and south east Dorset.

Bristol accounts for a quarter of the region's economy, with the surrounding areas of Gloucestershire, Somerset and Wiltshire generating a further quarter. The region has a strong aerospace industry, with companies including Airbus UK, Rolls-Royce and BAE Systems, as well as healthy performance in sectors such as telecommunications, advanced manufacturing, renewable energy and agriculture.

The South West is responsible for almost eight per cent of the UK economy, generating £98.5 billion in 2010, and the spectacular scenery of Devon and Cornwall means tourism is also a strong sector, contributing around £5 billion a year.

The region is economically diverse. While Bristol is the second most affluent city in England after London, parts of Cornwall have among the lowest incomes in Northern Europe. The South West has one of the highest employment rates of the English regions but is the least entrepreneurial, with the lowest rate of new firms being founded⁵².

Geographically out on a limb, the Brother research paints a picture of a stable and largely self-contained business community in the South West dominated by smaller firms, 47 per cent of which have nine or less staff. The businesses polled are the most satisfied of any UK region with their talent pool (73% satisfaction).

⁵⁰Office for National Statistics, 2013: www.ons.gov.uk/ons/rel/subnational-labour/regional-labour-market-statistics/september-2012/stb-regional-labour-market-september-2012.html

According to the research, the region has the lowest annual travel spend per SME of any UK region (£22,210), despite the fact that businesses are more isolated than in any other region, with almost one quarter (22%) of SMEs located more than 10 miles away from the nearest town. These businesses also spend the shortest time traveling, with employees totalling approximately 25 hours of business travel per week (compared to a national average of 33 hours), and the fewest employees traveling for business purposes – just six employees per business in the average SME.

Yet despite this apparent reticence towards travelling, the research shows that SMEs in the South West are in fact the most likely in the UK to have a client base located mostly outside their own region. This applies to 51% of the SMEs polling, suggesting a greater reliance on communications technology to do business as opposed to travelling for face-to-face business purposes. This claim is supported by the fact that 65 per cent of businesses that think the region has become more competitive in the last five years due to the greater use of new technology.

40% of South West SMEs said there was no need for them to move to a new region to make themselves more competitive, with almost three quarters (72%) claiming to be happy in their ability to serve clients across multiple locations from their current base. 46% of SMEs were looking to stay where they were and instead increase remote working opportunities to improve their competitiveness.

Businesses in the region appear to be using technologies like email and web conferencing to overcome their geographical isolation and make themselves more agile in the market.

Section Seven:

Conclusion

Professor Robert Huggins, Cardiff University, UK

The research undertaken by Brother leads to some double-edged conclusions. On the one hand, it highlights the potential opportunities for UK SMEs to improve future competitiveness and rates of growth. On the other, it makes clear that there are a number of challenges SMEs will face in the future if they are to embrace the opportunities available to them. In particular, these challenges are often accentuated for SMEs in regions with less competitive business environments.

To achieve success, SME leaders and those implementing regional and local development policy, such as Local Enterprise Partnerships, must work closely to ensure that both SME and regional competitiveness strategies are aligned and work in tandem, enabling a vibrant and innovative business environment. The key feature of these strategies should focus on human capital and workforce development, market expansion and development, connectivity and networks, and business agility and innovation.

The entrepreneurs at the helm of our SMEs are the lifeblood of the UK's competitiveness. Policy support should continue to be made available to enable them access to the resources they require to develop and grow their businesses. However, SMEs face different challenges, which are often dependent upon the region in which they are located. The introduction of Local Enterprise Partnerships and Enterprise Zones bring about progress in enterprise policy development if they harness effective partnerships between the public and private sectors, and also if they consider links between urban and rural economies – particularly as enterprise policies in the past have generally lacked any distinct approaches to rural enterprise.

Alongside the availability of effective business support, SMEs also need to ensure they help shape an economic environment conducive to 'doing business' within their regions, not only through effective strategising but also engaging with the types of regional business representation groups – such as chambers of commerce and the Federation of Small Businesses – that lobby for changes that will promote increased competitiveness.

Entrepreneurs and SME leaders must also ensure they have the correct managerial skill-set and business ethos to take their company forward. The most sustainable and profitable SMEs are clearly based on elements of entrepreneurship, such as business 'flair', leadership, and measured risk-taking. The more an entrepreneur is a change-driven networker and risk-taker, the greater the growth rate of their company tends to be. In general, high-growth SMEs tend to seek advice on skills and training development more than their low-growth counterparts. Similarly, high-growth regions tend to possess a stronger critical mass of entrepreneurially-minded individuals.

Finally, while regional competitiveness is intrinsically bound to economic performance, there is a growing consensus that it is best measured in terms of the assets of the business environment. These include the level of human capital, the degree of innovative capacity, and the quality of the local infrastructure – all of which affect the propensity to achieve competitive advantage in leading-edge and growing sectors of activity.

The influence these assets can have on SME competitiveness, such as the ability to attract creative and innovative people, are all important features of regional competitive advantage. Essentially, competitiveness is increasingly concerned with creativity, knowledge, and environmental conditions, rather than being purely based on accumulated wealth. Regions, industry representatives, universities, research institutions, chambers of commerce, and government policy makers must continue to engage in the public-private partnerships that will enable SMEs and regions as a whole to gain a competitive advantage in building and capitalising upon these attributes.

Biography

Professor Robert Huggins

Professor Robert Huggins is Chair of Economic Geography at Cardiff University's School of Planning and Geography and Director of its Centre for Advanced Studies (2011). Prior to this he was Chair at the University of Wales Institute, Cardiff (2008-2011), and Senior Lecturer at University of Sheffield (2005-2008). Prof Huggins has published more than fifty articles in peer-reviewed journals, a significant number of which are rated as 'world-leading' journals.

As the originator of the European Competitiveness Index, the UK Competitiveness Index and the co-founder of the World Knowledge Competitiveness Index, Robert is committed to furthering research that informs public policy. Prof Huggins's key areas of interest include regional economic development, in particular the study of competitiveness, knowledge flows, entrepreneurship, innovation, and inter-organisational networks. Research projects have focused on: the analysis of regional competitiveness; inward investment; the knowledge economy and high-technology industry; and the culture of entrepreneurship and business development – in particular, the creation and evolution of business networks and knowledge clusters; and the development and mobilisation of knowledge and skills.

Alongside peer-reviewed publications, he has also written more than 100 other contributions including practitioner articles, conference and working papers, and research consultancy reports, which has significantly enhanced the dissemination of his research beyond the academic community. His research has generally been supported by external funding, and as well as a number of successful applications to the Economic and Social Research Council (ESRC), he has attracted support from a wide range of organisations in the UK, as well as international institutions such as the European Commission and the OECD.



Useful Resources for Growing Businesses

Agile Future Forum – www.agilefutureforum.co.uk

The Agile Future Forum (AFF) is a B2B initiative consisting of 22 members with a track record of managing workforce agility. The group has developed a new approach that enables organisations to consider workforce agility differently – providing tangible benefits to businesses and employees.

BCC – www.britishchambers.org.uk

The British Chambers of Commerce (BCC) is an independent business network, with Chambers across the UK. The BCC works with businesses of all sizes and represent all sectors, aiming to help firms by providing them with a range of services, expertise and support from their local Chamber.

BITC – www.bitc.org.uk

Business in the Community is a business-led charity which aims to build resilient communities, diverse workplaces and a more sustainable future. It offers a range of services that challenge and support members and help to transform businesses.

Bridging To The Future – www.bridgingtothefuture.co.uk

Bridging to the Future is a business incubator specialising in micro business and social enterprises. It has developed a Bridge Model and support services to help business people and entrepreneurs with business start-ups, investment in new projects, young entrepreneurship and growth.

Business is Great Britain – <http://www.greatbusiness.gov.uk/about>

The GREAT Britain campaign is a partnership between private enterprise and Government to highlight support for businesses aspiring to succeed and to encourage entrepreneurial spirit. The campaign aims to provide support, advice and guidance to help push a business to the next level.

CBI – www.cbi.org.uk

The CBI is a business lobbying organisation which aims to provide a voice for employers at a national and international level across the UK, speaking for more than 240, 000 companies of all sizes.

Enterprise Nation – www.enterprisenation.com

Enterprise Nation helps people transform good ideas into great businesses – through inspirational books and events, a supportive community of business owners, expert leadership and a campaigning voice.

The FPB – www.fpb.org

The Forum of Private Business is a proactive business support organisation focused on the growth and profitability of small businesses. The Forum offers a business support service and membership package, with practical assistance spanning the key functions in an organisation, delivered at a competitive price.

FSB – www.fsb.org.uk/social

The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms.

Future Work Institute – www.futureworkinstitute.com

The Future Work Institute is a global consulting firm that aids organisations in developing innovative new ways to improve their business including training and leadership development.

Institute of Directors – www.iod.com

As the UK's longest running organisation for professional leaders supporting 34,500 members through 48 regional branches across the UK, the IoD encourages entrepreneurial activity and promotes responsible business practice for the benefit of the business community and society.

IOEE – <http://ioee.co.uk>

The Institute of Enterprise and Entrepreneurs provides for its members a development professional body where those starting to run their own enterprises and those providing support to them develop themselves by answering business questions and transferring skills and knowledge to each other.

ISBE – www.isbe.org.uk

The Institute for Small Businesses and Entrepreneurship holds events and conferences designed to provide a network for those in the field of small business and entrepreneurship, allowing the sharing of valuable insight and best practice as well as skill-building workshops for SME practitioners.

LEP Network – www.lepnetwork.org.uk

Local Enterprise Partnerships are locally-owned partnerships between local authorities and businesses. They play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs.

Start-Up Britain – www.startupbritain.co.uk

Start-Up Britain is a national campaign launched in 2008 by the Prime Minister, with the full support of the Chancellor and HM Government and funding from private-sector sponsors. The campaign highlights the support that is available to those who wish to start or grow a business.

