



# Businesses in Growth Sectors in South Hampshire

Final Report



INVESTOR IN PEOPLE

# Businesses in Growth Sectors in South Hampshire

## Final Report

Enquiries about this report may be addressed to:

Fiona Dodd  
Andrew Graves  
Lisa Shearer

25 March 2008

TBR  
TBR House  
16 Jesmond Road  
Newcastle upon Tyne, NE2 4PQ

Telephone: +44 (0) 191 281 9955  
Fax: +44 (0) 191 281 9966  
Email: [Info@tbr.co.uk](mailto:Info@tbr.co.uk)  
[www.tbr.co.uk](http://www.tbr.co.uk)

This report is © Trends Business Research, 2008

PN01007R\_South\_Hampshire\_Growth\_Sectors\_v14.doc

## Table of Contents

<b>EXECUTIVE SUMMARY.....</b>	<b>5</b>
<b>1. INTRODUCTION AND OBJECTIVES.....</b>	<b>8</b>
1.1 STRUCTURE OF REPORT.....	9
<b>2. BACKGROUND TO THE PROJECT.....</b>	<b>10</b>
2.1 ISSUES.....	11
<b>3. METHODOLOGY.....</b>	<b>13</b>
3.1 DESK RESEARCH.....	13
3.2 POTENTIAL GROWTH SECTOR ANALYSIS.....	13
3.3 CONSULTATION.....	13
3.4 CASE STUDIES AND CLUSTER DIAGRAMS.....	14
3.5 REPORT AND ACTION PLAN.....	14
<b>4. REVIEW OF CURRENT RESEARCH ACTIVITY.....</b>	<b>15</b>
4.1 SUMMARY OF RELEVANT RESEARCH TO DATE.....	15
4.2 GEOGRAPHICAL SCOPE OF EXISTING RESEARCH.....	19
4.3 ECONOMIC EVIDENCE THAT EXISTS IN PUBLISHED REPORTS.....	23
4.4 RESEARCH, DEVELOPMENT AND INNOVATION.....	24
<b>5. ANALYSIS OF POTENTIAL GROWTH SECTORS.....</b>	<b>26</b>
5.1 REVIEW OF EXISTING ECONOMIC EVIDENCE.....	26
5.2 FIRMS AND EMPLOYMENT.....	29
5.3 INDUSTRIAL STRENGTHS.....	33
5.4 NEW FIRM FORMATION AND EMPLOYMENT CHANGE.....	35
5.5 PRODUCTIVITY.....	37
5.6 INWARD INVESTMENT.....	41
<b>6. RECOMMENDATIONS FOR GROWTH SECTOR FOCUS.....</b>	<b>43</b>
6.1 THE SELECTION PROCESS.....	43
6.2 THE HEADLINE RESULTS.....	44
6.3 RECOMMENDATIONS FOR GROWTH SECTOR FOCUS.....	44
6.4 MARINE.....	45
6.5 FUTURE WORK.....	46
6.6 RECOMMENDED SECTORS.....	46
<b>7. CONSULTATION.....</b>	<b>51</b>
7.1 UNDERSTANDING CLUSTERS AND BUSINESS NETWORKS.....	51
7.2 SUPPORTING ORGANISATION INTERVIEWS.....	51
7.3 THE NATURE AND BEHAVIOUR OF BUSINESS NETWORKS.....	54
7.4 OVERCOMING BARRIERS TO GROWTH.....	61
7.5 DISCUSSION ON LINKS ACROSS THE SUPPLY CHAIN.....	62
7.6 BUSINESS GROWTH.....	64
7.7 IDENTIFICATION OF ISSUES FOR PUSH IN SUPPORTING GROWTH SECTORS.....	64

7.8	CASE STUDIES.....	68
<b>8.</b>	<b>WHAT ARE CLUSTERS? .....</b>	<b>73</b>
8.1	DISCUSSION OF CLUSTER ASSESSMENT MODELS .....	73
8.2	BEST PRACTICE CLUSTER DEVELOPMENT .....	75
<b>9.</b>	<b>CLUSTER LINKAGES.....</b>	<b>83</b>
9.1	AEROSPACE CLUSTER MAP.....	85
9.2	HEALTH CLUSTER MAP .....	86
9.3	DIGITAL MEDIA CLUSTER MAP.....	87
<b>10.</b>	<b>CONCLUSIONS, RECOMMENDATIONS AND ACTION PLAN .....</b>	<b>88</b>
10.1	ASSESSING THE GROWTH SECTORS .....	88
10.2	SUPPORT THEMES .....	91
10.3	RECOMMENDATIONS FOR ACTION – ADVANCED MANUFACTURING.....	93
10.4	RECOMMENDATIONS FOR ACTION – CREATIVE & MEDIA .....	96
10.5	RECOMMENDATIONS FOR ACTION – BUSINESS SERVICES.....	102
<b>11.</b>	<b>APPENDIX.....</b>	<b>106</b>
11.1	CONTACTS FOR DISCUSSIONS .....	106
11.2	DETAILED RAE RATINGS TABLE .....	108
11.3	DTZ GEOGRAPHICAL AREAS ANALYSED.....	109
11.4	BUSINESS SUPPORT, NETWORKS AND FORMAL CLUSTERS THAT CURRENTLY EXIST. 109	

**Index of Tables**

Table 1: Summary of published relevant material .....	17
Table 2: Geographical spread of strengths .....	21
Table 3: Headline information contained in existing relevant reports.....	23
Table 4: Possible RAE ratings .....	24
Table 5: PUSH RAE ratings.....	24
Table 6: Updated DTZ assessment; firms, employment & strengths.....	27
Table 7: Firms and Employment in PUSH, South East and GB.....	29
Table 8: Sector Strengths in the PUSH area .....	33
Table 9: Advanced Manufacturing Strengths.....	33
Table 10: Business Services Strengths .....	34
Table 11: New firm formation in the PUSH economy.....	35
Table 12: Employment change across the sectors.....	36
Table 13: Comparison of growth statistics .....	36
Table 14: GVA per employee.....	38
Table 15: Creative Sector GVA analysis .....	39
Table 16: Creative & Media Sub-sectors and GVA Contributions.....	39
Table 17: Sector analysis score .....	44
Table 18: Breakdown of Interviews.....	51
Table 19: How sectors link to Universities .....	54
Table 20: Extra activities participated in.....	55
Table 21: Business Support.....	60
Table 22: Cluster Assessment – Categories and Classifications .....	75
Table 23: Policy options to develop enterprise through clustering .....	76
Table 24: Assessment of Comparative Scale and Significance .....	88
Table 25: Sector Assessment.....	89
Table 26: Business Contacts.....	106
Table 27: Supporting Organisation Contacts.....	107

**Index of Figures**

Figure 1: Coverage of previous research studies.....	19
Figure 2: Average employment in key sectors across PUSH, South East and Great Britain .	30
Figure 3: Average employment in Advanced Manufacturing sub-sectors.....	31
Figure 4: Average employment in Business Services sub-sectors .....	31
Figure 5: Distribution by size band.....	32
Figure 6: Average GVA per employee.....	37
Figure 7: Proportion of foreign owned firm stock in PUSH and South East.....	41
Figure 8: Advanced Manufacture .....	47
Figure 9: Business Services .....	48
Figure 10: Creative & Media .....	49
Figure 11: Growing Firms .....	50

**Index of Sub-Documents**

Evidence Report 1: Deconstructing the Sectors
Evidence Report 2: Growth Sector Recommendations
Evidence Report 3: Consultation



## Executive Summary

This report examines a selection of potential growth sectors that are being recommended to receive considerable attention and support from the Partnership for Urban South Hampshire (PUSH). The suggested sectors for growth are recommended from an objective and evidence based review of their current and likely future growth and wealth creating potential. Specifically, this report also examines the linkages across these sectors and highlights the geographic location of the businesses.

The purpose of the study was to undertake an analysis and mapping of businesses within industries identified as growth sectors and to identify any business-to-business or business and supporting organisation interactions that take place. The study employs a multi-modal methodology and relies upon an analysis of economic data, both that available from national and official data sources and from existing reports and publications concerning the PUSH area – desk research, consultation and cluster mapping – in order to deliver a set of recommendations for supporting and encouraging growth across Urban South Hampshire.

The review of current information revealed that whilst there was a range of economic evidence available, four districts within the PUSH area were under-represented in the research: New Forrester, Test Valley, Winchester and East Hampshire. This study therefore provides a comprehensive analysis of the PUSH area in its entirety.

The primary task was to identify which sectors demonstrated the most growth potential. It must be made clear that the sectoral definitions for this report were based on initial work completed by DTZ examining business growth sectors. The remit of TBR's work was to build on that of DTZ and to gain insight into potential business growth sectors, not to redefine work which had already been completed. Through undertaking detailed sectoral analysis of the PUSH economy and considering indicators such as the number of firms and levels of employment in each sector, location quotients, new firm formation, growth, inward investment and productivity, it became clear that the three specific sectors driving growth were Advanced Manufacture, Business Services and Creative & Media.

The Marine sector is and should be viewed as very important to the current and future health of the PUSH economy. However, it was omitted from this study for a number of reasons. Like any other sector there are pressures and challenges in Marine, but its omission from this report in no way reflects an antipathy towards it on behalf of PUSH, nor a lack of recognition of its importance. There are existing structures that focus on this sector within the wider region and there have been numerous studies of the sector in the recent past. A desire not to replicate these studies was a principal driver in the decision not to include marine as a sector of focus. Note that the research team would recommend that Marine should at the very least be seen as being part of the Advanced Manufacturing industries rather than part of Traditional Manufacturing, which is where it is located in previous definitions.

Arguments could be made for the inclusion of other sectors (e.g. Tourism and the 'visitor economy') but the limited resources available to this study meant that it was decided that the focus of later stages and recommendations should be on three likely growth sectors. The report therefore should be seen as putting forward a case for action in three sectors (based on a set of selection criteria), whilst not precluding the case being made for action to be taken on others.

This report does not preclude the need to change focus and redirect resources in the future as emerging sectors and technologies grow in significance. The assessment made in this report is relevant now, but continual review is required through time.

The following consultation phase identified core issues that supporting organisations and businesses felt were impacting business interactions and growth strategies in the PUSH area.

Key barriers to growth identified by businesses across each sector were the supply of high quality labour, the availability of business-to-business support and an unproductive and limited relationship between the public and private sector.

The maximisation of supply chain linkages varies across each sector. Advanced Manufacture businesses tend to use the local supply chain where possible, but growing price competition from Eastern Europe and the Far East is impacting on this. Business Services' use of the local supply chain is inconsistent and the Creative & Media sector has yet to realise the potential of its supply chain. In order to become more competitive, understanding and supporting more collective, formalised aspirations and linkages will be a key challenge for each sector.

The key output of this report, on top of the evidence that it has presented, is an Action Plan to support the key sectors. There are also very strong underpinning themes for the Action Plan. For example, there are a number of strong, sometimes emerging organisations or projects within the growth sectors (certainly in Advanced Manufacture and Creative & Media) that are well placed to provide significant benefit to the businesses within them. These projects tend to be located in one of the core PUSH cities and have a local focus. The Partnership must seek to understand where good practice is occurring and how, should other conditions be right, it might be spun out across other locations in the PUSH area for the wider benefit of growth sectors and the PUSH economy. We believe such principles should run throughout the activities of PUSH, as reflected in the Action Plan below; that PUSH activities should be largely (but not exclusively) focused on capacity building, joining together complementary projects, supporting emerging projects that add value and providing resources to develop new support offers as and when the need for them arises. The Partnership should also consider the merits of cluster development approaches to developing these key sectors.

The evidence indicates that the Advanced Manufacturing and Creative & Media sectors can be justifiably supported, and that any forward plan should consider using cluster development techniques to do so. The evidence also indicates that there is justification for supporting Advanced Business Service, but that this sector is more likely to respond to sector development techniques.

The Action Plan proposes the key activities stated below, by sector.

### **Advanced Manufacturing**

<b>Initiative Name</b>	<b>Issue</b>	<b>Objective</b>
Sector Action Team	Lack of cohesive mechanism through which to deliver and manage sector support initiatives	To provide a forum which manages, prioritises and drives forward on sector (or cluster) support programmes
R&D facilitation	Lack of resources at key bodies such as Solent Synergy.	To support Solent Synergy to increase partnership building and facilitate innovation
Support Service Rationalisation	Disparate nature of existing business support initiatives	Continued support development of the BSSP.
Employment Land	Suitable land being available for larger Advanced Manufacturers to expand.	Investigation into the extent of the problem of finding suitable employment land and to propose possible solutions
Reputation building	Need to publicise strength of advanced manufacturing sector and the opportunities it presents	The broad objective is for the area to gain a reputation as being a global leader in Advanced Manufacturing
Skills/Labour Market	Middle tier and industry ready skilled staff shortages	To increase the number of education, training and development courses and qualifications



## Creative & Media

Initiative Name	Issue	Objective
Sector Action Team	Lack of cohesive mechanism through which to deliver and manage sector support initiatives	To provide a forum which manages, prioritises and drives forward on sector (or cluster) support programmes
Collaborative Networking	Little collaboration between digital media companies (and other key elements of sector)	Develop a local Creative development partnership.
Audience Development	Relatively low level of demand, especially in the live and performing arts	More audience development R&D in the creative sector
Business Support	Support Service Rationalisation	Continued support development of the BSSP
Employment Land	Insufficient Creative-specific business incubation units to meet demand.	To develop more incubation units, exhibition spaces and workshops
Innovation Development	Potential loss of specialist arts enterprise and innovation development advisors with the removal of AIF.	To provide continuing support for enterprise development in the creative sector.
Skills/Labour Market	High competition for work amongst small businesses coupled with a challenging labour market for graduates, leading to many of them leaving the area to work (digital media focus)	Raising awareness of different types of work available locally and encouraging individuals and SMEs to work together to bid for larger projects. Develop Creative production capacity in all areas of PUSH
Procurement	Encouraging collaborative bidding for public sector contracts	To provide a resource that can be used to assist local businesses in forming partnerships and collaborative teams in order to bid for larger contracts.
Reputation development and place branding	Having strong Creative production talent but lacking the space, support and confidence to nurture this	The area to gain a reputation for its quality and variety of Creative production and the range of associated entertainment values.

## Advanced Business Services

Initiative Name	Issue	Objective
Business Support	Support Service Rationalisation	Continued support development of the BSSP
Market demand study	Lack of sufficient knowledge of how the business services sector operates and the demand for networking support	To ascertain evidence of market demand for networking, and interaction from within business services with key clusters
Networking	Note – dependent on outcome of market demand study described above	To provide a forum for interaction, networking and collaboration
Place Branding	Having strong Business Services (specifically Law, management consultancy) but the sector finding it hard to attract the middle level staff needed to boost the sector.	The area to gain a reputation as being a national competitor to London and the West Midlands for professional services.
Procurement	Procurement procedures – particularly in the public sector but also amongst large private sector companies - are challenging for SMEs	Promotion and simplification of local procurement

## 1. Introduction and Objectives

The purpose of this project is to undertake an analysis and mapping of businesses within industries identified as growth sectors and to identify any business-to-business or business and supporting organisation interactions that take place. This information will then inform any intervention that could take place to enhance networking productivity and business growth within the PUSH area. Past research identifying strengths in sectors and cluster activities in the area will form a basis for further research aimed at exploring business growth in detail. The ultimate goal is to develop and promote business networks in the sub-region to support the spread of best practice collaboration and business growth.

The main objective of this research, therefore, is:

*"To map the geographical distribution and concentration of businesses within the growth sectors and clusters in South Hampshire and to identify the interactions which take place between businesses in these sectors and in business networks."*

Whilst defined separately, business networks and regional clusters can both be viewed as relationships between businesses, which correlate to their performance as well as the development of the surrounding economy. It is precisely these value-adding relationships that are of interest due to the contribution they can make to the growth of the sub-region. This means that business networks and regional clusters cannot be treated separately; where there are clusters, there are opportunities for business networks. We will gain a thorough understanding of the nature of all existing relationships and review them against models currently highlighted as good practice, identifying a range of practical measures that would enable clustering to succeed.

A variety of reports have already been written detailing information about growth in South Hampshire (reviewed in section 4). It is noted that a key requirement is to identify *potential* clusters across the PUSH area. This will warrant a 'first principles' approach in certain aspects of the research, specifically data related resources, instead of relying on older reports to reveal potential clusters. This approach is taken in order to present a complete and current picture, not to revisit the conclusions of prior reports or to challenge them. For example, in deconstructing and re-analysing DTZ's work we are not trying to 're-invent the wheel'. We are, however, seeking to review and build on that work, along with others, to enable us to understand what has already been researched in the PUSH area and where the gaps in research/analysis lie. This gives us understanding and direction to develop a more detailed analysis, using our own data resource (Trends Central Resource - TCR) to provide an in-depth picture of what exists in the PUSH area, what is likely to decline and what might help to drive growth.

We have taken a transparent approach, balancing input from previous analyses with new analysis and consultation. This has enabled us to identify the business sectors with the highest potential to be developed as regional clusters and to make recommendations on how best to support this growth through a selection of clustering and/or business networking projects and actions.

## 1.1 Structure of Report

This report consists of 11 chapters and three additional evidence reports as follows:

1. Introduction and Objectives – details of the purpose and aims of the study.
2. Background to the project – an overview of the political environment in which the study has been completed, including a summary of the key issues associated with successful completion of the project.
3. Methodology – an overview of the methodological steps followed to complete the study.
4. Review of current research activity – a review of research produced prior to this study impacting on all or parts of the PUSH area.
5. Analysis of Potential Growth Sectors – a review of the industrial structure and relevant economic indicators – building on and not substituting the previous work by DTZ - in order to identify potential growth sectors in the PUSH economy.
6. Recommendations for growth sector – analysis and rating of each sector in order to identify what should be the focus of the consultation.
7. Consultation – presentation and discussion of the findings of the consultation phase of the study. Also includes case studies.
8. What are Clusters? – this section discusses the use, relevance and practicalities of following a cluster development approach. It includes some examples of best practice cluster development.
9. Cluster Linkages – sets out example cluster maps.
10. Conclusions, Recommendations and Action Plan – final section drawing together the desk research, mapping and analysis, case studies and consultation activity in order to make action recommendations.
11. Appendix - additional supporting information.

**Evidence Report 1: Deconstructing the Sectors** – supplementary information and data to that included in Section 5: Full breakdown of the SICs included in each sector definition and input-output analysis.

**Evidence Report 2: Growth Sector Recommendations** - supplementary information and data to that included in Section 6: Recommendations for growth sector including the full growth analysis framework for each sector.

**Evidence Report 3: Consultation** - supplementary information to that included in Section 7: Consultation including the consultation development framework and the full discussion guide.

## 2. Background to the project

The Partnership for Urban South Hampshire has been created by 11 Local Authorities. Its main objective is to achieve an economic growth of 3.5% in the area by 2026. One of the means of ensuring this growth is the development and promotion of business networks in the identified growth sectors.

Although there are a number of other studies that have been undertaken identifying clusters in different areas of the sub-region, there is now a need to dig deeper and provide PUSH with a more thorough understanding of the dynamics of the growth sectors and the interactions (e.g. business networks) within them. This will enable the PUSH local authorities to intervene as effectively as possible, and aid the development of the key clusters. This will require questions such as the following to be addressed:

- Where is key activity located? Where are new firms/closures located?
- What are the specific industries driving growth within the five sectors?
- Is growth being driven by existing or new firms? What implications does this have for employment land?
- What are the most productive industries?
- What is the nature of inward investment in the five sectors?

As part of the South East Plan, work undertaken by DTZ for the PUSH area has as part of its economic development strategy the objective of doubling the size of the economy over the next 20 years by achieving a growth rate (in GVA terms) of 3.5% per annum. Broadly speaking, GVA increases are driven by the performance of companies, including the wages paid to their employees and the productivity of individuals within the company. It is estimated that GVA growth in the PUSH area will be driven largely by employment change, but also by increases in productivity. With regard to the increased need for employment land and housing, identifying measures which can be taken to increase productivity sooner rather than later will have the added benefit of easing the strain on infrastructure capacity. This means, in the case of manufacturing for example, replacing low value added activity with more advanced methods.

The DTZ work identified four growth sectors within the sub-region: Business Services, Distribution, Retail and Tourism. It also acknowledged the importance of Advanced Manufacturing, and these five sectors were listed in the project brief as the 'growth sectors within the sub-region'.

The PUSH area, whilst referred to as urban, contains diversified geographies and some fairly rural areas, e.g. Test Valley. Generally, there is diversity within the PUSH area with regard to such issues as economic status, e.g. deprived areas in Portsmouth and Southampton. Our previous work for Portsmouth City Growth revealed low firm density but high density of population in the area. This impacts on the ease with which new businesses can start up, and has significant implications in terms of urban planning policies and the provision of suitable premises for new businesses. This will be taken into consideration as the report develops.

We also recognise that there are other cluster/sector priorities, which relate to the wider regional economy, driven by SEEDA, these being:

- Advanced Engineering
- Aerospace & Defence
- Environmental Technologies
- Financial and Business Services
- Healthcare
- Media Technologies & Telecommunications
- Logistics
- Marine Technologies
- Property & Construction

- Tourism.

These are but a few of the many issues which need to be understood before meaningful recommendations, taking into account the varying conditions within which the selected sectors operate, are made.

## 2.1 Issues

There are a number of key issues that need to be addressed in order for the research objectives to be successfully delivered:

- A significant body of economic research already exists for Hampshire, which is concerned with the growth prospects of specific sectors and geographical areas within the area. The appropriate balance must be achieved to attain comprehensive and insightful analysis, whilst at the same time avoiding any unnecessary duplication. Our data resources will be used to provide a deeper view of what is on the ground (i.e. the detailed makeup of the five growth sectors listed in the brief) than any research that has been produced thus far.
- A related issue is how clustering in the area is approached. There are 10 local authority areas within the immediate remit of this study; furthermore, much of the aforementioned research does not cover the entire geographical area. More refined analysis of new and existing information across the PUSH region will therefore take place so that robust recommendations can be made.
- A traditional approach to defining clusters is to group industries defined by 4-digit SIC together. Generally this approach is sufficient; however, in the case of the creative industries, for example, it is occasionally inadequate. Even at 5-digit SIC, it is difficult to satisfactorily describe creative activity, since it is often unhelpfully grouped with other non-creative activity. By way of example, certain activities within the SIC 74.40 (Advertising etc.) could not be described as 'creative' – for instance, support services that provide and maintain advertising hoardings. For comprehensive analysis, clusters will be analysed and cluster maps produced based on data which goes beyond 5-digit SIC.
- Identifying and understanding clusters requires an examination of the linkages between businesses. Two conventional approaches for determining linkage are through direct consultation with individual businesses and through analysing data (e.g. input-output) which describes the nature (e.g. size and type) of flows between companies. These methods will be employed in a complementary fashion, such that a synergistic dual-track approach is followed. This is advantageous because using such data sources as UK input-output leads to a broader understanding of value chains and key supplier relationships.
- Ultimately, PUSH's main objective is to achieve economic growth of 3.5% in GVA terms. Therefore, to thoroughly understand drivers of growth within South Hampshire, we will analyse the components of change. In the case of employment change by SIC for example, one of the only viable official data sources is the Annual Business Inquiry. However, this can only measure total net change, and at local geographies even this calculation is subject to large sample error.<sup>1</sup> TBR is in a position to thoroughly describe change (e.g. GVA, employment) because we can isolate employment lost through closures, employment gained through new firm formation and employment created by growing firms. This means the growth prospects and 'health' of a cluster can be understood at a deeper level, facilitating more informed decision making with regard to intervention.
- In order to deliver economic growth that does not strain the capacity of deliverable housing requirements, it is crucial that significant productivity gains are achieved in the sub-region. We will measure productivity by analysing gross value added per employee

---

<sup>1</sup> A crucial caveat to emphasise is that ABI data is based on a sample of 70,000 businesses across Great Britain. This means that from year to year, the exact makeup of the sample will change considerably, as it comprises only 70,000 organisations out of a total in excess of 4 million. This means that comparing changes in total employment across different years is subject to sample error, especially at smaller geographies.

and estimate productivity at firm level. Where sample sizes permit, we can also build up estimates of productivity for bespoke areas, sectors and clusters. This ability is based on our access to and interpretation of our unique dataset, TCR.

### 3. Methodology

This section summarises the approach taken to complete this study. In brief, there were five inter-locking methodological steps:

1. Desk Research – a review of current activity and previous research in the PUSH area
2. Potential Growth Sector Analysis – a review of existing economic evidence and sectoral analysis in order to recommend potential growth sectors
3. Consultation – with supporting organisations and local businesses across the PUSH area in order to identify and describe supply chain linkages
4. Case Studies and Cluster Diagrams – detailed review of the nature of connections across the area
5. Report and Action Plan – how growth in the PUSH area can be supported and encouraged over the short (3-12 months), medium (12 months-3 years) and long (3-5 years) term.

#### 3.1 Desk Research

The purpose of this step was to review previous research in order to provide an understanding of the key issues that were currently faced in the PUSH area and to identify the trends that were likely to impact the area in the future.

The scope and scale of the desk research covered current literature on clusters and business networks and investigation of the following areas:

- The planning and spatial strategy as it affects different categories of business
- The provision of regeneration funding under urban and rural programmes
- The funding support for new business development and the role of Business Link
- The focus of regional strategies on activities where excellence is sought
- The current existence and understanding of local influential support systems (networks, public sector initiatives etc.).

#### 3.2 Potential Growth Sector Analysis

The purpose of this step was to update and synthesise existing data to provide current understanding of the industrial structure and identify potential growth sectors in the PUSH economy. The analysis was comparative throughout, looking at the PUSH area in the context of both the rest of the South East and Great Britain as a whole. This stage provided essential intelligence to inform the selection of sectors with most growth potential that would be researched in depth through consultation.

Informed to a large degree by desk research, the aim of this stage was to undertake analysis that would build upon, rather than duplicate, previous work and dovetail new data with old, thereby extending and deepening current understanding.

Gaining an understanding of supply chain linkages across the PUSH economy was also a key element of this stage of the study, and was achieved by analysing input-output tables, which consider forward and backward linkages within and across industries.

#### 3.3 Consultation

The consultation phase served as an opportunity to fully understand the nature of interaction between firms in the selected sectors. The purpose of the consultation was to further understand linkages between existing clusters, networks, businesses, academia and local authorities, their intensity and the types of interactions and relations between them, as well as their geographical boundaries.

Forty-three depth interviews were completed, 12 face to face and 31 by telephone. These were with a range of people from organisations that support business growth, such as supply chain, inward investment and knowledge transfer managers, and with managers or directors of businesses that fit a profile created to aid the identification of interactions between businesses

and networks in the specified growth sectors. This enabled the core issues regarding barriers, challenges and opportunities for business growth to be raised.

The discussions centred on the nature and behaviour of business networks, specifically:

- Relationships with suppliers and other external individuals and organizations – in order to identify and understand forward and backward linkages, both economic and knowledge related (e.g. Universities, R&D)
- Clients/Customers – in order to understand which markets are served, where and to what extent, and the degree to which client demand is sophisticated
- Factor Conditions – to understand the nature of the labour force and in some cases the available capital infrastructure, as well as the availability of employment land and whether this acts as a barrier to growth
- Nature of competition – to understand the strategic approach to competing with other businesses in the sub-sector, specifically looking at issues such as Intellectual Property, and the spectrum of responses that businesses have to the competitive climate.

### **3.4 Case Studies and Cluster Diagrams**

Producing case studies and cluster diagrams provided the opportunity to deliver a detailed review of the nature of connections across the area. This section adds a high level of insight to the research by clearly and succinctly identifying relationships, overlaps and thus possible synergies.

Case studies have been selected in order to provide a fuller picture of how each sector operates and reveal key underlying drivers. The case studies identify the elements of the supply chain/business network that are important to the successful development of the sector in the area.

The cluster diagrams explore and present interactions between businesses in growth sectors. They describe not only the structure of the economic clusters (or supply chains/value chains) but also the linkage between activities (industries) in these clusters.

### **3.5 Report and Action Plan**

The report and action plan draw together the desk research, mapping and analysis, case studies and consultation activity in order to identify development/support issues. The action plan details how growth in each sector can be supported and encouraged over the short (3-12 months), medium (12 months-3 years) and long (3-5 years) term.

For each identified issue, we have produced a small summary stating the issue, timescale, participants in delivery, objectives, nature of action and an estimated budget.



## 4. Review of current research activity

This section will review the material that has already been produced impacting on all or parts of the PUSH area, including that which is relevant to mapping the geographical distribution of businesses and that which identifies the interactions that take place between businesses and networks. It will review the reports in terms of topic content and the geographical areas being reviewed.

### 4.1 Summary of relevant research to date

A variety of reports have been commissioned which analyse the PUSH area, identifying potential clusters, growing and declining business sectors, etc. In order to enhance understanding of the key issues that are currently faced and compile a picture of the status of different potential business growth sectors in the area, information from existing reports will be used as a basis for more in-depth analysis. This will develop knowledge of the needs of the area and the status and requirements of the different industrial and geographical areas, and enable identification of the opportunities and challenges for business sectors in Urban South Hampshire. Summaries of the key reports are presented below and are useful to keep in mind whilst reading this report.

A fundamental report which has already been published about the PUSH economy is the '**South Hampshire Economic Drivers and Growth: Combined Report**' by DTZ, January 2007. This uses a range of sources including data from DTZ Locus 2001 & 2002, ONS 2001, ABI 2002, LFS 2003 and previously commissioned DTZ reports building a picture of the PUSH economy up to autumn 2004. It includes:

- An analysis (economic background, industrial structure, drivers and barriers in urban/rural split)
- Theories about economic growth (how to measure economic performance)
- Possible outcomes (GVA, employment, skills levels forecasts, industrial and commercial floor space, land and housing requirements)
- Methods of intervention (labour market, business support, enterprise, innovation and infrastructure)
- Suggested action points for economic growth.

It identifies the key sectors for the PUSH area as business services, public services, distribution (including retail and tourism) and manufacturing. Although comprehensive, the report does not contain detailed analysis about business interactions and networking. To enable a full understanding of the DTZ report, a more detailed analysis of core sectors has taken place through the examination of the SIC make up of each sector identified.

A second important document to be kept in mind when planning interventions for economic growth is the **Regional Economic Strategy (RES) for the South East of England 2006-2016**, especially as it contains points which relate directly to the PUSH area:

- Investment and development of IT – this has been recognised as offering remote and rural locations an opportunity to tackle deprivation through the use of remote technologies.
- Other specific information about the rural areas of the South East:
  - Knowledge economy must be exploited
  - Investment in the promotion of 'local' products
  - Cultural heritage and landscape assets
  - Developing tourism is a high priority.
- Plans for investment in the Coastal South East in aspects such as skills development, innovation and culture and leisure based growth.
- An aim to drive forward innovation, creativity and R&D – this could be tapped into through the development of the Advanced Manufacture cluster which has been identified.

- Improvement of links with universities and business, in particular developing the knowledge economy in business – the South Hampshire Enterprise Agency could be utilised for this.

The overriding message for the development of the South East is the maintaining of levels of competitiveness in the global economy. This is to be achieved by developing the knowledge economy and improving links between higher education and business. Another ambition is to expand the economy without impacting on the environment or increasing the ecological footprint of any districts; indeed to decrease footprints if possible. Another development strategy stated in the RES is 21 urban locations being identified as regional hubs and marked as 'Diamonds for Growth', to act as a catalyst to stimulate prosperity across the wider area. Although none of these lie in the boundaries of the PUSH area, there are two Diamonds of interest through their proximity to the PUSH area: Reading and more importantly Basingstoke. It might be that economic growth achieved in these two areas will have a knock-on effect on the PUSH area or create opportunities for PUSH-located businesses to provide products and services to growing sectors within the Diamonds. Such issues should be considered throughout the Partnership's work.

The University of Portsmouth's **Identifying Clusters of Potential in South Hampshire** is a very detailed, quantitative analysis of the clusters in four districts of PUSH: **Portsmouth, Fareham, Gosport and Havant**. The results are based primarily on ABI LQ analysis and employment data from 2004. The report highlights growing and declining clusters relating to a number of indicators (employment figures, LQ firm compared to the rest of the South East and employment change 1999-2004) and forecasts which clusters are likely to grow in each district over the next 2-5 years. One key issue it highlights is the likelihood of decline in the marine industry sector, which is part of one of the key sectors identified by our LQ analysis; this therefore needs to be carefully research and analysed.

The report detailing an **Economic Baseline of Eastleigh Borough and the Local Economy Forecasting Model** (prepared by SQW) is a brief report about the growing and declining sectors of the Eastleigh district, including demographic, employment and business sector information (sizes, start ups, closures, which sectors are strongest and are likely to grow). In conclusion the currently strong sectors named are IT, financial services, public services, hotels & catering and retail & transport. These are highlighted as strong locally, but remain lower than the UK average. The sectors identified as having potential for growth are construction, distribution, financial services, public services, hotels & catering and other services.

**Table 1: Summary of published relevant material**

<b>Title</b>	<b>Date</b>	<b>Brief</b>
Portsmouth Uni -Socio-Economic Impact Assessment of Portsmouth Naval Base	2007	MoD is undertaking a review of the status of Britain's three main surface fleet naval bases. In conclusion, it is clear that the brunt of any change would impact most heavily upon the three authorities of Portsmouth, Gosport and Fareham, where most of the current jobs are located and employees live and spend their income. Any consideration of plans to either minimise or close the Portsmouth Naval Base MUST take into account the impact that will undoubtedly be felt in these local areas as well as the rest of the sub-region and the South East.
South Hampshire Economic Drivers & Growth: Combined Report	2007	Appendix 1) The South Hampshire Strategy Area; 2) Modelling Methodology; 3) Scenarios: Headline Assumptions and Outputs.
Economic Baseline of Eastleigh Borough and the Local Economy Forecasting Model	2007	Employment study concerning the proposed South Hampshire Strategic Employment Zone in Eastleigh.
Strategic Framework and Action Plan for Development of the Creative Industries in South East England	2006	Provides background information and guidelines on the Creative industry market and what needs to be done to stimulate the growth and development of the Creative industries within the South East, presenting options and proposals for development.
Marine Industry Cluster Opportunities around Southampton	2004	Aims to progress the development of marine clustering within the Southampton area, bringing together individual companies, higher and further education, business support agencies and other organisations to support business growth. It identifies five potential areas for embryonic sub-clusters: 1) Marine surveying; 2) Unmanned underwater vehicles; 3) Pollution counter-measures; 4) Composite yacht rigs; 5) Marine coatings, and focuses on the supply chain in certain industries that have been researched.
South East Marine Sector: Business Issues, Prospects for Clustering	2003	Analysing potential cluster developments, looking into: 1. The existing knowledge base 2. Sector size, scope, and firms 3. Geographical clusters 4. Business issues 5. Developing products and services 6. Regional supply chains 7. Employment and skills 8. Transport and logistics 9. The south east region as a location 10. The business support context 11. Prospects for networking and clustering.
EDE Block of the Southampton Local Area Agreement 2007 – 2010 (Southampton Partnership and Southampton City Council)		Southampton is to be recognised as the region's economic driver, building on its role as an international seaport and leading retail centre. It will be a centre of learning, and be known for its innovative and creative businesses. The key areas for public intervention across the PUSH sub region include: Skills, Enterprise, Innovation & Business Support, Land, Property and Infrastructure. The RES identified eight areas for growth.
Clusters, networks & regional economic development in the South East of England		Identifies largest clusters in Investment and Business, Data Services, Computer Services and Business Services (University of Surrey).
Southampton Cultural Consortium – A Cultural Strategy for Southampton		States where the city is now, where it wants to be and how it is going to get there over the next five years. Sectors: Arts, Media, Heritage, Built Heritage, Libraries, Sport, Parks/Open Spaces, Play, Tourism Events. The report details cultural barriers, key priorities, sector breakdown info and who will play what role.

In conclusion, the sectors or clusters that have been identified across the published material are:

- Business services, particularly finance and insurance
- Distribution
- Retail
- Tourism and Creative industries
- Advanced Manufacture
- Public services
- Possibly Marine, especially in coastal areas.
- Cultural and Creative

The predominant sectors which we feel need more detailed analysis include:

- The Creative sector – despite being flagged as a possible growth area, none of the reports have shown this to be an area of strength. However, there is public and government support for growth in this sector, as reflected in the 2007 Comprehensive Spending Review. This would be explored further as sector definitions and targeted consultation are confirmed. The Creative & Media sector have been included in the list of sectors to be examined in this report.
- The R&D sector – to establish any potential growth in one of the South East's key growth areas, the knowledge economy, and how this can be successfully linked to businesses. Please note that it is not an objective of this report to examine this sector in detail, and this activity might be considered as an area of future research because of its importance to other key sectors such as advanced manufacturing and marine.

## Summary 1

A variety of reports have been commissioned which analyse the PUSH area, identifying key signifiers of potential growth sectors. The most influential reports are:

- DTZ, South Hampshire Economic Drivers and Growth Combined Report, 2007
  - Includes local area analysis, economic growth theories, methods of intervention and suggested action points.
- South East Regional Economic Strategy, 2006
  - The over all message is maintaining levels of competitiveness in the global economy, which is hoped to be achieved by developing the knowledge economy.
- University of Portsmouth, Identifying clusters of potential in South Hampshire, 2004
  - Highlights growing and declining clusters in South Hampshire.
- SQW, Economic baseline of Eastleigh Borough and The Local Economy Forecasting Model, 2007
  - A comprehensive report about the growing and declining sectors of Eastleigh.

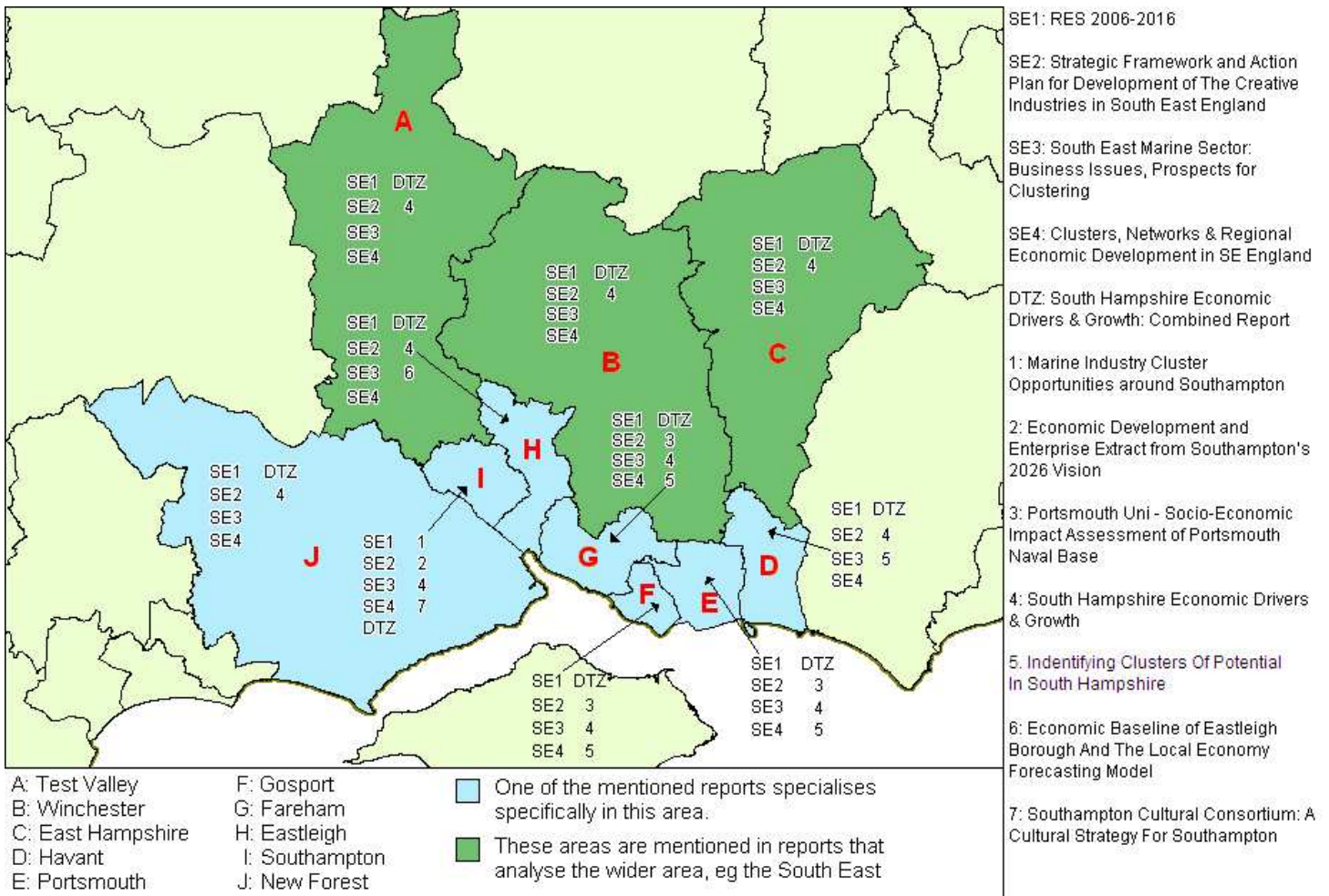
A selection of other reports was also reviewed, detailing sector growth issues for specific geographies and industry sectors.

### 4.2 Geographical scope of existing research

The purpose of this section is to analyse the current reports in terms of the geographical areas that they cover. This is to enhance our understanding of where depth information is known and where it is not.

Apart from the summary DTZ report, previous research studies have covered parts but not all of the PUSH area. Figure 1 (below) shows the coverage of work previously undertaken. These reports have been reviewed in correspondence with the geographical areas they focus on to identify what research has taken place in each location (see Table 2 page 21).

**Figure 1: Coverage of previous research studies**



Source: TBR from Various, 2007

The sectoral information that currently exists on specific districts is as follows:

- **Southampton:** Marine, Creative Industries, Retail.
- **Portsmouth:** Aerospace & Defence, Analytical Instruments, Marine & Metal Manufacturing, Pharmaceuticals and Local Health Services significant at present. Aerospace & Defence, Analytical Instruments, Local Community & Civic Organisations, Marine, Business Services and Advanced Manufacturing likely to grow well. Retail (clothing Northern Quarter), Leisure & Tourism, IT, Education & Knowledge likely to grow at a reasonably well.

- **Gosport:** Advanced Manufacture, Aerospace & Defence, Marine, Analytical Instruments and Local Education & Training significant at present. Education, Knowledge and IT likely to grow. Traditional manufacturing based clusters and pharmaceuticals likely to decline.
- **Fareham:** Advanced Manufacture, Aerospace & Defence, Automotive, Metal Manufacturing, Processed Food, Transport & Logistics and Heavy Construction significant at present. Aerospace & Defence, Processed Food and Transport & Logistics likely to grow. Business Services, Distribution Services, Local Construction & Development, Local Commercial Services, Local Food & Beverage Processing & Distribution, Local Community & Civic Organisations and Local Education & Knowledge likely to grow well. None are stated as being likely to decline, therefore Fareham appears to be a prosperous district and key location for business growth.
- **Havant:** Advanced Manufacture, Aerospace & Defence, Analytical Instruments, Automotive, Retail and Metal Manufacturing significant at present. Analytical and Retail likely to grow well. Communications Equipment, Heavy Construction Services, Leisure & Tourism and Local Health Services likely to grow reasonably. Automotive likely to decline.
- **Eastleigh:** Construction, Distribution, Financial Services, Public Services, Hotels & Catering and other services significant.
- **New Forest:** Tourism, possibly IT.

In order to get a clear overview of which sectors are strong in what way and where see Table 2. This was compiled through analysing the reports' quantitative and qualitative material and drawing out the relevant strengths of each sector in each area.

**Table 2: Geographical spread of strengths**

	Portsmouth	Gosport	Fareham	Havant	Eastleigh	Southampton	PUSH
Advanced Manufacture	B	A	A	A		A	AB
Aerospace & Defence	AB	A	AB	A			
Analytical Instruments	AB	A		AB			
Automotive			A	AD			
Business Services	B		B		A	A	AB
Construction			AB	C	A		B
Distribution			B		A	A	B
Education & Knowledge	C	B	B		A		B
IT	C	B					B
Leisure & Tourism	C			C	A	AB	B
Local Commercial Services			B		A		
Local Community & Civic Organisations	B		B		A		
Local Health Services	A			C	A		
Marine	B	A				AD	
Marine & Metal Manufacturing	A	D	A				D
Pharmaceuticals	A	D					
Processed Food			AB				
Retail	C			AB		AB	B
Transport & Logistics			AB		D		D
Culture						B	
Creative	C					AB	AB

Code	Meaning
A	significant at present
B	likely to grow
C	likely to grow reasonably well
D	likely to decline

The specific geographical areas where more in depth research has not taken place are:

- New Forest
- Test Valley
- Winchester
- East Hampshire.

We have bridged the geographical gap of analysis by illustrating in this report and its supporting documents detailed economic analysis of the exact PUSH area through various statistical tests. They present depth analysis of the economy and reasoned recommendations on which sectors to focus business growth initiatives in.

## Summary 2

The geographical areas which have already been analysed in detail are:

- The PUSH area as a whole
- Portsmouth
- Fareham
- Gosport
- Havant
- Eastleigh
- Southampton.

Therefore the specific geographical areas where more in depth research has not taken place are:

- New Forrest
- Test Valley
- Winchester
- East Hampshire.



### 4.3 Economic evidence that exists in published reports

The purpose of this section is to give an overview of the economic evidence that exists within the already published reports. It highlights where headline information exists that is key to understanding business growth sectors in South Hampshire.

**Table 3: Headline information contained in existing relevant reports**

Title	Date	LQ Analysis	Growth	New Firms/ Closures	GVA	Inward Investment	Info on Clusters/ Sectors
Economic Baseline of Eastleigh Borough	2007		X	X			X
Portsmouth Uni - Socio-Economic Assessment of Impact Portsmouth Naval Base	2007		X	X	X	X	X
DTZ South Hampshire Economic Drivers & Growth: Combined Report (PUSH AREA)	2007	X	X		X		X
Portsmouth University South East Hampshire Cluster of Potential	2006	X	X	X	X		X
RES 2006-2016 'A Framework for Sustainable Prosperity'	2006		X				X
Strategic Framework and Action Plan for Development of The Creative Industries in South East England	2006		X	X	X		X
Marine Industry Cluster Opportunities Around Southampton	May 2004					X Investment bodies, who is interacting where.	X
South East Marine Sector: Business Issues, Prospects for Clustering	2003		X		X	X	X
Economic Development and Enterprise- Extract from Southampton's 2026 Vision			X	X	X	X	
Southampton Cultural Consortium - A Cultural Strategy for Southampton			X			X	X

From this one can see exactly what material is covered in each report and a brief summary of the information each report provides. It illustrates that although a fair amount of economical analysis currently exists, the type of analysis is not consistent across the reports. It exemplifies why we have holistically examined all types of economic analysis for the entire PUSH area.

#### 4.4 Research, development and innovation

In order to consider the quality of research and development activity undertaken by universities in the PUSH area, the following section considers the results of the 2001 Research Assessment Exercise (RAE). The RAE is a formal assessment of the quality of research undertaken by universities and is the principle means of quality assurance amongst institutions.<sup>2</sup>

Table 4 shows the different ratings it is possible for research activity to receive.

**Table 4: Possible RAE ratings**

Rating	Description
5* (five star)	Quality that equates to attainable levels of <b>international excellence in more than half of the research activity</b> submitted and attainable levels of <b>national excellence in the remainder</b> .
5	Quality that equates to attainable levels of <b>international excellence in up to half of the research activity</b> submitted and to attainable levels of <b>national excellence in virtually all of the remainder</b> .
4	Quality that equates to attainable levels of <b>national excellence in virtually all of the research activity</b> submitted, showing some <b>evidence of international excellence</b> .
3a	Quality that equates to attainable levels of <b>national excellence in over two-thirds of the research activity</b> submitted, <b>possibly showing evidence of international excellence</b> .
3b	Quality that equates to attainable levels of <b>national excellence in more than half of the research activity</b> submitted.
2	Quality that equates to attainable levels of <b>national excellence in up to half of the research activity</b> submitted.
1	Quality that equates to attainable levels of <b>national excellence in none, or virtually none, of the research activity</b> submitted.

Source: [www.hero.ac.uk/rae/Pubs/4\\_01/section3.htm](http://www.hero.ac.uk/rae/Pubs/4_01/section3.htm)

Table 5 shows the ratings achieved by research completed in 2001 in each sector across the three universities in the PUSH area.

**Table 5: PUSH RAE ratings**

Sector	2	3a	3b	4	5	5*
Advanced Manufacture	2	1	1	1	7	3
Advanced Manufacture/Creative & Media						1
Business Services	1	1		2	4	1
Business Services/Advanced Manufacture		1				1
Creative & Media	1	1	1	1	1	1
Tourism/Creative & Media	1			2	2	
<b>Total</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>14</b>	<b>7</b>

Source: RAE 2001 (the most up to date information available)

- The majority of research programmes score 4 or higher, with 5 being the most common rating. This means that in most cases half of research work is up to an international standard and the remainder achieves national excellence.
- None of the research programmes are rated at 1.

<sup>2</sup> <http://www.rae.ac.uk>

- It is more common for programmes to score a 2 than a 3a or 3b.
- The highest performing sector is Advanced Manufacture, attaining a level of international excellence in the majority of research projects.
- Business Services performs on average at a level of national excellence.
- Creative & Media shows inconsistent quality, with scores apportioned across the rating scale.

We also know that;

- There are seven 5\* rated courses in the PUSH area, illustrating that the quality of the course equates to attainable levels of international excellence in more than half of the research activity submitted and attainable levels of national excellence in the remainder.
- The majority of 5\* courses are in the Advanced Manufacture sector. This shows that there is a large amount of good quality research, development and education in the Advanced Manufacture industry in the PUSH area, giving strong potential for the growth of the sector.

This illustrates that all 5\* departments are within three sectors which actively participate in research and development in the area and are on average doing this to at least a level of national excellence, thereby demonstrating that high levels of knowledge and ability exist in the area to provide the essential support needed for the development of each business growth sector.

All 5\* departments related to sectors of interest are located at the University of Southampton, but the analysis indicates that other Universities are extremely important in supporting and developing innovation and R&D in growth sectors.

### Summary 3

- Advanced Manufacture and Creative are most likely to undertake research with other sectors.
- The majority of research programmes in the area score 4 or higher, with 5 being the most popular rating.
- The highest performing sector is Advanced Manufacture, attaining a level of international excellence in the majority of research projects.
- Only Advanced Manufacture, Business Services and Creative demonstrate 5\* research programmes.

## 5. Analysis of Potential Growth Sectors

The purpose of this section is to update and synthesise existing data in order to provide current understanding of the industrial structure and potential growth sectors in the PUSH economy. It is based on a range of analyses that have been summarised for the benefit of the reader.

It must be made clear that the sectoral definitions for this report were based on initial work completed by DTZ examining business growth sectors. The remit of TBR's work was to build on that of DTZ and gain insight into potential business growth sectors, not to redefine work which had already been completed.

The analysis considers the six potential growth sectors identified by PUSH (Advanced Manufacture, Business Services, Distribution, Retail, Tourism and Creative & Media). Specifically, this section:

- Reviews and updates the existing economic evidence produced by DTZ
- Deconstructs each sector in order to understand the drivers within the supply chain
- Provides an overview of the number of firms and levels of employment in each sector
- Identifies industries with high Location Quotients (LQs)<sup>3</sup> and significant employment
- Analyses new firm formation, growth and inward investment
- Describes GVA and Productivity.

This comprehensive and detailed analysis unveils key data on cluster growth dynamics, which will be essential in selecting the sectors that will be subjects of further study (see section 6: Recommendations for growth sector).

### 5.1 Review of existing economic evidence

In January 2007 DTZ produced a detailed assessment of the drivers of growth in the South Hampshire economy, using the following sectoral divisions:

- Primary
- Traditional Manufacturing
- Advanced Manufacture
- Construction
- Distribution
- Consumer Services
- Basic Business Services
- Advanced Business Services

Whilst the DTZ report does provide a thorough assessment of the areas' industrial structure, much of the data was from the period 2001-2002. Therefore, in order to align the previous work with that undertaken in this study, we have re-calculated some elements of the DTZ assessment using 2005 data and the SIC definitions employed in the January 2007 study.

---

<sup>3</sup> (LQs provide a straightforward method of understanding by SIC if a specific geography has significantly more or fewer firms compared to the national average. Where areas do display a higher than average proportion of firms, this is crosschecked with the proportion of employment. Whether an SIC is deemed "strong" or not depends on a) the LQ being above 1.25 (i.e. the number of firms in the SIC in the geography is 25% higher than expected compared to GB) and b) whether the employment in the area is above 0.2%.)

**Table 6: Updated DTZ assessment; firms, employment & strengths**

<b>DTZ Cluster</b>	<b>Firm LQ</b>	<b>Emp LQ</b>	<b>% PUSH Firms</b>	<b>% PUSH Emp</b>
Advanced Manufacture	1.52	1.68	1.15%	3.01%
Basic Business Services	1.27	0.98	11.16%	5.32%
Construction	1.24	1.15	11.77%	5.31%
Traditional Manufacturing	0.98	0.76	5.10%	6.54%
Consumer Services	0.95	1.00	30.63%	26.62%
Advanced Business Services	0.94	1.03	23.09%	18.07%
Non Market Services	0.92	1.00	9.74%	28.09%
Distribution	0.90	0.96	7.03%	6.67%
Primary	0.54	0.82	0.33%	0.38%
<b>Grand Total</b>	<b>1.00</b>	<b>1.00</b>	<b>100.00%</b>	<b>100.00%</b>

Source: ABI 2005 TBR (W1a/s13a)

It is clear that the strongest sector in terms of LQ analysis (i.e. concentration) is Advanced Manufacture with the highest LQs of 1.52 for firms and 1.68 for employment (i.e. 52% and 68% respectively above the amount expected for an area compared to GB). However, the proportion of firms and employment for Advanced Manufacture is the second lowest. This shows that even for small numbers of small firms operating in relatively niche activities, concentrations can be revealed using LQ analysis that would otherwise be hidden. Advanced Manufacture, although not contributing a large proportion of total employment, is a key specialisation in the PUSH area and therefore potentially a key sector for future growth.

When looking at the strongest sectors in terms of LQ and proportions of firms and employment, the next three industries in descending order of strength are Basic Business Services, Construction and Traditional Manufacture.

### 5.1.1 Defining sectors

The aim of this study is to consider interactions between business and within business networks. In defining sectors for their Jan 2007 report DTZ used an approach that groups businesses according to industrial activity. Whilst this approach does lend itself to statistical analysis, it also has the effect of limiting the extent to which one can observe interaction between businesses, as it does not consider supply or value chains.

An output and supply chain approach to sector definition enables more effective illustration of which industrial sectors are likely to work together in the area as part of the full supply chain. For example, Advanced Manufacture consists of a wide variety of SICs which collaborate on an inter- (e.g. with logistics and distribution) and intra- (e.g. with peer companies in the specific activity) sector basis, developing Advanced Manufacture as a whole. The creative and media definition is formulated upon a review of the definitions used by key creative/cultural organisations and development bodies, such as OECD, DCMS, Creative & Cultural Skills and Skillset.

Our approach has been to 'build on' rather than re-define DTZ's definitions of sectors. Some minor restructuring was required in order to include a separate definition for PUSH's creative & media sectors. DTZ's original definition saw related creative and media SICs distributed across Business Services, Advanced Manufacturing, Traditional Manufacturing and Consumer Services), Retail (which was in Consumer Services) and Tourism (also in Consumer Services) sectors. Otherwise, the definitions remain unchanged. One ongoing key issue this raises is whether Marine should be treated as part of the Traditional Manufacturing sector or whether it should be

classified as Advanced Manufacture. Whilst we would not recommend a fundamental review of definitions, our recommendation would be to adjust the definitions marginally to reclassify Marine into Advanced Manufacture.

A detailed review of the following sector definitions, including full SIC lists, can be found in Evidence Report 1 - Deconstructing the Sectors.

**Advanced Manufacture** consists of 18 individual 4-digit SICs

The three strongest activities within the sector are the manufacture of:

- Aircraft and spacecraft.
- Electronic valves and tubes and other electronic components.
- Television and radio transmitters and apparatus for line telephony and line telegraphy.

**Business Services** consists of 54 individual 4-digit SICs. The three strongest activities within the sector are:

- Life insurance
- Industrial cleaning
- Other computer related activities.

**Creative & Media** consists of 28 individual 4-digit SICs. The three strongest activities within the sector are:

- Manufacture of television and radio receivers, sound or video recording or reproducing
- Manufacture of optical instruments and photographic equipment
- Entertainment activities.

**Distribution** consists of 60 individual 4-digit SICs. The three strongest activities within the sector are:

- Sea and coastal water transport
- Other supporting water transport activities
- Activities of other transport agencies.

**Retail** consists of 33 individual 4-digit SICs. The three strongest activities within the sector are:

- Retail sale of cosmetic and toilet articles
- Other retail sale in specialised stores
- Retail sale of hardware, paints and glass.

**Tourism** consists of 16 individual 4-digit SICs. The three strongest activities within the sector are:

- Restaurants
- Other recreational activities not elsewhere classified
- Gambling and betting activities.

For more detailed information about the interaction between and within these sector supply chains, please see Section 8. This section contains a number of cluster maps, which illustrate detailed specific linkages between different industries that operate in each sector.

## 5.2 Firms and Employment

Previous work (see Section 4) has identified that the Advanced Manufacture, Advanced Business Services, Distribution, Retail, Tourism and Creative & Media sectors are key to future successful economic growth in the PUSH area. Table 7 shows the number of firms and level of employment in each of these sectors across the PUSH area, the South East and Great Britain.

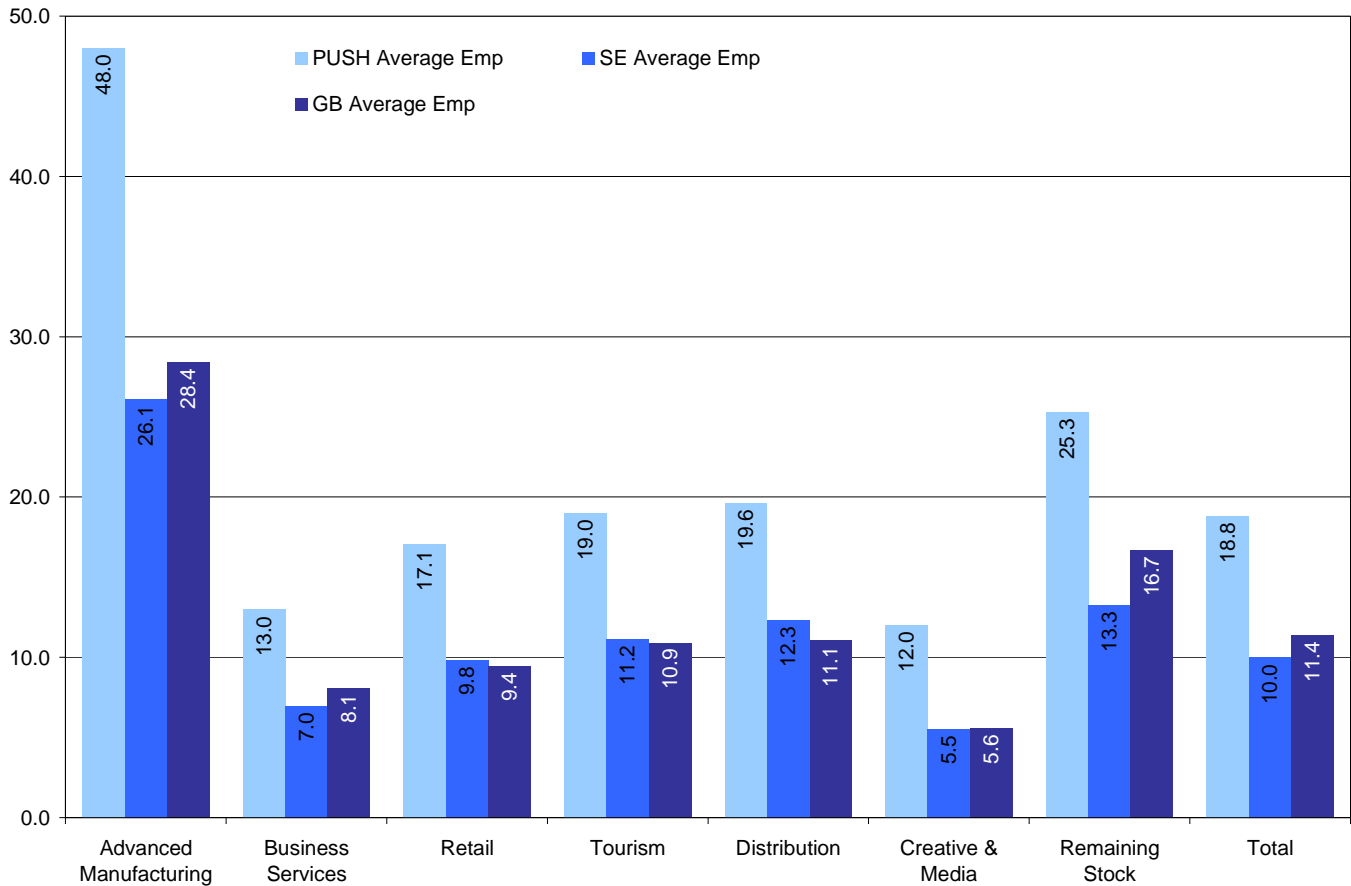
**Table 7: Firms and Employment in PUSH, South East and GB**

Sector	PUSH Firms	PUSH Emp	SE Firms	SE Emp	GB Firms	GB Emp
Advanced Manufacture	340	16,325	3,183	83,110	15,507	441,091
Health/Pharmaceuticals	28	1,982	493	21,690	2,651	90,122
Energy	31	1,117	223	7,638	1,292	46,350
Defence	41	5,548	198	14,694	910	105,151
Engineering	77	2,731	760	15,940	3,559	66,401
Electronics	163	4,947	1,509	23,148	7,095	133,067
Creative & Media	1,503	18,069	28,938	159,841	150,095	835,499
Distribution	2,387	46,850	26,733	329,097	184,223	2,040,559
Tourism	2,882	54,696	30,894	344,821	216,796	2,366,116
Retail	5,204	88,848	52,209	512,892	369,939	3,495,477
Business Services	10,343	134,178	122,927	856,661	678,632	5,501,699
Market Research	34	884	807	17,390	3,974	63,411
Call Centre Activities	99	4,700	1,313	44,846	8,410	285,967
Printing	237	4,250	3,140	22,045	17,506	153,225
Leasing Activities	242	1,770	2,099	13,173	14,236	94,673
Finance	665	14,457	7,054	99,238	49,215	875,308
ICT	810	4,403	10,338	40,827	45,629	180,816
Real Estate	1,505	11,031	17,630	70,630	111,535	469,157
Other Business Services <sup>4</sup>	1,772	64,333	16,522	315,768	111,047	2,046,116
Administration	2,301	8,514	24,353	74,529	122,376	411,409
Business & M'gement Consultancies	2,678	19,836	39,671	158,215	194,704	921,617
The Rest	10,530	266,103	109,355	1,449,554	697,619	11,657,639
<b>Grand Total</b>	<b>33,189</b>	<b>625,069</b>	<b>374,239</b>	<b>3,735,976</b>	<b>2,312,811</b>	<b>26,338,080</b>

Source: ABI 2005 TBR Ref (W1/S13a)

Unsurprisingly perhaps, Business Services has by far the most firms in each area, followed by Retail. A high number of Business Services firms tend to be business and management consultancies or firms involved in business administration. Advanced Manufacture is by far the smallest sector in terms of the number of firms and employment, a trend mirrored across the rest of the South East and in Great Britain. However, in considering the average employment statistics in Figure 2, one can see that Advanced Manufacture businesses have a significant role in the economy; in each geography the businesses in this sector are the largest individual employers. There is a focus of activity on electronics in this sector, followed by engineering.

<sup>4</sup> This includes Legal Services, Packaging, Security, Recruitment

**Figure 2: Average employment in key sectors across PUSH, South East and Great Britain**

Source: ABI 2005 TBR Ref (W1a/C1)

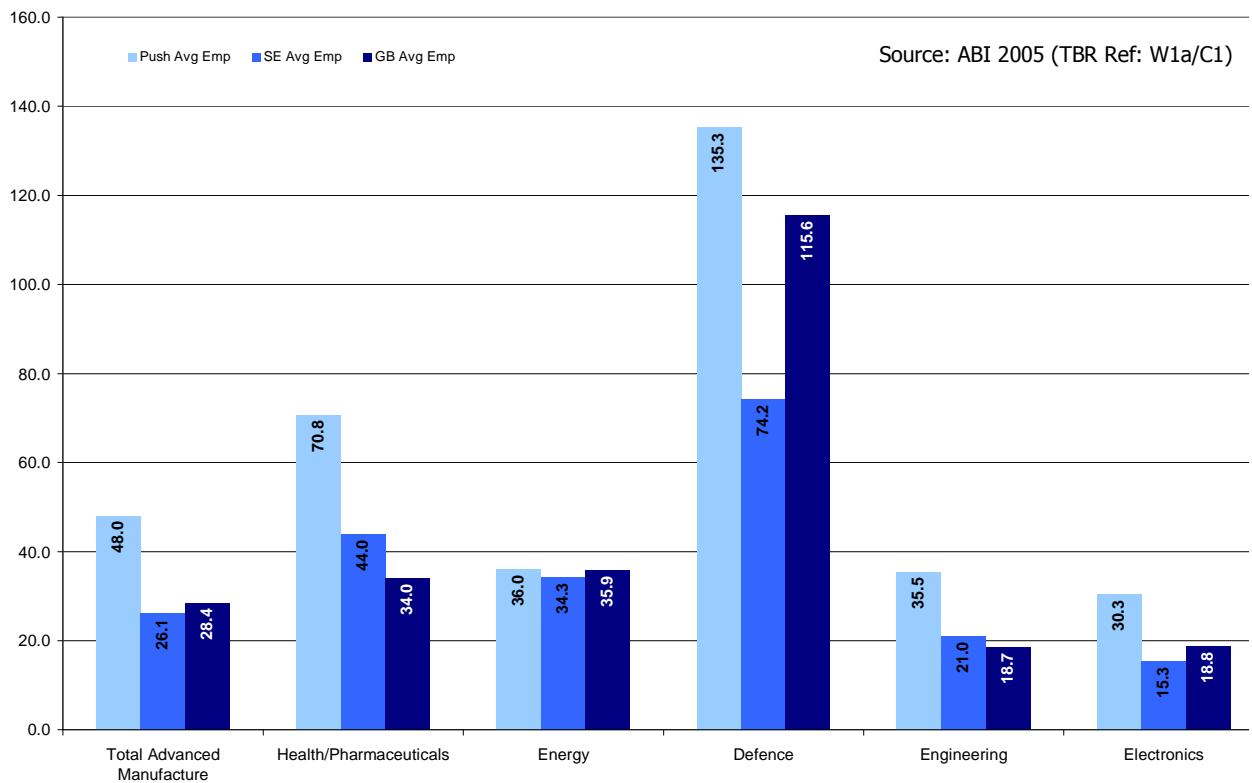
All businesses in the PUSH area employ a workforce larger than that employed in the South East and Great Britain. In most cases the average size is almost twice that of the national figure. Creative & Media and Tourism businesses in particular are significantly larger in the PUSH area. The larger size of businesses in the area is likely to have a number of key impacts on the economy. For example, there will be a higher demand for larger areas of employment land with limited replacement demand for the smaller areas, and the area will rely more heavily on the expansion of existing firms as a driver of growth, rather than job creation through new firm formation.

Furthermore, if the majority of firms in a sector are large employers, this means that there are fewer 'entrepreneurial role models'. For example, if someone considering starting a new business observes a number of other people successfully running a business of similar size and scale to their aspiration, they are more likely to take a 'leap of faith' and start a business than if the sector is dominated by large firms.

The Figures below indicate average firm size characteristics across the sub-sectors within Advanced Manufacture and Business Services.



**Figure 3: Average employment in Advanced Manufacturing sub-sectors**



**Figure 4: Average employment in Business Services sub-sectors**

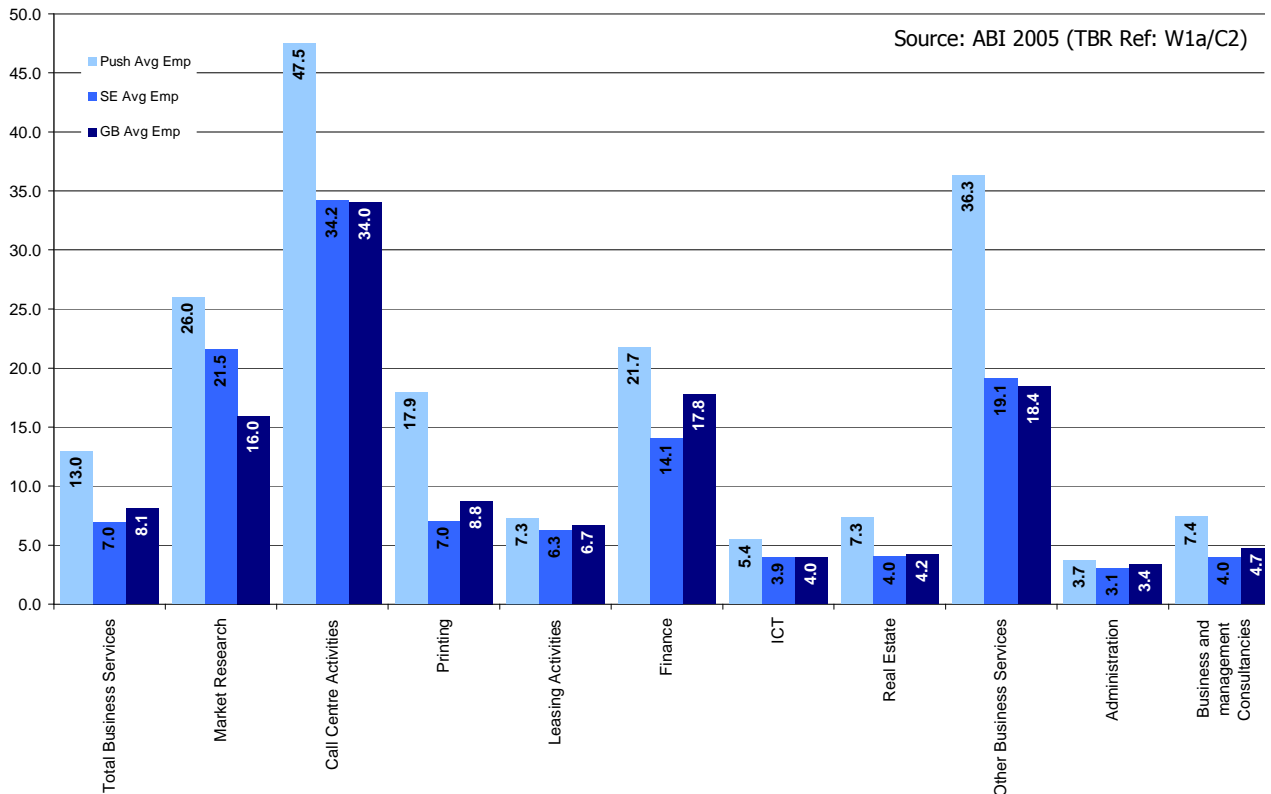
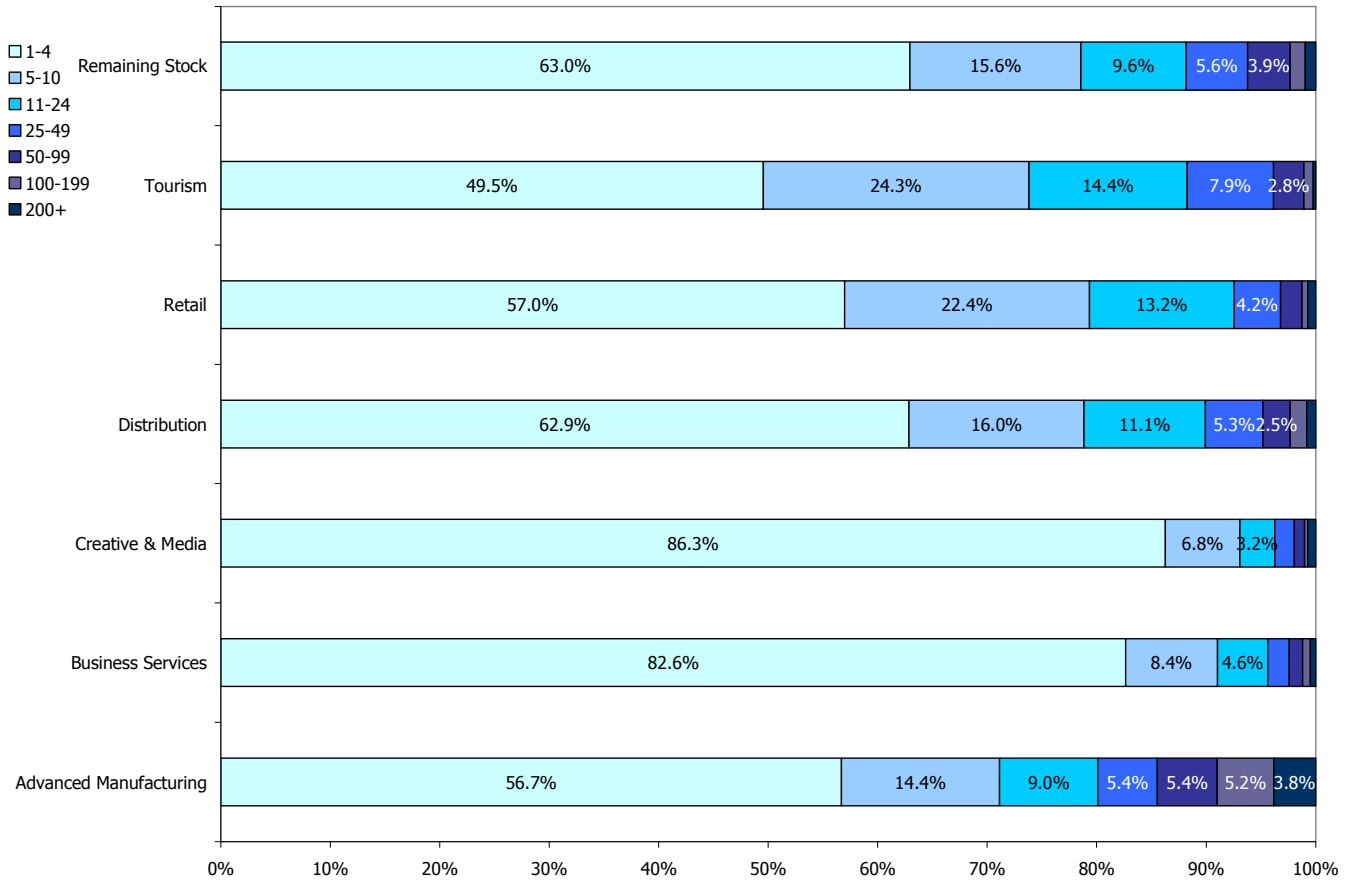


Figure 5 considers the distribution of firms by employment size band. Creative & Media and Business Services have by far more micro-businesses than any other sector. One might therefore reasonably assume that these sectors will be more successful in stimulating growth.

**Figure 5: Distribution by size band**



Source: ABI 2005 TBR Ref (W1c/C3)

### 5.3 Industrial Strengths

In order to describe the relative strength of an industry, the following section uses Location Quotients (LQs) to assess the extent to which the national average distribution of an industry/activity is reflected in the local economy.

**Table 8: Sector Strengths in the PUSH area**

<b>Sector</b>	<b>Firm LQ</b>	<b>Emp LQ</b>	<b>% PUSH Emp</b>	<b>% GB Emp</b>
Advanced Manufacture	1.53	1.56	2.6%	1.7%
Business Services	1.06	1.03	21.5%	20.9%
Retail	0.98	1.07	14.2%	13.3%
Tourism	0.93	0.97	8.8%	9.0%
Distribution	0.90	0.97	7.5%	7.8%
Creative & Media	0.70	0.91	2.9%	3.2%
<i>Remaining Stock</i>	<i>1.05</i>	<i>0.96</i>	<i>42.6%</i>	<i>44.3%</i>

Source: ABI 2005 TBR Ref (W1a/S13f)

Table 8 above shows that Advanced Manufacture is performing significantly above average, with 53% more firms and 56% more employment than the national rate (please note that the reason these figures differ from those quoted earlier is because our approach takes a cluster approach to defining the Advanced Manufacture sector, and this results in a slightly wider definition that used in the DTZ study). The sector also accounts for a higher proportion of PUSH area total employment – 2.61% compared to 1.67% nationally. Business Services is also slightly outperforming national levels across firm LQ, employment LQ and proportion of employment. The following tables show the LQs for the various sub-sectors within Advanced Manufacturing (Table 9) and Business Services (Table 10).

**Table 9: Advanced Manufacturing Strengths**

<b>Advanced Manufacturing Sub-sector</b>	<b>Firm LQ</b>	<b>Emp LQ</b>	<b>% PUSH Firms</b>	<b>% PUSH Emp</b>
Defence	2.05	1.43	12.1%	34.0%
Energy	1.09	0.65	9.1%	6.8%
Electronics	1.05	1.00	47.9%	30.3%
Engineering	0.99	1.11	22.6%	16.7%
Health/Pharmaceuticals	0.48	0.59	8.2%	12.1%

Source: ABI 2005 TBR Ref (W1a/S13a)

Note again the earlier comments about the omission of Marine – it is not seen as unimportant but was excluded for a number of other reasons related to definitions, a desire to avoid duplication/repetition and due to the resources available.

Despite the fact that the majority of firms are in Electronics, the proportion is not significantly higher than that expected compared to national levels. Given the industrial structure, there is a significantly higher proportion of firms in defence. Interestingly, whilst Energy has a slightly above average proportion of firms, employment is significantly lower than one might expect.

**Table 10: Business Services Strengths**

<b>Business Services Sub-sector</b>	<b>Firm LQ</b>	<b>Emp LQ</b>	<b>% PUSH Firms</b>	<b>% PUSH Emp</b>
Administration	1.23	0.85	22.2%	6.3%
ICT	1.16	1.00	7.8%	3.3%
Leasing Activities	1.12	0.77	2.3%	1.3%
Other Business Services	1.05	1.29	17.1%	47.9%
Business and Management Consultancies	0.90	0.88	25.9%	14.8%
Finance	0.89	0.68	6.4%	10.8%
Printing	0.89	1.14	2.3%	3.2%
Real Estate	0.89	0.96	14.6%	8.2%
Call Centre Activities	0.77	0.67	1.0%	3.5%
Market Research	0.56	0.57	0.3%	0.7%

Source: ABI 2005 TBR Ref (W1a/S13a)

It is interesting to note that whilst the majority of firms in the Business Service sector are in Business and Management Consultancy, the proportion of firms and employment is lower than one might expect compared to national levels.

Whilst Retail does have 7% more employment than the national rate and a higher proportion of employment, the number of firms is lagging behind national levels. This suggests that the Retail sector is likely to be made up of large chains employing a significant workforce, rather than a high number of smaller businesses (reinforced by Figure 2 on page 30).

The Tourism and Distribution sectors both have slightly fewer firms and employment than one might expect to find given national levels, and also have a lower proportion of employment compared to Great Britain.

Creative & Media lags behind national distribution quite significantly, with 30% fewer firms than one might expect to find. Levels of employment are not so far behind, echoing the evidence in Figure 2 (page 30) that Creative & Media businesses in the area have higher levels of employment than counterparts in the region and nationally.

## 5.4 New Firm Formation and Employment Change

Table 11 provides an overview of new firm formation across the PUSH area over the last three years; in total there has been an increase of 14 firms per 10,000 people.

**Table 11: New firm formation in the PUSH economy**

<b>Sector</b>	<b>Stock</b>	<b>Births</b>	<b>% Stock</b>	<b>Births Per 10,000 people<sup>5</sup></b>
Business Services	5,353	354	6.6%	5.0
Retail	4,571	139	3.0%	2.0
Tourism	2,247	87	3.9%	1.2
Creative & Media	1,049	81	7.7%	1.2
Distribution	1,688	37	2.2%	0.5
Advanced Manufacture	294	4	1.4%	0.1
<i>Remaining stock</i>	<i>9,299</i>	<i>338</i>	<i>3.6%</i>	<i>4.8</i>
<b>Total</b>	<b>24,501</b>	<b>1,040</b>	<b>4.2%</b>	<b>14.8</b>

Source: TCR 2007 TBR Ref (W2/S3) – based on samples of businesses within the populations (i.e. stock figures are below those quoted from ABI)

The Business Services sector has contributed by far the most new firms, with a total of 354 new businesses in the area (6.6% of the stock) and 5.04 businesses per 10,000 people. However, whilst the 81 new firms in Creative & Media have contributed fewer new businesses per 10,000, the new starts do make up a higher proportion of the total stock of businesses in that sector (7.7% of stock). This means that whilst there may be fewer businesses overall, the Creative & Media sector is successfully generating the highest level of new firms.

Although the Retail sector has created 139 new firms, this accounts for only 3% of the business stock and 1.98 firms per 10,000 people, whilst Tourism's 87 new firms account for 3.9% of stock and 1.24 firms per 10,000. It is interesting that given the strength of Advanced Manufacture, demonstrated in section 5.3), the sector has generated a very small number of new firms in the last three years.

<sup>5</sup> Working age resident population

Table 12 provides an overview of employment change across each sector in the PUSH area over the last three years. Employment change is calculated using a 'matched' sample of firms across the district (i.e. the table below calculates the difference in total employment for the same firms over the three-year period).

**Table 12: Employment change across the sectors**

<b>Sector</b>	<b>Firms</b>	<b>Emp Latest</b>	<b>Emp 3yrs</b>	<b>Emp Chg</b>	<b>% Emp Chg</b>
Advanced Manufacture	149	8,457	7,802	655	8.40%
Creative & Media	427	3,516	3,442	74	2.15%
Retail	2,524	19,653	19,317	336	1.74%
Business Services	2,181	22,988	22,783	205	0.90%
Tourism	1,117	8,713	8,635	78	0.90%
Distribution	832	14,031	14,249	-218	-1.53%
<i>Remaining stock</i>	<i>4,658</i>	<i>53,723</i>	<i>52,762</i>	<i>961</i>	<i>1.82%</i>
<b>Total</b>	<b>11,888</b>	<b>131,081</b>	<b>128,990</b>	<b>2,091</b>	<b>1.62%</b>

Source TCR 2007 TBR ref (W2/S2)

With a rise of 8.4% Advanced Manufacture has seen the largest increase. Creative & Media and Retail follow with above average increases in the workforce of 2.15% and 1.74% respectively. Business Services and Tourism have remained relatively static over the three years and Distribution is the only sector to have seen a drop in employment, with a decrease of 1.5%.

Aligning the new firm formation and employment change figures creates a more detailed understanding of the kind of growth each sector is experiencing.

**Table 13: Comparison of growth statistics**

<b>Sector</b>	<b>% Emp Chg</b>	<b>New starts per 10,000 people</b>	<b>% Firm Stock that is new</b>
Advanced Manufacture	8.4%	0.1	1.4%
Business Services	0.9%	5.0	6.6%
Creative & Media	2.2%	1.2	7.7%
Distribution	-1.5%	0.5	2.2%
Retail	1.7%	2.0	3.0%
Tourism	0.9%	1.2	3.9%
<i>Remaining stock</i>	<i>1.8%</i>	<i>4.8</i>	<i>3.6%</i>
<b>Total</b>	<b>1.6%</b>	<b>14.8</b>	<b>4.2%</b>

Source: TCR 2007 (TBR Ref W2/S2)

Table 13 above demonstrates that, going against the average trends in the area, Advanced Manufacture appears to be expanding through increasing firm size (8.4% employment change compared to 1.6% for the PUSH area as a whole), rather than through the creation of new firms (birth rate of 0.1 compared to 14.8).

Business Services is growing through the creation of new firms, demonstrating a high birth rate and high levels of new businesses within the firm stock. However, it does appear that Business Services firms find it difficult to grow in the PUSH area, with an average of only 0.90% employment change.

Creative & Media show healthy growth in terms of employment change (above average with 2.2%), and although the birth rate is lower than average, the number of new firms created contribute a larger proportion to the stock – almost double compared to the average for the area.

Distribution is underperforming in each area (-1.5% employment change compared to 1.6%, birth rate of 0.5 compared to 14.8 and % new firms 2.2% compared to 4.2%), suggesting that the sector is in need of additional support to stimulate growth and development. Similarly, Tourism is underperforming in each area (0.90% employment change compared to 1.6%, birth rate of 1.2 compared to 14.8 and % new firms 3.9% compared to 4.2%).

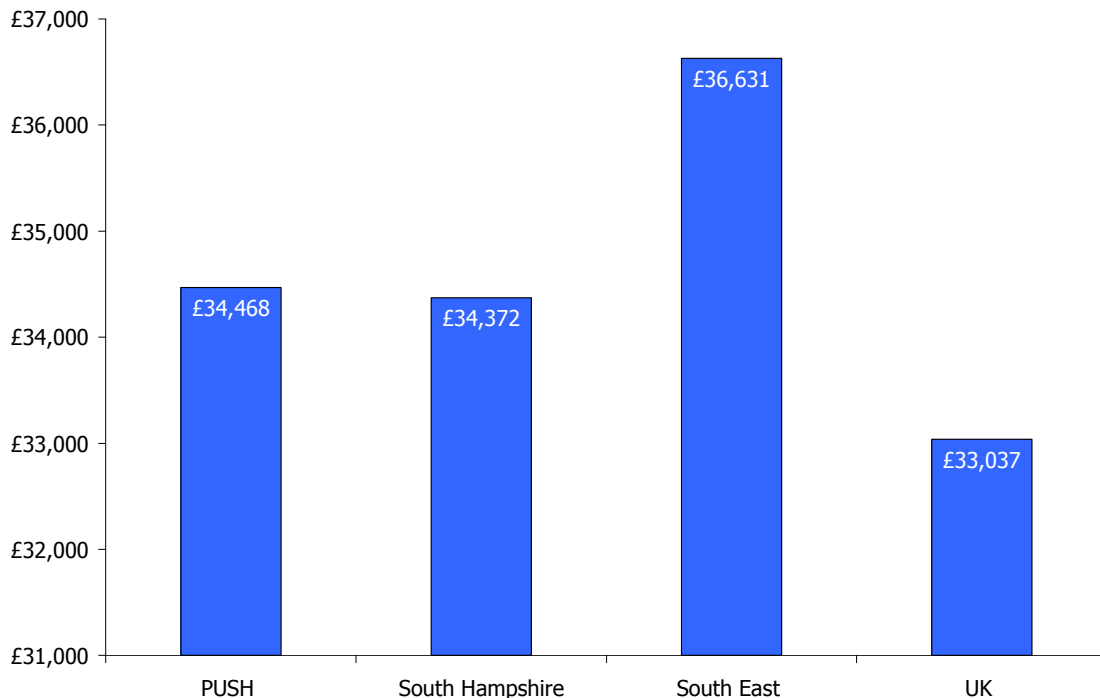
Retail is successfully stimulating above average employment change (1.7% compared to 1.6%) but is below average in terms of new firm formation.

### 5.5 Productivity

In order to understand the efficiency of each sector, Gross Value Added (GVA) per employee has been analysed by sector across the PUSH area.

GVA per employee is a measurement of the contribution that individual producers, and therefore their industries and sectors, make to the economy. Understanding the contribution of each sector assists in identifying the relative strengths and weaknesses in the economy. Figure 6 shows the average GVA per employee across the PUSH area is ahead of that for South Hampshire, above the UK average but below the South East level.

**Figure 6: Average GVA per employee**



Source ABI 2004 TBR Ref (W9/C2.2)  
 Note that 'South Hampshire' includes the non-urban areas

In order to analyse GVA per employee in more detail, Table 14 shows the levels in each sector across the PUSH area. This necessitates the use of TCR rather than ABI data in order to build the sample on a firm-by-firm basis.

**Table 14: GVA per employee**

<b>Sector</b>	<b>GVA Per Employee (£)</b>
Creative & Media	53,809
Business Services	47,401
Advanced Manufacture	46,258
Distribution	42,490
Tourism	38,818
Retail	18,987
<i>Remaining Stock</i>	<i>33,759</i>
<b>All</b>	<b>32,669</b>

Source: TCR 2007 TBR Ref (W2/S4)

It is interesting that the figure for Creative & Media can be skewed significantly by the inclusion of businesses that are technically within media or the arts but do not rely on 'creativity' as an input. The number of businesses that are technically classified as Creative & Media often do not align with the general perception of the industry (e.g. publishing which includes newspaper publishers and optical cabling manufacture, which stems from the OECD definition of digital industries). It is worth investigating whether these less core (and potentially contentious) creative activities have the effect of skewing GVA per head figures and thereby making creative and media seem more attractive.

Table 15 below indicates the contributory sub sectors within the Creative & Media sector. As we can see, Publishing is the largest sector in terms of total GVA and employment, and optical fibre manufacturers have a high GVA per head performance.

Note that this data is sample based; it is not purporting to indicate the total GVA contributed to the economy from these sub-sectors, merely to highlight the different contributions each sub-sector makes.



**Table 15: Creative Sector GVA analysis**

Creative Activity	Sub Sector	Total GVA (£)	Emp	GVA/Emp (£)
Newspaper Publishers	Publishing	94,551,000	1,845	51,247
Computer Programming & Software Services	Digital	4,020,729	251	16,019
Computer Services	Digital	16,662,005	232	71,819
Developers of Credit Card Fraud Prevention Systems	Digital	8,625,000	231	37,338
Miscellaneous Computer Services	Digital	17,091,488	179	95,483
Computer Programming & Software Services	Digital	7,407,000	145	51,083
Advertising & Marketing Agency.	Creative	4,327,985	110	39,345
Computer Application & Software Services	Digital	5,885,711	78	75,458
Radio Broadcasting Services	Broadcasting	11,155,000	71	157,113
Custom Computer Programming Services	Digital	2,135,601	63	33,898
Computer Software Development Services	Digital	4,185,835	41	102,094
Computer Systems Suppliers.	Digital	1,488,974	30	49,632
Computer Services	Digital	1,063,690	29	36,679
Amusement and Recreation	Creative	61,580	25	2,463
Advertising Agents	Creative	1,109,719	23	48,249
Optical Fibre Manufacturers	Digital/Manufacture	2,801,364	19	147,440
Dance Halls Studios and Schools	Creative	185,318	11	16,847
Video Production and Training	Creative	67,138	7	9,591
Distribution of Advertising Material Or Sample Services	Creative	249,429	4	62,357
Miscellaneous Computer Services	Digital	78,739	4	19,685
Artists.	Creative	32,943	3	10,981
Systems Software Development Services	Digital	27,750	3	9,250
Software Writers and Suppliers	Digital	112,048	2	56,024
Computer Programming & Software Services	Digital	96,274	2	48,137
Theatrical Producers and Services	Creative	74,000	1	74,000
Prepackaged Software	Digital	61,385	1	61,385
Computer System and Software Development	Digital	-14,783	1	-14,783
<b>Total</b>		<b>183,542,922</b>	<b>3,411</b>	<b>53,809</b>

Source: TBR 2007 Ref (W2/S7)

**Table 16: Creative & Media Sub-sectors and GVA Contributions**

Sub Sector	Total GVA (£)	Employment	GVA/Emp (£)	% GVA	% Emp
Publishing	94,551,000	1,845	51,247	51.5%	54.1%
Digital	68,927,446	1,292	53,349	37.6%	37.9%
Broadcasting	11,155,000	71	157,113	6.1%	2.1%
Creative	6,108,112	184	33,196	3.3%	5.4%
Digital/Manufacture	2,801,364	19	147,440	1.5%	0.6%
<b>Total</b>	<b>183,542,922</b>	<b>3,411</b>	<b>53,809</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total (exc. Publishing and Digital/Manufacture)</b>	<b>86,190,558</b>	<b>1,547</b>	<b>55,715</b>	<b>47.0%</b>	<b>45.4%</b>

Source: TBR 2007 Ref (W2/S7)

Table 16 indicates that whilst the average GVA per head for the whole of the creative and media sector is £53,800, if we remove the contentious activities, the figure improves to £55,700 per head. It is true that the sub sector that contains most of the more 'traditional' creative activities

such as performing arts, artists, music etc. (termed 'Creative' in Table 16 above) does have the lowest GVA per head performance. However, it is entirely appropriate to include other digital and broadcasting activities in our definition of Creative and Media, so it is a very positive result to see that such core activities do, and one would assume will continue to, contribute such high productivity to the PUSH area.

It is also felt that the sector supports a higher number of firms and employment than economic data tends to indicate. This view is driven from employment (and related firm) numbers. From the current GVA analysis this could make the individual business sectors look smaller than they actually are. In particular, within the Theatrical Production, Contemporary Dance studios and Artists sectors, employment figures are more like 156 rather than 1, 95 rather than 11 and 22 rather than 3 respectively. This signifies that the Creative industry sector may be larger in size than it initially appears, especially with respect to the size and importance of the parts of the sector in which official data cannot be captured. The data quality for the creative sector has been questioned as to its validity due to the amount of data which cannot not be captured in standard analysis.

For example, the Creative Returns (2007) study identifies that the number of people employed in the creative sector in Eastleigh could be more than twice what official data suggests, due to freelancers and sub-contractors not being included in most definitions. These differing figures are thought to be reflected across the whole of the PUSH area.

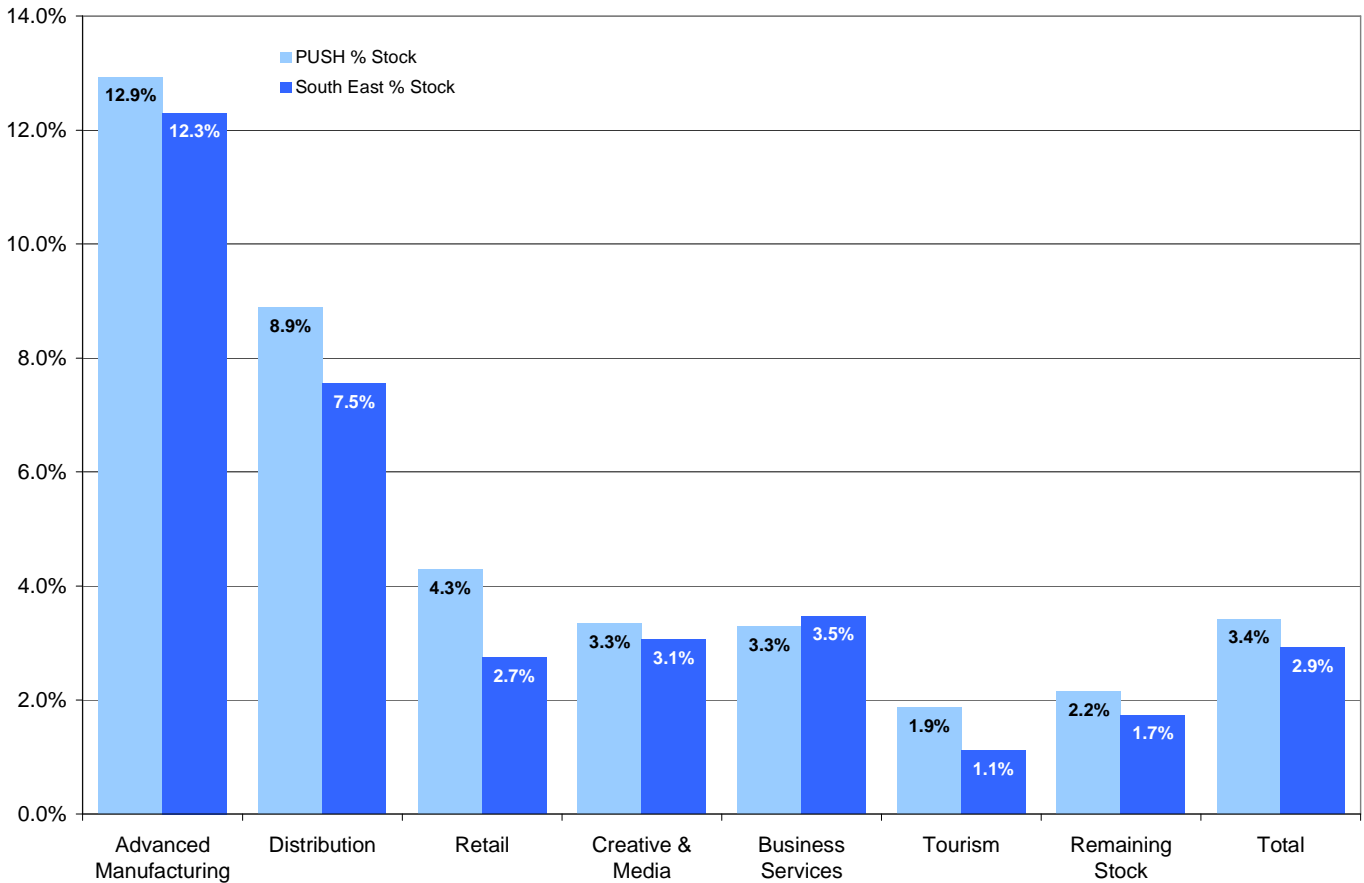
The findings of the Creative Returns (2007) study supported the notion that that the area has a lot of creative talent and production, but that there is neither the support nor the premises to keep it in the area, often leading to commercial creative talent being tempted away. If the correct facilities were developed, production could be supported within the area and talent attracted in from London. This is due to a likelihood of rent increases in London with the development and arrival of the Olympics; with the correct facilities, the PUSH area could be an attractive alternative. Lower cost premises could be capitalised on for sector promotion, development and place marketing. The specific business sectors that are felt to be strong and ripe for investment in this context are Theatrical Producers & Services and Contemporary Dance Schools, as well as the development of innovative creative talent to turn ideas/passions into commercially viable businesses.

Apart from Retail (and the purely Creative), all sectors contribute an above average GVA per employee.

### 5.6 Inward Investment

The level of inward investment into an area provides an indication of the attractiveness of the area’s economy. The following section considers the level of inward investment in the PUSH area by foreign owned firms – foreign direct investment (FDI). Inward investment is of great benefit to the economy, as it stimulates innovation and growth within an area and sector.

**Figure 7: Proportion of foreign owned firm stock in PUSH and South East**



Source: TCR 2007 TBR Ref (W2/C6)

Figure 7 above shows that that the PUSH area in total has a higher level of FDI compared to the rest of the South East. This is a particularly significant outcome as the South East of England is one of the most globally competitive areas in the world, with a highly developed economy. This indicates that PUSH is not only a strong locality, but is also nationally and internationally strong.

Advanced Manufacture in particular has significantly high levels of FDI compared to all other sectors and is ahead of the South East (12.9% of foreign owned firms in the area compared to 12.3%). The sector is massively outperforming in PUSH and the South East compared to total levels of FDI; there is approximately four times the average foreign inward investment in the sector in both geographic areas.

Distribution also demonstrates a high proportion of foreign owned firms in the PUSH area and is 1.4% above the South East. Interestingly, Retail shows the largest gap compared to the rest of the region, with 1.6% more of the retail stock being foreign owned in the PUSH area. Creative & Media again is slightly ahead of the South East, though levels are similar to that for the total area.

Business Services in the PUSH area does not attract the same levels of foreign investment as the South East as a whole. However, this is not entirely surprising as London is a global leader of Business Services locations, with some of the highest amounts of foreign investment in the world. London therefore has a big influence on the South East statistics, and perhaps represents an unfair comparison for the Business Services in PUSH. Rather than viewing the influence of London on the figures as negative, it could be viewed as a positive opportunity to attract more FDI and improve business.

Tourism is the only sector that shows significantly lower levels of FDI (1.9% stock compared to 3.4%), although the low level is still ahead of that of the rest of the South East.

All of the firms in the PUSH area support proportionately more inward investment than the South East or UK, thus presenting the area as an attractive place for foreign firms to locate.

#### Summary 4

- Advanced Manufacture is by far the smallest sector in terms of the number of firms and employment. However, the businesses tend to be significant employers.
- All businesses in the PUSH area employ a workforce larger than that employed in the South East and UK.
- Advanced Manufacture is performing significantly above average, with 53% more firms and 56% more employment than the national rate.
- Creative & Media seems to lagging behind national distribution quite significantly, with 30% fewer firms that one might expect to find.
- Although the Business Services sector has contributed by far the most new firms, the Creative & Media sector has the highest level of new firms as a proportion of stock.
- Advanced Manufacture appears to be expanding through increasing firm size rather than through the creation of new firms.
- All sectors apart from Retail (and the purely Creative) contribute an above average GVA per employee.
- The PUSH area is a highly attractive location for attracting investment from outside the area.

## 6. Recommendations for growth sector focus

In order to select which three sectors from the six should be the focus of further research (those with most growth potential), an analysis framework was developed and applied to the information obtained about each sector in the previous chapters.

The key objective of this analysis was to select sectoral activities that will serve as the focus for further in-depth consultation. It was essential, therefore, for the framework to be as objective as possible without being arbitrary. Specifically, a number of indicators were selected and used to 'score' the performance of the PUSH area's key sectors. These indicators were both quantitative and qualitative and covered:

- Firm and Employment Location Quotients
- Employment Change
- GVA
- New Firm Formation
- Strength of Supply Chain
- Supporting Industries
- Likely Future Growth
- Propensity to Network/Cluster

The full analysis framework for each sector can be viewed in the separate data report: Evidence Report 2: Growth Sector Recommendations.

### 6.1 The selection process

A number of indicators have been selected and used to score the performance of the PUSH area's key sectors. These indicators are both quantitative and qualitative and described in more detail below.

<b>Indicator</b>	<b>Description and Purpose</b>
Firm Location Quotient	Identifies the extent to which an industry is over- or under-represented in an area in terms of firms. In this case, industries in the PUSH area have been compared against the overall GB economy. LQs greater than 1 mean an industry is over-represented. For example, an LQ of 1.25 means there are 25% more firms than one would expect to find in the PUSH area.
Employment Location Quotient	Identifies the extent to which an industry is over- or under-represented in an area in terms of employment (see Firm LQ above).
Employment Change	Employment change has been calculated for the key sectors between 2004 and 2007. Employment change is calculated for firms that existed in both years and thus shows the performance of continuing firms.
GVA	Gross Value Added measures the value that a company contributes to the economy through wages, profits and capital expenditure. GVA per employee is an indicator of average productivity – the average GVA generated by each employee.
New Starts	Any firms that have started in the last 3 years are considered new. New firms as a proportion of all firms within an industry are a useful indicator of how vibrant and young the sector is.
Supply Chain	Using the UK's input-output system, it is possible to examine the supply chain for an industry and the magnitude of linkages that an industry has with its suppliers. Interpolating this to the regional level requires the assumption that any industry or region has the same input requirements (i.e. similar technologies and productive processes) as another. Whilst in reality these may differ somewhat, an

	examination of the top supply chain industries in the region is still insightful. Specifically, it reveals the extent to which potential supply chain industries are present in the region. NB It is not possible to discern the extent to which industries within the PUSH area are actually linked; instead this analysis highlights gaps and potential opportunities. This will be one subject of the next phase of the research.
Supporting Industries	This is a qualitative assessment of local activity that supports the key sectors.
Likely Future Growth	A further qualitative indicator, this is a broad assessment of likely future growth (either employment or productivity) and drivers that have the potential to impact on the sector, both now and in the future.
Propensity to Network /Cluster	This is more qualitative assessment of the attitudes and behaviours exhibited by different sectors with regard to networking and collaboration.

For each of these indicators we have scored the PUSH key sectors. Generally, these scores are ranks of the six industries, with 6 points assigned to the best performing and 1 to the worst. In some cases where this is not entirely appropriate, we have assigned scores on a 1 to 6 scale allowing sectors to have the same scores. It needs to be emphasised that these scores are very useful in drawing out the sectors of focus, but are not the sole driver of our recommendations.

## 6.2 The Headline Results

**Table 17: Sector analysis score**

Sector	Score
Advanced Manufacture	50
Business Services	40
Creative and Media	33
Retail	24
Tourism	23
Distribution	19

Source: TBR (2007) PN01007R\_Recommendations

## 6.3 Recommendations for growth sector focus

Having considered the mix of quantitative and qualitative factors listed above, and recognising that the analysis has limitations at this stage, our conclusion is that there are a number of sectors that commend themselves to detailed study in the next phase of the project. It is firstly important to state that we also believe that given the size and scope of this study, focusing on a smaller number of sectors is a desirable objective. Resources can be better expended and more detail can be gathered than were the next phase to cover all six sectors. We believe that the analysis supports this assessment.

Note that whilst the DTZ report suggests that manufacturing as a whole may decline in the future, it was decided to include Advanced Manufacturing because of its high knowledge content and therefore potential to deliver high value jobs to the PUSH area. It is also probable that decline may not be uniform across the range of manufacturing activities and that advanced manufacturers are more likely to be able to trade successfully in niche markets.

There are three sectors, in our current view, that lend themselves to detailed study during the next phase of the project. They are listed, along with a brief summary of the reasons why they are recommended, below:

**Advanced Manufacturing** (Total score = 50)

- Firm and employment LQs show significant strength in the majority of industries that make up the sector
- High levels of employment growth
- High productivity (£13,300 above average for PUSH area)
- Evidence of strong supply chain industries
- Extensive support and development activities in local universities
- Strong potential for future growth
- High propensity to network and collaborate

**Advanced Business Services** (Total score = 40)

- High firm and employment LQs and synergy between employment and firm strengths
- High productivity (£14,300 above average for PUSH area)
- A comparatively high proportion of new firms
- Significant levels of support and development activity in local universities
- Strong potential for future growth
- High propensity to network and collaborate

**Creative and Media Industries** (Total score = 33)

- High productivity (£21,300 above average for PUSH area)
- Strong new firm formation rates
- Moderate support and development activities in local universities
- Good potential for future growth
- High propensity to network and collaborate

An argument could be made for including Tourism, or the 'Visitor Economy', especially since it is a sector that lends itself to collective marketing and other initiatives and there is also a common, key driver, i.e. increased visitor numbers to the area. However, it is believed that the inclusion of a fourth sector would stretch available resources to a level where the depth required from the next stage may be difficult to achieve.

Distribution and Retail do not, in our view, present attractive propositions for the next phase of research. That is not to say that these sectors will not play a role in future job and productivity growth; however, given the analysis undertaken thus far and the natural lack of ability in these sectors to form networks of business growth clusters, due to the diverse, low knowledge base and highly competitive nature of these industries, these sectors are not especially attractive. Other drivers such as spatial strategies and employment land use policies will be important in shaping and influencing their growth.

## 6.4 Marine

The Marine sector is and should be viewed as very important to the current and future health of the PUSH economy. However, it was omitted from this study for a number of reasons. Like any other sector there are pressures and challenges in Marine, but its omission from this report in no way reflects an antipathy towards it on behalf of PUSH, nor a lack of recognition of its importance. There are existing structures that focus on this sector within the wider region and there have been numerous studies of the sector in the recent past. A desire not to replicate these studies was a principal driver in the decision not to include marine as a sector of focus. Note that the research team would recommend that Marine should at the very least be seen as being part of the Advanced Manufacturing industries rather than part of Traditional Manufacturing, which is where it is located in previous definitions.

## 6.5 Future Work

This report does not attempt to be prescriptive about a single route to develop the PUSH economy. It responds to very specific requirements, as set out in the research brief. We would recommend that the state of the economy and the sectors that form it are continuously reviewed, along with the actions that PUSH and others are taking to support and drive local economic growth. Should the case be made that resources should be directed into other sectors, then these should be heard and considered. For example, the visitor economy is seen by some to be a strong candidate for additional support by PUSH and the evidence that supports this might be presented and reviewed as part of ongoing assessment.

## 6.6 Recommended sectors

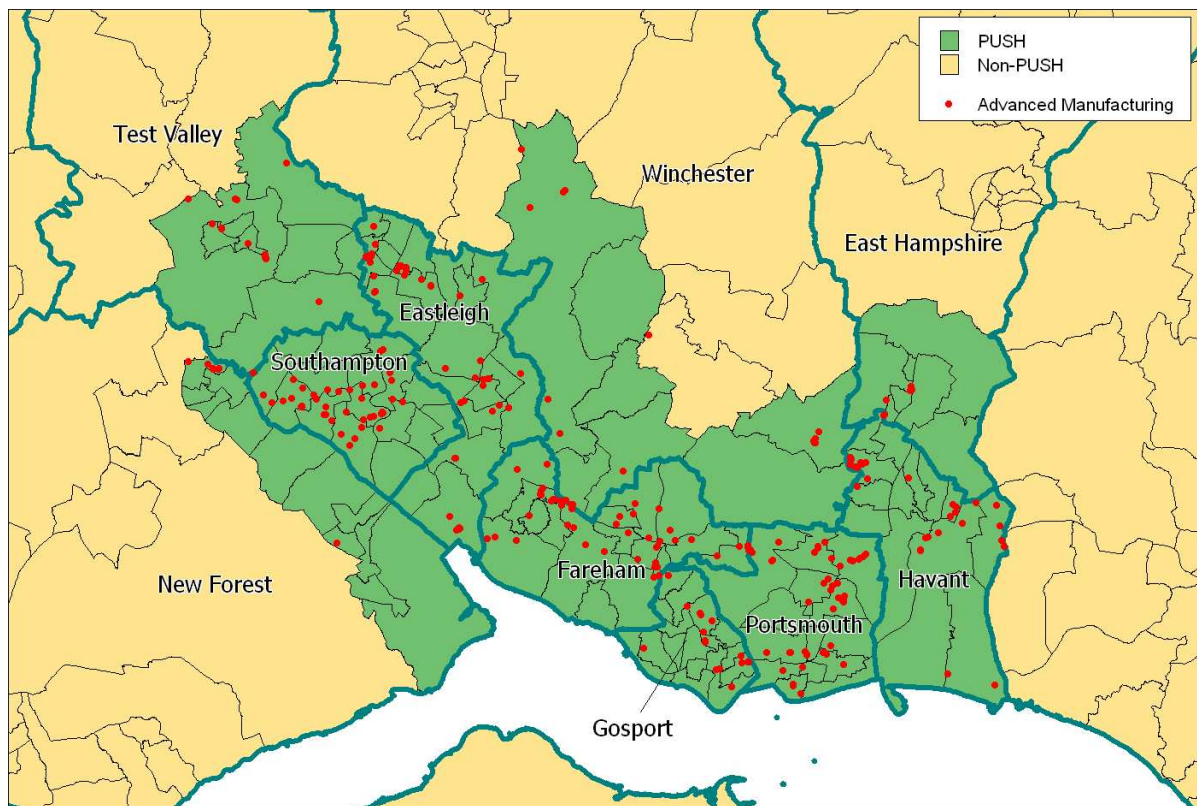
Having considered the mix of quantitative and qualitative factors listed above, our conclusion was that there are a number of sectors that lend themselves to detailed study in the next phase of the project. It is important to state at this stage that given the size of the study, focusing on a smaller number of sectors was a desirable objective. Resources could be better expended and more detail could be gathered than if the next phase had covered all six sectors. We believe that the analysis supports this assessment.

The analysis framework identified the following three sectors. They are listed, along with a brief summary of the reasons why they are recommended and a map showing the distribution of the sector across the PUSH area, below:

### 6.6.1 Advanced Manufacture (Total score = 50)

- Firm and employment LQs show significant strength in the majority of industries that make up the sector
- High levels of employment growth
- High productivity (£13,300 above average for PUSH area)
- Evidence of strong supply chain industries
- Extensive support and development activities in local universities
- Strong potential for future growth
- High propensity to network and collaborate



**Figure 8: Advanced Manufacture**

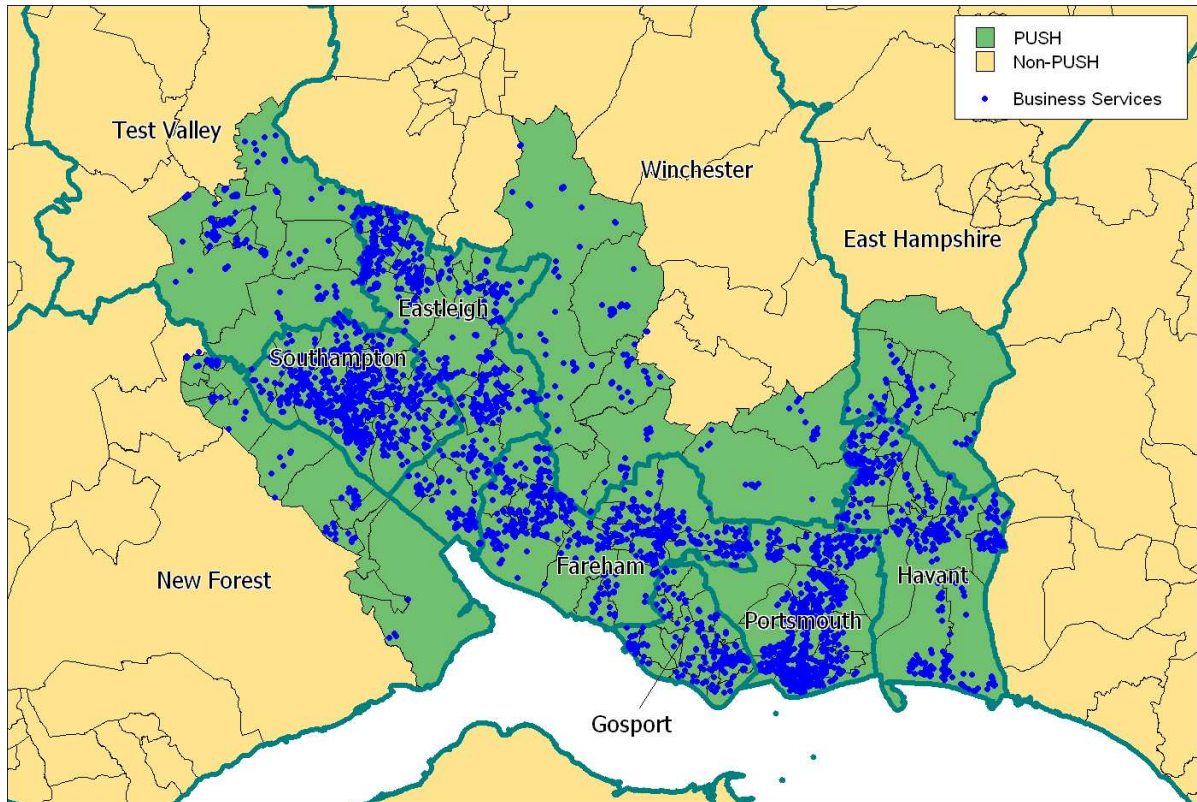
Source: TBR 2007

Advanced Manufacture is a small sector of around 300 firms, so there is a large spread of these firms over the entire PUSH area. The strongest concentrations lie in Southampton, Portsmouth and to some extent Eastleigh and Fareham. The more rural areas do not have a strong presence in Advanced Manufacture.

### 6.6.2 Business Services (Total score = 40)

- High firm and employment LQs and synergy between employment and firm strengths
- High productivity (£14,300 above average for PUSH area)
- A comparatively high proportion of new firms
- Significant levels of support and development activity in local universities
- Strong potential for future growth
- High propensity to network and collaborate

**Figure 9: Business Services**



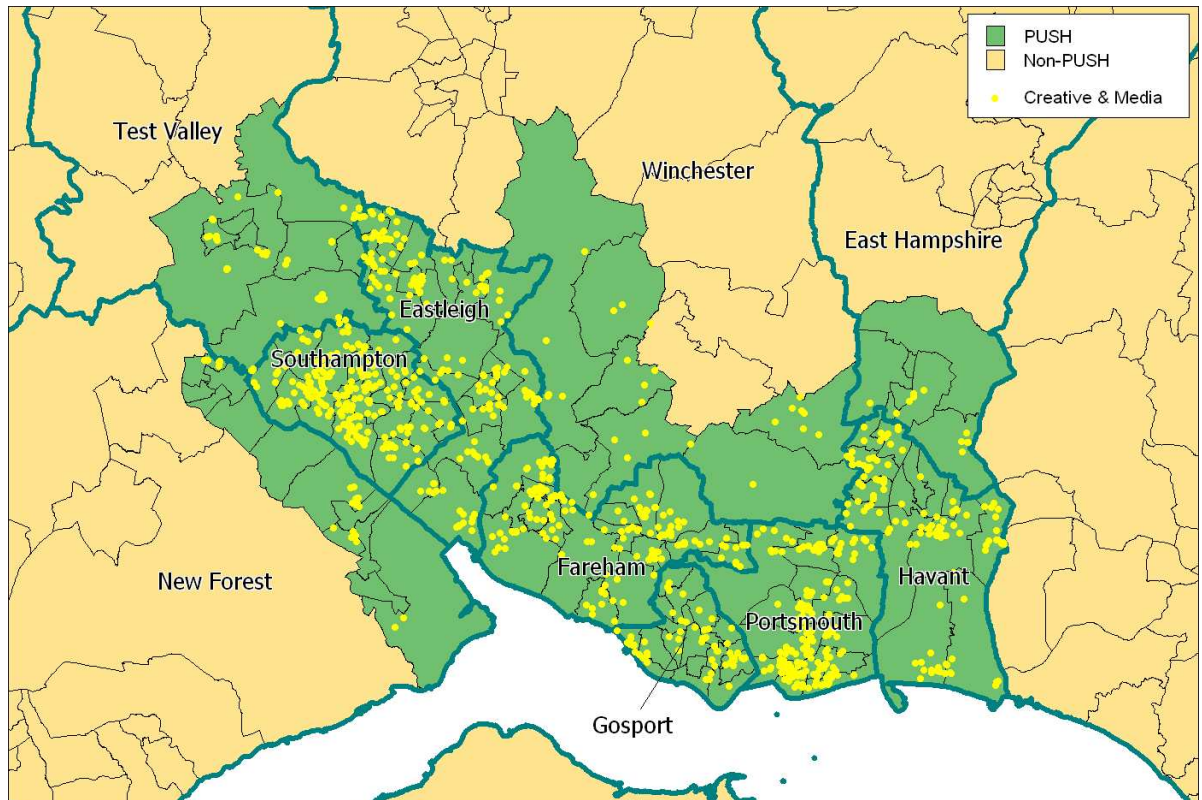
Source: TBR 2007

Business Services is the largest of the three sectors with just over 5,300 firms. The densest population of Business Services firms again lie in the cities, Southampton and Portsmouth. Eastleigh, Fareham, Gosport and also Havant have strong concentrations of Business Services in some parts of their respective districts. The wards part of the PUSH area in the rural communities of East Hampshire, New Forest, Test Valley and Winchester have much lower Business Services populations compared to the rest of the PUSH area. These areas do however have a stronger presence than the Advanced Manufacture sector.

### 6.6.3 Creative and Media Industries (Total score = 33)

- High productivity (£21,300 above average for PUSH area)
- Strong new firm formation rates
- Moderate support and development activities in local universities
- Good potential for future growth
- High propensity to network and collaborate

**Figure 10: Creative & Media**



Source: TBR 2007

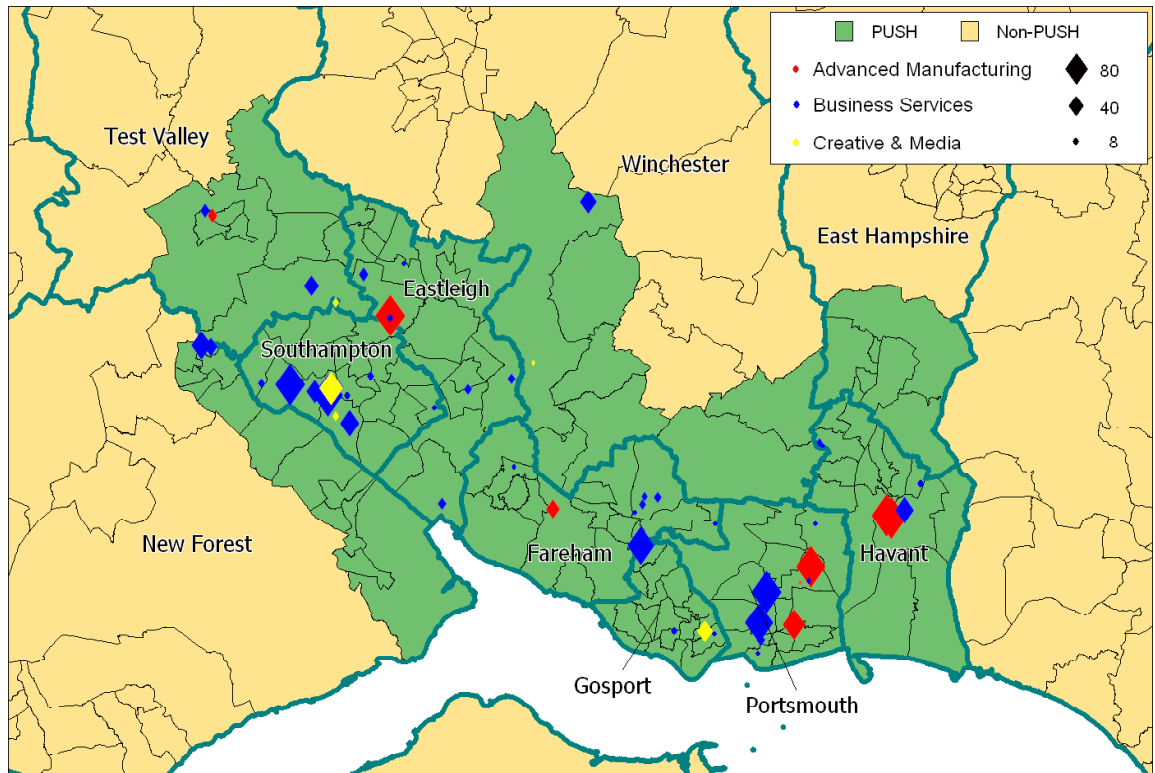
The research that underpins this geographic analysis reveals a total of 1,040 Creative & Media businesses in the PUSH area. Once more, Southampton and Portsmouth have the largest firm populations in Creative & Media with over 40% of the 1,040 firms lying in these two local authorities alone. Fareham and Eastleigh also have relatively high concentrations of Creative & Media firms. The wards of East Hampshire that lie in the PUSH area have an extremely low density of Creative & Media firms; in fact this sector contributes just 17 firms to the 1,040 total for the PUSH area.

An argument could be made for including Tourism, especially since it is a sector that lends itself to collective marketing and other initiatives and there is also a common, key driver i.e. increased visitor numbers to the area. However, we believe that the inclusion of a fourth sector would have stretched available resources to a level where the depth required from the next stage would have been difficult to generate.

Distribution and Retail did not, in our view, present attractive propositions for the next phase of research. That is not to say that these sectors will not play a role in future job and productivity growth, but given the analysis undertaken thus far, these sectors are not especially attractive. Other drivers such as spatial strategies and employment land use policies will be important in shaping and influencing their growth.

With this in mind, Figure 11 (below) examines the growth patterns across Advanced Manufacture, Business Services and Creative & Media.

**Figure 11: Growing Firms**



Source: TBR 2007

The map shows those firms who have seen growth in their employment figures, either by at least 5 employees or 50% employment growth, to include the smaller firms. The size of the firm is portrayed by the size of the diamond, illustrated by the scale in the key. The diamonds in the scale are benchmarks, i.e. a firm with a point the size of the top diamond will have 80 employees working there. Firms with more or less employees than this will have points larger or smaller than this '80 diamond'.

Most of the firms defined as growing appear in the local authorities of Southampton and Portsmouth. Other areas have seen relatively low numbers of growing firms; Eastleigh and Fareham have seen similar number of firms grow, as have the areas of Test Valley and Havant.

## 7. Consultation

The purpose of this section is to present and discuss the findings of the consultation phase of this project. It will address the core issues which key supporting organisations and businesses feel are impacting business interactions and growth strategies in the PUSH area. In doing so, the discussions will approach the nature and behaviour of business networks by structuring consultation around:

- **Relationships** with suppliers and other external individuals and organisations – in order to identify and understand forward and backward linkages, both economic and knowledge related (e.g. Universities, R&D)
- **Clients/Customers** – in order to understand which markets are served, where, and to what extent, and the degree to which client demand is sophisticated
- **Factor Conditions** – To understand the nature of the labour force and in some cases the available capital infrastructure, as well as the availability of employment land, and whether this acts as a barrier to growth.
- **Nature of competition** – To understand the strategic approach to competing with other businesses in the sub-sector, specifically looking at issues such as intellectual property, and the spectrum of responses that businesses have to the competitive climate.

The consultation phase will serve as an opportunity to implicitly understand the nature of interaction between firms in the selected clusters and business networks. The purpose of the consultation is to further understand linkages between existing clusters, networks, businesses, academia and other supporting institutions, their intensity and the types of interactions and relationships between them, as well as their geographical boundaries.

### 7.1 Understanding Clusters and Business Networks

Forty-three depth interviews (Table 19) were completed, 12 face to face and 31 by telephone. These were with a range of people from organisations that support business growth, such as supply chain, inward investment and knowledge transfer managers, and with managers or directors of businesses that fit a profile created to aid the identification of interactions between businesses and networks in the specified growth sectors. This enabled the core issues regarding barriers, challenges and opportunities for business growth to be raised.

**Table 18: Breakdown of Interviews**

<b>Supporting Organisation</b>	<b>Advanced Manufacture</b>	<b>Business Services</b>	<b>Creative</b>
14	11	8	10

Source: TBR 2007

To attain a fuller understanding how the consultation topics and contacts were identified, see Evidence Report 3: Consultation.

### 7.2 Supporting Organisation Interviews

Fourteen interviews were carried out with a variety of supporting organisations in the PUSH area before any consultation took place with businesses. The purpose of these was to identify existing projects that are currently being consulted upon that may impact this study and to illustrate 'hot topics' which the organisations spoke of. This enabled an informed approach to the business interviews by developing an overview of each sector and the key issues that may be impacting it.

### 7.2.1 Issues which are already being consulted upon

- SEEDA is reviewing evidence that has been generated by other organisations (other RDAs, NESTA, DBERR, etc.) to better understand what research is already available about the local supply chain.
- The Portsmouth City Council Inward Investment Team conducts an annual business survey to establish what local business growth barriers may be. This could be a useful resource to tap into.
- Solent Synergy is a useful resource that is trying to encourage SMEs to collaborate more readily with large companies.

### 7.2.2 Hot topics

This section presents the main issues voiced as being important to business growth and networking that arose from the supporting organisation consultation.

#### GENERAL INFORMATION

- SEEDA is now viewing cluster work as 'sector consortia'.
- Finding local workers who are sufficiently skilled is problematical. Schemes that have resources for SMEs to engage more with universities and develop the necessary skills needed to develop the local economy include:
  - PoCKeT funding, SEEDA
  - Research Support Office, SEEDA
  - CEI (Centre for Enterprise and Innovation), SEEDA
  - Setsquared, SEEDA
  - CI Business Advisory, CIBAS
  - The Enterprise Hubs
  - Wired Wessex
- Big companies tend to move out of Portsmouth due to the lack of employment land and low quality office space.

#### BUSINESS SUPPORT

- The level of commitment required to attain some funding projects is often too great for the SMEs that work in the area. SEEDA are working to attain shorter funding allowance to encourage closer working with SMEs and local Universities.
- The Research Excellence Directory, which allows businesses to identify which universities they could work with on what, and who to contact, needs to be more highly promoted to local businesses in all sectors <http://www.researchexcellence.org/>.
- Business Link services could be more widely promoted to ensure all companies in the area that want to grow are fully aware of the services already on offer for free. For example the **Innovation Brokerage service, Peer group learning, Regional innovation services, Internal trade department**.
- Support services are too splintered and people may not always know where to turn. Having one portal for virtually all information or directing users to where is best to gain specific information would be useful to business growth, especially for SMEs.
  - Following the release of the 2007 Comprehensive Spending Review, the framework for a business support simplification programme has been announced more formally and should aid the PUSH simplification, particularly as of March 2008 when programmes will start to be put into place.
- Solent Enterprise Hub could prove to be a resource that creates/hosts a web portal of what funding sources are available, to which businesses and for what purpose, as deemed necessary by one of the interviewees.
- **The Business Support Simplification Programme (BSSP)** is a new nationwide initiative that aims to reduce duplication and make business support simpler and easier to access by reducing the number of support schemes from around 3000 to no more

than 1000 in 2010. Business Link will be the primary service provider for individuals or organisations wanting to access business support.

The aim is to simplify publicly funded business support in England, to ensure it:

- Is simpler for businesses to understand and access
- Is good value for money
- Has a substantial, measurable impact on public policy and other goals
- Prevents the public sector duplicating any private sector support and vice-versa.

There are already pilot schemes running in line with the new BSSP within PUSH, which have support from public and private partners.

Business Link will aim to draw together advice and guidance on specific issues that affect business survival and growth. It operates on a principle of 'Information, Diagnosis and Brokerage' (IDB). The IDB model is structured around three core and separate stages:

1. Giving businesses fast access to the right information to answer their concerns
2. Through understanding the customer, the independent advisers helping businesses to identify the most appropriate course of action, the right order in which to address their needs and the best places to access that help
3. The independent adviser directing the business to a solution provider.

#### **PARTNERSHIP WORKING/NETWORKING**

- Within each sector there are a number of networking opportunities.
- There is limited interest in cross sector collaboration. The benefits of this need to be promoted more to active businesses in the community.

#### **LOCAL AUTHORITY ISSUES**

- Promotion of more local procurement and supply chain development needs to occur. This is acknowledged by SEEDA and work is being done to try and involve and support small businesses. Some private companies exist in the area, such as Protégé Management<sup>6</sup>
- Certain issues, such as planning laws, skills development and up to date training, can be the difference as to which large businesses in the area stay and whether new ones are attracted. These issues could be formally researched then addressed, as retaining and attracting more large business will greatly develop the local economy.

#### **SECTOR SPECIFIC**

- **Advanced Manufacture:** Topics which are currently gaining R&D money to link business with Knowledge development in the South East are:
  - Environmental Energy production
  - Health – updating hospital technologies
  - Nano-technology development
  - Intelligent Transport – congestion-busting schemes.
- SEEDA will increasingly work on a small number of large projects to focus funding on high impact funding programmes; these tend to be in **Advanced Manufacture** industries.
- Portsmouth's **Business Services** sector is not as strong as Southampton's, but it does support branches of the larger Southampton businesses.
- There is a positive vibe associated with developing the **Creative** sector; it is important to capitalise on this in order to successfully develop business interactions that will lead to growth.
- There is an apparent link between increased subsidy in the **Creative** industry and increased commercialisation and for profit business. This implies that if more funding was granted for the sector, more profit generation could occur. It is suggested that

<sup>6</sup> <http://www.protege-management.co.uk/>.

investing some PUSH resources into properly evidencing this would help get more SEEDA/Area Investment Framework (AIF)/EU funding into the sector.

- Local **Creative** arts need to get more involved with support organisations to promote and inspire development of not-for-profit organisations into companies. Organisations like ASpace can help this. A place-making exercise by the Councils promoting the cultural activity in the area, particularly in Southampton, could be a good first step to raise the profile and give local businesses confidence that the sector can grow.

### Summary 5

Finding a skilled enough workforce to ensure the knowledge economy stays globally competitive is a growing concern.

There is a lot of business support in the PUSH area but this could be better promoted and streamlined to be more easily accessible, particularly SMEs.

Better partnership working could be encouraged, especially cross-sectoral collaboration.

There is significant investment being made into R&D in Advanced Manufacture.

The creative sector has high levels of support and confidence from supporting organisations.

## 7.3 The nature and behaviour of business networks

In order to fully understand the nature and behaviour of the businesses and potential business networks, the discussion guide was carefully structured around four topics designed to identify the determiners of how successful a business and/or business network is (see Section 7).

### 7.3.1 Relationships with external bodies

#### RELATIONSHIPS WITH UNIVERSITIES

Twenty-five of the businesses interviewed had links with at least one of the universities in the PUSH area.

**Table 19: How sectors link to Universities**

How Related	Advanced Manufacture	Business Services	Creative	Total
Personal interest	3	2	0	5
Based there	0	6	0	6
Work with students (support/ recruitment)	7	4	5	16
Partner with them on work	2	3	2	7

Source: TBR 2007 (w1/s2)

- The majority of these links in Advanced Manufacture and Creative were said to add a reasonable amount of value to the business, with an average rating of 6-7 out of 10 (1 being not at all valuable, 10 being extremely valuable).
- The average rating for Business Services was at 4, indicating that links with universities were of quite low value, but there were indications that this could be developed.
- Most contacts were generated by company-led initiatives or developed through personal contacts.



**RELATIONSHIPS WITH R&D**

Twenty-six businesses undertook research and/or development. For Advanced Manufacture and Creative, the majority of this was undertaken in-house with partners. The majority of Business Services R&D was undertaken in-house without partners.

**ACTIVITIES OUTSIDE WORKING HOURS**

All of the businesses took part in activities outside working hours.

**Table 20: Extra activities participated in**

	<b>Members of Institutes/ Attend Conferences</b>	<b>Work with Universities</b>	<b>Marketing Activities</b>	<b>General Events</b>	<b>Business Development</b>
Yes	20	17	20	22	20
No	9	12	9	7	9
<b>Total</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>
<hr/>					
Sector Specific	14	10	11	15	10
Not Sector Specific	6	7	10	7	10
<b>Total</b>	<b>20</b>	<b>17</b>	<b>20</b>	<b>22</b>	<b>20</b>

Source: TBR 2007

- The majority of activities undertaken tended to be sector specific.
- Different activities were relatively equally attended by the three sectors.
- The most popular activity was General Events, which included any type of business fair, public event or networking event.
- More unusual activities attended included:
  - A Dragons' 'E-Den'
  - Being on advisory boards
  - Having ad hoc personal links which became of use to the business
  - Members of staff having individual responsibilities for keeping up to date with their sector through any possible means
- Businesses tended to hear about these events through direct mail and general involvement in their sector.
- The main purpose of attending these events was primarily raising awareness, networking, developing business and learning more about sectoral hot topics.
- Even if not directly quantifiable, these activities were generally considered to add value to the businesses.

**Summary 6**

The majority of the businesses have relationships with one or more of the local universities. These were generally quite valuable to the businesses, apart from Business Services companies.

Levels of research and/or development across all three sectors are high.

All of the businesses took part in activities, usually sector based, outside working hours.

### 7.3.2 Customers/Suppliers/Collaborators

This section will examine the three different sectors and their relationships with customers, suppliers and collaborators to assess how developed the local supply chain is and how much business leaves the area or is imported from outside the area. This will aid the understanding of the strength of business links and will contribute to the cluster diagrams.

The predominant customers for the **Advanced Manufacture** industry were Marine, Aerospace, Defence and the Medical industries. Most of the customers of the companies interviewed were large multi-national companies. The majority of the businesses interviewed stated that they tried to source supplies locally where possible, but this is becoming harder due to the rising cost of materials and basic manufactured products in the UK compared to other places in the world such as the Far East. The main sectors that supply the companies interviewed include electronics, basic materials and people with specialist skills. There is no particular size of company that supplies are sought from. Advanced Manufacture companies tend to work with other companies in the same field when they collaborate; most tend not to see other companies as threats but rather as opportunities. They work with companies of all sizes and try to use other local people/companies.

The predominant customers for **Business Services** were other professional services, the public sector and consumer industries, although the spread between all sectors was fairly even. They tended to supply medium sized companies generally based in the PUSH area, London or the South East. Recruitment of the workforce was the largest quoted input into the Business Services industry. There is a preference for locally recruited labour, but this is not always possible. The next most important supplier is general office supplies, obtained from a range of companies in terms of size and base location. Not all Business Services collaborate well with other companies; approximately half of those in the sector are open to ideas of collaboration, whilst half say that competition is quite strong and they tend not to try and work with competitors.

The largest customers by far for the **Creative** sector were others within the cultural sector as well as the general public. They tended to be small organisations based in PUSH, London and the South East. The main Creative suppliers were other creative industries and office supplies. They tried to use local people and companies where possible, but due to the specialised nature of many creative businesses, they often had to look to London or other parts of the UK, for example to find specialist set designers, sound engineers or market research agencies. There was a mixed response from the Creative sector regarding how well they work with each other. Some felt that although businesses did not feel threatened by others in the industry, there was a lack either of confidence in businesses joining up and working together or of awareness about the benefits of this. Others felt that partnership working was very good in the area and organisations did work together well whenever possible.

Out of the 29 interviewed, 17, approximately evenly spread across each sector, stated that there were industries they do not currently work with that they would like to try and develop relationships with. These tended to be businesses in sectors similar to ones they already worked in, but in a slightly different field. For example, Advanced Manufacture firms expressed a desire to expand with new technologies and different markets, such as expansion into new environmental technologies markets. However, there was no one industry that any sector would generally like to develop more business with, and no predominant reason why they wanted to expand to new markets other than for general business development and growth purposes.

## Summary 7

The predominant customers for the **Advanced Manufacture** industry are Marine, Aerospace, Defence and the Medical industries.

The larger and more economically influential businesses tend to work on a global scale and use the local supply chain where they can, but this is becoming increasingly hard due to rising competition and developments of the knowledge economy in the Far East.

**Business Services** have a much smaller supply chain and tend not to collaborate with others, but they are proud of their local base in PUSH (particularly Southampton) and are resisting growing pressures for takeovers by the large multi-nationals.

The **Creative** sector tries to use the local supply chain wherever possible, but often finds itself looking towards the wider South East and London for suppliers and collaborators due to the local area not being able to support a full supply chain. It is hoped that this will change.

All three sectors are forward thinking and have aspirations for growth.

### 7.3.3 Nature of Competition

This section addresses how competitive the businesses feel their sector and business is, both within the PUSH area and globally. It will aid understanding of the strategic approach that businesses take to competing and their attitudes towards the competitive climate.

On the whole, all three sectors felt that their industry was competing strongly in the PUSH area, with **Business Services** and **Creative** industries rating their sectors' level of competitiveness at a modal score of 8 (1 being not competitive and 10 highly competitive) and **Advanced Manufacture** giving a mode of 7. When examining where the most competition came from, Business Services and Creative industries again voiced the same response, namely that most competition comes from within the PUSH area or the South East. Advanced Manufacture's response was much more fragmented, stating that competition came from a wide variety of places, but generally from outside the PUSH area and the UK. North America, specifically the West Coast, was given particular mention as being globally competitive.

When thinking about their business, the majority of interviewees valued themselves as being highly competitive within their industry. When asked why however, the three sectors gave different types of responses. The underlying theme was that the staff in each company were highly skilled, intelligent and well trained individuals, developing a successful company ethos. **Advanced Manufacture** companies also put their success down to the quality and uniqueness of products they offer; **Business Services**, the level of service and maintenance of independence from the large national or international firms; and **Creative** to the uniqueness of the organisation's offerings.

The majority of respondents in all sectors felt that they could learn from their competitors, but this was more of a generic response indicating that it is always possible to learn than an identification of specific issues they felt they could learn about. This indicates that the interviewees do have an appetite to learn in order to develop their company, and in turn the economy in which they operate. One particular comment was that more detailed feedback from tenders would be useful to allow better evaluation of a company's performance.

Twenty-five of the businesses interviewed stated that they had a growth plan. **Advanced Manufacturers'** plans were generally quite formal and based around increased turnover and recruitment, with some firms wanting to develop new products or trade into new geographical areas. **Business Services**, on the other hand, had less formal and more generic plans for organic growth. The **Creative** sector had more formalised plans that generally involved increased production/staff and expanding into a new area/new space to work from. The new arts centre being built in the centre of Southampton by a consortium including the Arts Council, City Council, SEEDA, Lottery and private fund raising is a large factor influencing this movement in the arts. The centre will bring together at least four of the key arts organisations in the area and give them a strong presence in the city centre. It is felt this will greatly develop the sector in terms of raising awareness of the range of arts in Southampton and bringing together important organisations that are all very keen to develop arts in the area, thus giving a very positive attitude about the future of the creative industries sector. This would be a good focal point, both physically and through work with relevant local people, to initiate development of business growth within the Creative industries.

With regard to timescales for growth plans, the approximate average for all sectors was 3-5 years. The dominant external bodies expected to be involved in growth plans in terms of providing support, funding or partnerships were:

- Business Link
- SEEDA
- Local Universities
- Local Councils

The dominant types of support desired were:

- Financial
- Marketing
- Business Management/ Strategy development.

### Summary 8

All three sectors were confident about their competitive position in the market. The underlying reason for this was that the businesses only recruited high quality staff.

**Advanced Manufacture** felt they also offered quality products.

**Business Services** remained independent and offered high quality service first time.

**Creative** underlined the uniqueness of their offerings.

The majority of businesses interviewed in all sectors had a growth plan; **Advanced Manufacture** and **Creative** plans were quite formalised, whilst **Business Services** was more vague.

The average timescale for expected growth was 3-5 years.

### 7.3.4 Factor Conditions

Consultation took part about different factor conditions that may impact the businesses and could be barriers to growth. This was to gain an understanding about issues such as the nature of the labour force, the capital infrastructure and employment land.

An essential issue regarding the factor conditions was how a series of potential barriers to growth were rated. The factors that emerged as being the biggest barriers for all three sectors were the quality and availability of the local labour force and parking. The labour force being cited as a barrier is interesting, as it was also one of the key reasons stated for companies

achieving high levels of success. This illustrates that businesses will only recruit staff of a certain level of ability and highlights the importance of developing a strong knowledge economy. The implication is that high quality labour within the PUSH area is in short supply, and this is an important issue that the Partnership needs to address. This could be achieved through investment in capability and education development with industry in mind, for example providing grants for sponsorship of postgraduate education.

The factors identified as being drivers of growth are the presence of local contacts and the proximity to research institutions. Access to and the ability to undertake quality research and a positive feeling about the local contacts are important issues that have been identified as increasing a region's or nation's level of competitiveness and thereby developing the local economy. This shows a significant likelihood of each sector having the capability to grow as desired.

Certain aspects were not generally considered as issues in the PUSH area. These were:

- Presence of similar companies for collaboration
- Proximity to customers and suppliers
- Support in adhering to national issues, laws and regulations
- Local taxation rates

The predominant reason why businesses in all three sectors are located in the PUSH area is lifestyle choices. Some of the more interesting but less common reasons include:

- Being in the South East economy
- For some Advanced Manufacture firms, the industrial history of the area
- A large amount of higher education
- Geographic location, specifically being close to the sea
- Having a Southampton address and phone number being an asset to Business Services as it is developing a reputation for being a good hub of Business Services outside London.

When investigating strengths and weaknesses of the area, additions to the above strengths include:

- Good quality labour force
- Good access/infrastructure
- Being close to London
- Relatively low cost of living for the South East
- Presence of many other big businesses in the area
- Attractive physical environment

Common weaknesses of the area were expressed as:

- High cost of living compared to the rest of the UK
- Parking
- Traffic.

It is interesting to note that certain issues, such as the cost of living and the infrastructure, were quoted as both strengths and weaknesses, and this did not vary between industry sectors. Despite being mentioned as both strengths and weaknesses, the slightly dominant trend was that the infrastructure was good and cost of living high. This illustrates the range of people living and working in the area and the different values attached to these aspects of life. However, neither of these issues can be easily changed, so they do not significantly impact this study.

Eighteen of the businesses interviewed received some form of business support:

**Table 21: Business Support**

<b>Sector</b>	<b>Received Support</b>	<b>Did not receive support</b>
Advanced Manufacture	7	4
Business Services	4	4
Creative	7	3

The most common types of support sourced for all three sectors are (in descending order from most commonly mentioned to least):

- Financial
- Public Relations
- Marketing
- Office/Business Management

It was felt that this support was generally easy to access when it was needed.

The three different sectors found different support resources useful. **Advanced Manufacture** tended to use the following (in descending order):

- Sector specific support resources
- The local Chamber of Commerce
- Business Link
- SEEDA
- The EU

**Business Services:**

- The local Chamber of Commerce
- Business Link
- Other professional bodies

**Creative Industries:**

- The Arts Council
- SEEDA/AIF
- The local Universities
- Arts Business
- The City Council
- Specialist private business support

**Summary 9**

For all three sectors, supply of a high quality labour force was felt to be the most important barrier to growth. Drivers of growth were a strong presence of local contacts and good proximity to research institutions.

Location attractions to businesses include being in the South East economy, a large amount of higher education and the geographic location.

Common strengths of the area include recruiting high quality staff when available, good infrastructure and lots of other large businesses being located in the area. Common weaknesses are parking, traffic and a relatively high cost of living compared to the rest of the UK; however, these are widely quoted weakness and do not have a large negative impact on the PUSH area.

## 7.4 Overcoming barriers to growth

This section outlines specific concerns about, and ideas to overcome, barriers to growth voiced by the business consultation.

### **Advanced Manufacture:**

- It was stated that 'the government and the [former] DTI do not seem to know enough about SME manufacturing businesses to bring in new revenue into the South East' and recommended that 'the EU would be better to invest in capability and skills funding and development rather than actual business development, given that skills and education is of importance to the area in increasing efficiency and keeping the knowledge economy strong'. Universities could help with this by encouraging businesses to sponsor students. PUSH could initiate this for the area by bringing a body together to represent the idea and present the facts and figures to the government to try and gain more support for capability and skills development, once they know how valuable this would be to the growth of SMEs and how important SMEs are to the area and national economy.
- Skills development and skills shortages are key barriers to growth within the PUSH area. However, training and developing staff within industry is quite difficult due to the high levels of time and cost involved. Support to overcome this barrier would be useful and productive for business growth.
- New tooling, materials and skills represent the most significant challenges for the area, in terms of responding to big company needs efficiently and effectively. The South East is well placed at the moment but it will need to gain in skill as the Advanced Manufacture sector moves forward.

### **Business Services:**

- SMEs in the area find it difficult to tender for larger public sector contracts. It is felt by SMEs that the public sector tend to procure from large multi-national firms, like IBM, rather than smaller local firms, because the former are known to be 'safe'. However, SMEs that are less well known feel they could probably offer a higher quality, more bespoke service which could be cheaper and more reliable. It was felt by certain businesses that the public sector 'does not practise what it preaches' in terms of encouraging local procurement and supply chain development. Making the tender process more accessible would make it easier for local businesses to submit bids. Smaller companies currently do not have the time or manpower to do this or the drive to join up with another company to try and compete with the multi-nationals. It was felt that the public sector should be a lot more open and encouraging to supporting local supply chains, in the form of better tender feedback information. This raises another issue that the public sector does not want to put effort into accommodating this if the private sector will not be flexible too. A solution needs to be reached where both the public and private sectors show a willingness to change.
- Local companies, especially SMEs, do not fully exploit the business support opportunities available to them due to a lack of awareness and knowledge about the benefits they can provide. SMEs are often reluctant to give up time and money to learn how to better manage and develop their business. More business-to-business support, such as Business Southampton<sup>7</sup>, and inter-business development needs to occur in an attempt to overcome this reluctance. Public sector business support may not be as well received as an abundance of this already exists and is not being utilised fully.
- It was stated that 'it would be good if Business Link could set up a web portal supporting a whole spectrum of information that was free and easy to access to SMEs. A more comprehensive local version of this did exist before Business Link went national'. This local version was very useful and gave easy access to advice on issues from employment law to basic marketing and advertising skills.

---

<sup>7</sup> <http://www.businesssouthampton.com/site/in/home>

- For historical reasons, there are many solicitors based in Southampton, and thanks to a good concentration of Business Services in the city, it has attracted even more. Being close to London is also a factor. This could be capitalised on and promoted to create a known micro-cluster of solicitors in the area.

#### **Creative:**

- Funding is hard to attain as it is hard to ascertain what is available. There is no central directory stating what type of business can access what funding and for what purpose. It was suggested that it would be useful if someone like the Chamber compiled a portal holding this information; this would have the dual benefit of aiding small businesses and promoting the Chamber.
- It was felt that Southampton does not have much confidence in its arts. It has a lot of cultural production and hosting venues covering a very wide array of arts, but no reputation for being creative, as opposed to somewhere like Brighton which has enormous reputation and confidence but actually produces very little. The city needs to be inspired to flaunt its cultural heritage and needs assistance to develop better place branding, showing off the huge amount it has to offer. Businesses working together or a forum specifically established to promote the city's arts, alongside a place branding scheme, could be a good start. The main competition for Creative industries comes from other leisure activities, such as eating out or watching television. It can be difficult to attract custom as people either have money but no time or time but no money.
- It is felt that a lot more joining up and partnership working is needed between creative SMEs and not-for-profit organisations. There is a local, regional and national need to try a more business-focused approach in the Creative industries.
- More R&D is sought in order to provide organised and continuous funding. Intimate and personal marketing is needed to retain audiences, such as word of mouth or social network promotion rather than direct mail type approaches.

### **Summary 10**

The key messages expressed in the interviews include:

- More business-to-business support is needed.
- National and international funding sources need to be directed at capability and skills development rather than business development.
- Skills shortage is a key barrier to growth.
- SMEs and the public sector need to work better together to develop more accessible tenders and structured feedback.
- Knowledge of what funding is available and for whom is low.
- The South East needs to up skill to stay ahead in Advanced Manufacture.
- More confidence is needed within the Creative sector.
- The amount of Business Services in Southampton could be better capitalised on to further develop the industry.

## **7.5 Discussion on links across the supply chain**

Each industrial sector has a very different supply chain with different strengths, weaknesses, needs and barriers to overcome. These will be discussed in the following section.

**Advanced Manufacture:** generally tries to use local supply chains where possible, but sometimes the resources are not available locally, or are cheaper to source from elsewhere (Eastern Europe/Asia Pacific). The aspect that should be capitalised on is the companies' willingness to use local suppliers and develop local contacts, and it should also be ensured that the high tech supplies that already come from within the PUSH area (e.g. electronics, some



composite materials) continue to push innovation boundaries and keep up to date with what the larger companies in the area may be wanting, for example Solent Synergy trying to match the large companies to smaller ones.

**Business Services:** currently notes strong links with other business services, public sector and consumer industries in the area as well as inconsistent use of local office supplies. These local connections need to be capitalised on to promote a clustering effect and try to attain wider recognition for being a service industry centre. The use of office supplies could be further developed through trying to introduce and promote the two different sectors to one another.

**Creative:** there is a drive for local sector and supply chain development in the Creative industries; however, this has not been realised due to the current lack of an organisation with the correct functions to realise the true functions of the local supply chain. There are ambitious, innovative people already working in the area who would be well positioned to take part in research and implementation of a central creative hub, for example Daniel Crow at ASpace. Given that local and city councils, through the SNAC development (Cultural Development in Southampton case study), are also encouraging partnership working in Creative industries, this illustrates that creative supply chain development has already been set in motion and now its potential needs to be realised.

### Summary 11

Advanced Manufacture tries to use the local supply chain when possible, but there is growing competition from the Far East.

Business Services' use of the local supply chain is inconsistent.

The Creative sector needs to realise the potential of its supply chain.

## 7.6 Business Growth

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Located in the South East economy</li> <li>• Relatively cheap for the South East</li> <li>• Attractive physical environment</li> <li>• Strong, sector specific, networks</li> <li>• Small natural clustering starting to occur in Advanced Manufacture and Business Services</li> <li>• A lot of investment occurring in the Creative sector</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Relatively expensive area compared to rest of UK</li> <li>• Low availability of highly skilled staff</li> <li>• Lack of awareness of all the forms of business support currently available</li> <li>• Lack of confidence in Creative sector partnerships, especially in working with other business sectors</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Business support portal</li> <li>• Continual development of links with R&amp;D</li> <li>• Industries guiding education courses within PUSH</li> <li>• Capitalising on quality of life/natural environment to attract staff</li> <li>• Improving cross-sector collaboration through widening awareness of different businesses willing to try and develop something new</li> <li>• Develop confidence in the Creative sector to encourage more partnership working and realise aspirations for growth</li> <li>• Promote local procurement and simplify the process</li> <li>• Ensure public sector leads by example in supporting the local supply chain</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Development of overseas Advanced Manufacture skills</li> <li>• Advanced Manufacture firms not using local supply chain due to cost issues</li> <li>• Lack of availability of staff needed to push knowledge economy forward</li> <li>• Potential reduced arts funding in the comprehensive spending</li> <li>• Focus on Olympics reducing funding sources</li> <li>• Training courses not being developed in line with the needs of the area</li> </ul>

## 7.7 Identification of issues for PUSH in supporting growth sectors

The following section will analyse the outcome of all of the consultation and desk research and identify key issues to support increased business networking and growth sectors.

### 7.7.1 Developing relationships

In order to attain growth, businesses must be outward looking in terms of being open to new ideas, working with a variety of different people and having a keen interest in how to advance within their sector. The majority of businesses demonstrated this outward looking profile, which is necessary for engagement with research, development and education institutions and business growth. This builds a positive foundation for successful integration and development of the local economy. **Advanced Manufacture** and **Creative** sectors illustrated a stronger potential for growth in their attitudes towards R&D and business development, working more with external partners and other companies when needed to fully exploit potential development prospects. This is a powerful tool for regional economic growth and development as it is a first step towards building successful sector consortia.

Furthermore, the undertaking of external activity illustrates that the scope for the growth of sector development is heightened due to the inherent positive attitude in the PUSH area economy. This can be capitalised on to attain the desired outcomes from the PUSH initiatives.

**Business Services** demonstrated less initiative to develop partnerships to try to expand their sector. There was however a large amount of pride and confidence in businesses. This could be capitalised on by promoting the notion that if businesses do work together, the local industry has stronger potential to grow, thus inspiring even more development and pride.

### Summary 12

Advanced Manufacture and Creative sectors illustrate strong potential for business growth and relationship development in their open attitudes towards partnership working.

Business Services is more reluctant to developing relationships and partnership working.

### 7.7.2 Sector linkages

Within the **Advanced Manufacture** sector, there are attempts to use the local supply chain when the resources or buyers are available. However, an issue of increasing importance is the rising cost of materials manufactured in the UK relative to that manufactured elsewhere, as well as the increased global dispersion of the industry, in particular the growing concentration of strengths on the West coast of America. These issues put increasing pressure on the local supply chain to develop advanced materials and components more quickly and efficiently, whilst simultaneously increasing pressure to attract and retain globally competitive companies. This is an issue SEEDA are attempting to address through new funding schemes aimed at supporting research and development within large multi-national companies. The schemes provide a resource that organisations like Qinetiq could tap into in expanding research and development into new products and markets, with the aim of maintaining global HQs in the area. PUSH will need to work alongside existing initiatives and knowledge such as this in order to successfully address local supply chain issues.

**Business Services** generally work well within the local supply chain and prefer to keep a firm base in the area, using and supplying the wider local economy. The workforce is the largest supplier and the one which is most difficult to attain locally. This reinforces the notion of the sector being based on the knowledge economy, and only development of that knowledge will develop the industry. This is an important topic which is further discussed in the skills analysis section. However, it is important to note that Business Services firms generally try to recruit locally, as it shows investment and commitment to the local economy, which is essential for growth to occur. The majority of the businesses interviewed recognised that Southampton and Portsmouth are viewed as two separate but equally important venues; Southampton is developing a reputation for strength in Business Services, whereas Portsmouth is not. However, businesses also recognised the importance of retaining a Portsmouth base to maintain a local presence in the business and continue to develop its regional presence. This shows an important interest in support and development of the local economy.

As the new **Creative** centre, SNAC, in Southampton opens, confidence and productivity of this sector should grow, attracting more skilled individuals to an area that is currently one of the key externally sourced supplies (generally London or the wider South East). Attracting more highly and/or uniquely skilled staff into the area is a focal point which the Partnership could concentrate efforts on, in terms of sector growth through developing a place-making strategy. This would correspond with the South East RES plans to invest in the promotion of cultural heritage, local projects and assets that develop tourism in the South East. The breadth and depth of creative production coming out of the PUSH area, in particular Southampton, would be promoted and increase its profile in wider arts communities, in turn attracting the extra staff needed to make fuller use of a local supply chain. Furthermore, the arts centre development in Southampton

would increase the city's prospects of becoming the region's economic driver and a leading retail centre, as anticipated by the Southampton 2026 Vision.

### Summary 13

SEEDA are attempting to address local supply chain development issues within the **Advanced Manufacture** sector through new funding schemes aimed at supporting research and development. These issues are putting increased pressure on the local supply chain to develop advanced materials and components more quickly and efficiently, whilst simultaneously increasing pressure to attract and retain globally competitive companies.

Recruiting people with the correct skills and establishing firm bases in Southampton and Portsmouth are the two fundamental issues for **Business Services**.

The **Creative** sector is developing and starting to implement comprehensive sector development, and is also cultivating good sector linkages that fit in with the wider regional strategies. More confidence is needed to get attract the smaller businesses.

### 7.7.3 Competition

All three sectors consider themselves strong and are confident that any growth initiatives suggested would have the support of the business community. That businesses want to compete and be the best further illustrates the existence of the necessary traits for regional economic growth. Many Business Services companies indicated that they are keen to stay independent of national and multi-national firms, and stressed the importance of having a base in Southampton; this embeds a positive business image of the area. It also aids the Southampton 2026 Vision goal of developing enterprise, innovation and good business support. As the vast majority of businesses had business growth plans, the challenge will not be inspiring growth but understanding and supporting more formalised and collective aspirations. As voiced by the supporting organisations, cross-sector collaboration to improve the competitive strengths of the area is limited. The benefits of such collaborations need to be realised and promoted within more formalised growth strategies. This could entail probing deeper into the needs and long-term aspirations of companies in order to formalise a directed support service. A less splintered, more centralised support portal could be developed where all the support organisations could work together to illustrate public sector led growth. However, in order to be successful, this would have to be completed with a very professional and private sector attitude.

The average expected timescale for business growth is 3-5 years, which fits in well with PUSH growth plans.

### Summary 14

In order to become more competitive, the challenge for each sector will not be inspiring growth but understanding and supporting more formalised and collective aspirations.

### 7.7.4 Factor Conditions

The perceived drivers of growth (good local contacts and networks, proximity to research institutions) need to be capitalised upon in the development of growth initiatives. The strength of

good networks and solid R&D capabilities can act as a catalyst for new growth ideas and strategies. These strengths will tie in with the South East RES ambitions to improve links between universities and businesses, and could be further utilised through Enterprise First.

Excellent local labour force skills and education are fundamental to staying ahead of competition and developing the area. As the South East RES states, the knowledge economy must be exploited in order to advance the area. It is agreed by businesses and supporting organisations that there is a skills shortage in the area and this has been identified as one of the largest barriers to business growth. There is in fact a good pool of resources (3 Universities, organisations and investment to develop relationships between innovation, R&D and industry) within the PUSH area to address this barrier. However, the promotion and knowledge of these resources could be improved. There is a fear within many SMEs about the time and financial cost of using business support or applying for funding resources. This needs to be addressed in order to develop confidence in skills development within SMEs, as they are integral to the evolution of the local knowledge and business economy. Businesses need to liaise more closely with universities to develop courses that will better equip local graduates with the necessary skills to stay and work in the area, thus profiting from the relative abundance of support services and solving the shortage of people with the correct skills to push the economy forward. The development of an accessible, central web portal listing the support services available with the PUSH area would be a useful tool for businesses to better utilise existing business support.

Access to and availability of funding did not arise as generic issues, but when examining sectors and sizes of companies further, the smaller companies and specifically Creative industries viewed this as a major issue. This is recognised by the large funders in the area (SEEDA, City Council, Arts Council) and steps are being taken to try to make funding more easily accessible and widely available. RES plans for investment in skills development, innovation, creativity and R&D in the Coastal South East and schemes such as SEEDA's commitment to making funding schemes more user friendly to SMEs (shorter time commitments, providing a directory for research based projects) should improve funding problems. However, in order to attain sustainable development, further resources could be directed into simplifying, improving access to and furthering knowledge of funding possibilities.

When looking further into lifestyle issues regarding reasons for being located in the area, some of the more interesting issues, such as the strong history of manufacturing and laterally advanced manufacture in the area and parts of the area developing a reputation of being a business service hub, could be capitalised on in the promotion of the area to potential new businesses.

There is an apparent contradiction in the outcome that business support was easy to access but a centralised business support portal would be useful to encourage business growth. This leads to the conclusion that specific support such as PR, marketing and regular financial support (i.e. bank loans) is easily accessible, but the more innovative support which may inspire growth (innovation and enterprise initiatives, business-to-business development and working more with universities) is much less well known about and therefore not accessed as much, thus creating problems. As a result, the provision of a centralised resource raising awareness of innovative support is a positive idea to support growth.

Employment land was an issue raised by the supporting organisations, driving larger companies from the area and specifically Portsmouth; however, this concern was not raised in the business consultation. The contradiction here has two possible reasons – either that the supporting organisations view this as a larger problem than the businesses do, or that the scope of the business consultation did not uncover this issue. The latter could be due to the specific large companies interviewed not viewing employment land as a problem or seeing moving within the area to a specifically designed site as being the solution. Further exploration of this issue will be needed to assess the extent of the problem and how well supporting organisations, specifically inward investment in SEEDA, are managing it.

Further research and analysis into the issue raised in the desk research of the potential decline of the Marine industry illustrates that although traditional marine manufacturing, and related industries, are not likely to grow, this should not affect the development of the Advanced Manufacture sector, even though a lot of its focus is Marine based. Advanced Manufacture is in fact the strongest sector in the PUSH area and has good potential for growth due to the innovative mind set of business leaders and up-to-date links with R&D. It has also since been revealed in a SEEDA Board Meeting (2007) that the Portsmouth naval base is no longer under threat of closure, further reducing the threat of Marine decline. The dominant competition to the sector is now the rise of Advanced Manufacture in Eastern Europe and the Asia Pacific region. However, the high levels of R&D being invested into developing new Advanced Manufacture technologies, skills and training, along with expansion into new markets of PUSH-based firms, illustrate the sector's ambitions, in keeping with those of the region, to advance the knowledge economy and thus remain ahead of the competition. In order to sustain this competitive edge, there must be continual development of links with education to ensure students are taught the correct skills to gain employment in the PUSH area; this will address current recruitment problems and provide a firm basis for future progress.

## 7.8 Case Studies

### 7.8.1 Advanced Manufacture

The area supports exemplar companies who operate on a global scale but want to give back as much as they can to the local supply chain.

**Snell and Wilcox** stated that it highly value students and universities working with their company; they sponsor students at schools and universities to learn about the company and the Advanced Manufacture industry. They think that the best way universities can help local economy and small business growth is by developing links with local SMEs and encouraging the sponsorship of students. This is mutually beneficial, enabling students to get inspiration and motivation and thereby providing good recruits. It also gives an added attraction to the universities as they can offer links to industry. As a company, this business always undertakes R&D with local universities, private research institutions and EU networks to develop the company.

Their main customers tend to be large global companies such as the BBC, SKY and Disney.

Suppliers are mainly semi-conductors, electronics, hardware and software. They try and use local suppliers for all these products, but more and more often they have to go to the Far East for parts due to cost and lack of local availability. Collaborators are parts makers like printed circuit board producers; again they try to use local companies but more often not they are too expensive.

This business rates itself themselves as very competitive (9) due to their good branding and marketing, keeping up to date or ahead of technology changes, efficiency and uniqueness of certain aspects of the business, for example the buildings they work in (regenerated mills or purpose-built attractive work spaces to draw in the top staff in world). However, it is recognised that they can always learn form competitors, specifically in developing more efficient working patters, as running more efficiently is the only way South East based Advanced Manufacturers will profit. Working together to be a strong, unified industry rather than competing SMEs would be beneficial – 'there is a British disease of not collaborating much'. The gathering of SMEs in the area or in the South East, developing a stronger network and local supply chain would also be positive, but this is difficult to effect because SMEs are often time and money poor. However, if this was pitched correctly with more partnership working and forum development, it would be greatly benefit the local sector economy.

Post production in Soho, London was given as an example where many SMEs were based doing similar work. On their own they had little or no impact, but it was discovered that together over 24,000 companies with over £1billion turnover existed. This made the government recognise the strength of the industry, which now has the ability to obtain funding schemes and small business regulation changes.

Issues:

- There is a need to bring SMEs together. More could be done to achieve this, which would strengthen this company as well as the sector as a whole.
- [Former] DTI funding could have been a hindrance to the establishment of similar innovative businesses in the past. When Snell and Wilcox first gained their funding the DTI invested in them due to their ideas, innovative and strong potential for business development. They did not however, need a very detailed breakdown of the figures involved in how projects would precisely make what money and when. This more detailed approach to awarding funding was latterly taken by the DTI and could have presented difficult obstacles for individuals or small companies with innovative ideas to take off. It was voiced that the development of good graduates with the right skills and capabilities for growing industries in the area would naturally develop business abilities from the bottom up. Funding streams would therefore be well advised to be aimed at developing locally important capability and skills as they will increase efficiency and keep the economy strong. This suggested change in the awarding of funding is hoped to develop naturally now, as the role of the former DTI has changed its focus with the establishment of the Department for Business Enterprise and Regulatory Reform.
- There is a lack of government and DTI knowledge and recognition of SME manufacturing businesses, in particular regarding the revenue they bring in. A body of evidence could be brought together to present the facts and figures for the PUSH area to the government, illustrating the value of SMEs to the national economy and thereby trying to gain more support.

**QinetiQ** have a policy of working with selected universities (not just in the PUSH area) to understand and access the most up to date research in their field. However, they feel that it is not always easy to engage with the universities, as issues such as ownership of IP can arise. Connections with Southampton University are on a technical-to-technical basis, as the benefits for industry to be closely linked to the university and vice versa are recognised for R&D purposes. The links are increasingly business driven, focusing on developing into new markets.

The major suppliers for QinetiQ in aerospace and defence are materials and composites businesses. They try to source from within the region but this depends on capability and availability. The supply base in these industries was traditionally metals, but this is increasingly moving to composite materials. The South East supply chain has to respond to these changing needs – working with new material requires new tooling, new materials and new skills – and this could potentially represent a challenge to the local supply chain. The industry is currently well placed, but will have to up skill and develop as the sector moves forward.

**VT Group** also wants to use the local supply chain wherever possible, but a big barrier is the lack of electrical, mechanical and welding skills in the area. However, they worked with Portsmouth City Council during 2005 to stage a 'Meet the Naval Base' event to try and introduce potential local suppliers to VT Group. VT has imported some labour from Poland as skills shortage is one of the biggest barriers to business growth. They are addressing this issue by training apprentices and university graduates, but this takes time and there is an immediate need for skilled workers.

### 7.8.2 Cultural Development in Southampton

Southampton is the base for a significant amount of cultural production and hosting venues covering a very wide array of arts, but little reputation for being creative, as opposed to somewhere like Brighton which has enormous reputation and confidence but actually produces very little. The city needs to be inspired to flaunt its cultural heritage and needs assistance to develop better place branding, showing off the huge amount it has to offer. Businesses working together or a forum specifically established to promote the city's arts, alongside a place branding scheme, could be a good start. Businesses working together or a forum specifically established to promote the city's arts, alongside a place branding scheme, could be a good start. The main competition for Creative industries comes from other leisure activities, such as eating out or watching television. It can be difficult to attract custom as people either have money but no time or time but no money. Developing business and public relationships could create a feeling of belonging amongst audiences, who need intimate, personal marketing to be attracted. Place branding and developing confidence in cultural strengths could also start to overcome this. The SNAC project should also help inspire growth, but the correct market development needs to take place leading up to the opening of SNAC to ensure an immediate positive image is projected (From interview with the **Nuffield Theatre**).

#### **SNAC– Southampton New Arts Complex**

This is a £13.1 million arts complex being developed in Southampton City Centre, funded predominantly by Southampton City Council, the Arts Council and Southampton New Arts Partnership, and is due to open in late 2011. It will provide a space where all parts of business (office, studios, workshops, performances) can come together and work from a purpose-built new complex. There are four key arts development partners in SNAC:

- **The Performing Arts Organisation**
- **City Eye**
- **Art Asia**
- **The John Hansard gallery**

**ART ASIA** feels moving to the SNAC complex will enable the organisation to run workshops and classes simultaneously, enabling much smoother running and a larger capacity. With the expansion into the new premises in the centre, Art Asia will take on new staff and enable the development of more shows, events and classes, raising more funds to expand the organisation.

The Director of the **JOHN HANSARD GALLERY** is leading the development of a city plan for a regeneration-led cultural revolution, and the gallery will relocate to have a key presence in the new town centre complex. With this move, the customer base is expected to change and grow. The gallery will expand in terms of facilities (both for visitors and artists) and staff, and gallery space will more than double.

**The NUFFIELD THEATRE** is also moving into the new complex, and hopes that this will increase footfall. Audience development will occur in the years leading up to the move to develop its market share and try to widen its appeal.

The **Southampton Community Strategy** indicated that a lack of business support, studio space and exhibition facilities in Southampton was having the effect of stifling the development of the creative economy in the city. **The Arches** project starts to address this issue through making use of spaces which were previously vacant. These much needed studio spaces work in conjunction with a package of other measures to help stimulate and harness creative potential in the city. The Arches have been developed for emerging creative talent in Southampton, with professional support provided by the arts organisation ASpace and a business mentor to directly enhance their careers. One barrier is that all arts organisations are looking to attain grants from the same sources; this creates some rivalry. However, it was felt that by and large, companies work well together to try and develop the Creative sector in Southampton.

A wide variety of research is undertaken by arts organisations in Southampton to develop the sector, for example:



- **ART ASIA** have done a combination of desk top research and audience profiling to assess who is likely to attend events and thus develop targeted marketing strategies.
- **TURNER SIMS CONCERT HALL** undertakes audience development, and has worked with Arts Marketing Hampshire (AMH) on a local level (however, it must be noted that AMH is one of the organisations regularly funded by the Arts Council to work with Audience Development South East (ADSE)) to target and segment audiences for marketing purposes. It also tries to work with non-arts sectors (gardens, zoo, tourist destinations, Royal Geographical Society, world music) and retail (HMV, Virgin, touring artists who will perform in the concert hall) to promote events and raise general awareness of what the Turner Sims has to offer.

It is acknowledged that arts organisations need to try and approach sector development with more of a business perspective and work together more with other organisations in the area. This illustrates the desire that already exists to develop the sector, but confidence need to be created and organisations brought together in order to realise these desires for a more commercially productive industry.

When looking at the creative sector in more detail, and specifically at what might be traditionally defined as the Creative sector (see Table 15), there are existing and emerging strengths that can be built on:

- **Southampton:** SNAC– Southampton New Arts Complex
- **Portsmouth University:** Good interaction with Creative business development. The CIBAS project is particularly active at present in supporting Creative business development to turn enterprising Creative graduates' ideas into commercial ventures. The Portsmouth area is also strong in supporting visual arts and media. This has been particularly evident in the movement of the Aspex Gallery to Gunwharf Quays in December 2006<sup>8</sup>, developing its profile and asserting the importance of the arts in Portsmouth.
- **Eastleigh:** The development of the Creation Centre<sup>9</sup> at The Point arts venue and presence of the National Youth Choreographic centre in Eastleigh will raise the profile of the arts and improve the facilities on offer, thus supporting the development of creative talent within PUSH.
- **Winchester:** Although not all of Winchester is situated within the PUSH area, it still has a significant influence on the area and its resources, which could be tapped into to encourage the development of creative commercial enterprises. It has developed a networking culture within the Creative industries, known as 'café culture'<sup>10</sup>, which supports the building of networks and commercial ventures for Creative professionals. It also has links with the enterprise centre at Winchester University, which holds events and provides support to encourage arts graduates to be more business savvy. Winchester Council is also doing some work to support literary development, drawing on the town's rich English literature history.

There is a strong selection of local Creative initiatives within the PUSH area that support the decision to label Creative and Media as a growth sector. Dance, Visual Arts and Performance Arts are currently being invested in, along with high profile buildings such as Aspex on Gunwharf Quays and the SNAC complex.

Advice from Creative experts in the supporting organisation interviews suggested that money could be well invested in creating good Creative-specific business incubation units to help foster the abundance of talent in the area and develop it into commercial ventures. Whilst this is to a degree occurring with the Southampton based SNAC project and ASpace work, the conditions in

<sup>8</sup> <http://www.aspex.org.uk/about.htm>

<sup>9</sup> <http://www.eastleigharts.co.uk/pdf/Arteryweb.pdf> p.6

<sup>10</sup> <http://www.winchester.ac.uk/?page=7899>

which the artists have to work are considered poor and the demand for these spaces still outweighs the supply.

For some of the currently successful Creative projects such as CIBAS, funding will disappear with the removal of AIF funds. This is likely to have a serious impact on the level of commercial Creative ventures that can develop in Portsmouth. Consideration of exit strategies needs to be better organised, and it would be useful to identify potential sources of replacement funds due to the relative success of these initiatives. Funding for Creative industries is often too short term to notice viable differences being made.

### Summary 15

- The PUSH area drivers of growth (good local contacts and networks, proximity to research institutions) coincide with the ambitions of the SE RES, and should therefore be focuses for growth initiatives. The South Hampshire Enterprise Agency could help with this.
- Developing the local labour force skills is critical.
- Awareness of and access to funding should be improved alongside existing SEEDA and City Council development plans.
- Business Support could be more centralised.
- Further exploration of contradictory views about employment land is needed.
- The Advanced Manufacture supply chain needs to evolve in conjunction with the large Advanced Manufacture companies' developments into new geographical markets and market places.

## 8. What are Clusters?

The early chapters of this report have focused on reporting information from existing sources. It is a key point that some of these sources focus on sectors and others on clusters. These terms have not, and should not, been used interchangeably. Rather, the appropriate term should be used to describe the entity that they relate to. The term 'sector' should be used when assessing a single industry – for example, manufacturing. The term 'cluster' should be used when assessing a group of related businesses that respond to a particular market (e.g. aerospace) to include the related activities that support it and form part of a supply chain which has aerospace at its core (e.g. all the inputs, specialist support and routes to market). In other words, a cluster can include activities which fall outside of the core sector, i.e. services, finance, retail, wholesale, etc.

An assessment of any creative cluster (e.g. electronic games) should therefore look at the range of core activities (e.g. multimedia, graphics, games, animation) but also the range of other important activities that refine, deliver or disseminate the finish product (e.g. games publishing and distribution, retail, software and hardware, education, specialist finance or consultancy, trade organisations and supporting bodies).

Cluster analysis is much more involved than sector analysis and more difficult because many of the specialist activities that contribute to clusters are not easily isolated and therefore analysed using the SIC system.

It is very firmly the view of the research team that the term cluster should only be applied when an assessment of the supply chain and supporting activities around core sectors has been made. The terms should not be used simply to supplant the word 'sector' and should not simply be applied to concentrations of businesses that happen to be located in a similar place. There has to be a greater level of cohesiveness than simply that, for those businesses to be considered an economic cluster.

This report draws conclusions later about the extent to which there is evidence to suggest that we should consider some of the growth sectors as clusters, or not. There are implications for the way in which economic strengths and weaknesses are assessed as well for the justification for and nature of support that might be provided to sectors or clusters.

Section 8.1 of the report examines some examples of good cluster development.

### 8.1 Discussion of cluster assessment models

This paragraph will set out the basis of assessment of the existence of clusters and sectors, the measures one must analyse, the evidence one must gather and the conclusions one must try and draw (or questions that must be answered).

Firstly, what are clusters? According to Michael Porter (1998) they are;

"Geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example universities, standards agencies, and trade associations) in particular fields that compete but also co-operate."

The concept of clusters therefore differs considerably from that of sectors, which are just groups of businesses which apply the same processes (e.g. manufacturing) and the same type of products (e.g. vehicles). Sector analysis ignores the important interconnections across businesses and other organisations that characterise clusters.

Assessing clusters therefore requires a different approach compared to understanding sectors. For sectors, one can take a straightforward view of how a local economy is structured by

industry. The Annual Business Inquiry is an easily accessible source of government statistics on the breakdown of firms, employment, gross value added and other measures by SIC. The SIC system aggregates to form a hierarchy of sectors, such as agriculture, construction, manufacturing etc. Government data is published to 4-digit SIC level which allows to user to understand, for example, which areas of construction activity contribute the most employment (e.g. house building).

To assess clusters, however, one must take a particular analytical approach that focuses on measuring the concentration of related businesses, rather than simply the existence of them, and also seeks to understand the linkages that flow through and across the clusters.

The key UK cluster literature is helpful in indicating a framework against which clusters can be assessed. For example, the DTI's first investigation of UK clusters<sup>11</sup> uses a methodology which is robust and replicable (but can also be added to, as we suggest later in this section). The following extract from that report indicates the nature and rationale for the framework;

"Clusters can vary considerably in spatial extent. Some may be highly localised within a small geographical radius, while others may be spatially quite extensive and more diffuse, perhaps extending over quite a large regional area. In the UK context, compare for example the so-called 'Motor Sport' cluster which stretches from around Birmingham, southwards to Oxford, and thence to the M4, with say, the Stoke on Trent ceramics cluster, which is largely contained within an area of only a few miles radius. Or, internationally, compare the large geographical extent of Silicon Valley in California, USA, with the highly localised high-tech cluster in Cambridge, UK.

The important point is that it is not possible to devise a hard-and-fast, definitive typology, a priori. Indeed, it can be argued that any attempt to construct a cluster typology should emerge from, rather than be imposed on, empirical investigation. In the research reported here an attempt is made to classify clusters in terms of a simple four-way classification:

- stage of development,
- depth,
- employment dynamic, and
- significance.

**Stage of development:** the possibilities are 'embryonic', 'established' and 'mature'. The intention here is to suggest the possibility of growth coincident with the notion of 'life cycle'. An embryonic cluster can be assumed to be at the early stage and therefore with obvious growth potential. An established cluster will have room for further growth and finally, a mature cluster will find further growth difficult.

**Cluster depth:** the possibilities here are 'deep', 'shallow' and 'unknown'. Cluster depth is a key variable in the assessment of cluster strength. A deep cluster will have a comparatively large number of industrial linkages and/or where possible others that have been identified. In some cases, the depth of the cluster has been difficult to estimate.

**Cluster employment dynamics** is based on job growth and the possibilities are 'growing', 'declining' or 'stable'. Where the dynamic is plus or minus 10 per cent, the cluster is classified as 'stable'.

**Significance:** here the intention is to suggest the geographic significance of the cluster – regional, national or international. The classification is based on regional discussion and analysis of globally competitive industries."

The report suggests that *comparative scale* (i.e. the size of a cluster in relation to the relevant sector(s) nationally); and *significance* (i.e. the size of the cluster in relation to the regional/local

<sup>11</sup> Business Clusters in the UK – A First Assessment , Trends Business Research et al for DTI (2001)

economy in which it is located) are important and therefore we suggest that they should be included in any cluster assessment framework.

Note that there is a potential confusion between the two uses of the word 'significance' in the characteristics explained above. Later we substitute the terms 'significance' in the first characteristic for 'geographic reach' in our analysis in section 10 below. The second use of the word 'significance' (to mean the size of the cluster in relation to the regional/local economy in which it is located) is maintained. An additional category – local – has also been added.

Note also that the definitions applied to the employment dynamics category are adjusted for the purposes of this report. 'Growth' is defined as 5% or higher, 'stable' as plus or minus 5% and anything below -5% is defined as 'decline'.

The last element of cluster assessment that we would propose drawing from the DTI report is that of cluster 'thickness' – i.e. the extent of institutional involvement with clusters. In other words, this measure assesses the extent to which supporting organisations and institutions (including universities) exist, relate to and interact with the core cluster businesses.

In addition, the DTI's Practical Guide to Cluster Development endorses a number of methods that can be applied when considering the existence and development of clusters, and these include the cluster lifecycle model that overlaps with the 'Stage of Development' assessment discussed above.

Therefore, the cluster assessment model that we propose uses the following categories;

- Stage of development
- Cluster Depth
- Cluster employment dynamics
- Geographic Significance
- Comparative Scale
- Significance
- Thickness

Table 22 below summarises each of the classifications used within each assessment category.

**Table 22: Cluster Assessment – Categories and Classifications**

Stage of Development	Depth	Employment Dynamics	Geographic Reach	Comparative Scale	Significance	Thickness
Embryonic	Unknown	Growing	Local	Low	Low	Thin
Established	Shallow	Stable	Regional	Medium	Medium	Medium
Mature	Deep	Declining	National	High	High	Thick
			Global			

Source: TBR 2007

This framework is used in Section 10 to make our assessment of the three growth sectors that were subject to more detailed study. Whilst this study has focused on sectors rather than clusters, this assessment framework is still useful because it leads to conclusions about the justification for support and the types of projects that might be deployed.

## 8.2 Best Practice Cluster Development

Having discussed a framework for assessing the existence of clusters, the remainder of this section dwells on approaches to cluster development.

Clustering on its own is not a solution to economic development problems, it is however a powerful tool for regional economic growth and development. From a national perspective,

clusters are seen as an effective way of promoting national economic competitiveness across the UK through regional or local specialisation (DTI, 1998). From a regional or local perspective, clusters are viewed more generally as a process for stimulating regional/local economic development (Brown, 2000).

NGA (2002) argue that the advantages of clustering can be separated into 'hard' benefits and 'soft' benefits. Hard benefits are gained from more efficient business transactions, wiser investments and reduced expenditures that produce profits and jobs. Soft benefits are derived from the learning, benchmarking and sharing that expands knowledge and leads to innovation, imitation and improvement.

### 8.2.1 Cluster Policies

Launching cluster policies requires that the basis for intervention is clear; objectives must be defined from the start and stuck to. If the policy or any aspect of the cluster development is to be changed the decision needs to involve all bodies concerned, including a steering group or Cluster Action Team (CAT). In order to be successful policies must be based on an expectation of added value; the outcomes generated must be superior to any alternative avenues, including spontaneous market evolution (Andersson et al., 2004). The growth of the most successful clusters has been driven by market demand and entrepreneurial spirit; there are a number of ways in which these can be upheld (discussed in Case Study boxes below, for example).

Developing the correct organisational structure within a cluster strategy is an important aspect contributing to its success. Selecting the most suitable policy options depends on many factors, including; the cluster's stage of development, budget circumstances, cluster priorities, and market imperfections and preferences. In considering the diversity of interventions available to policymakers, four categories can be identified to organise policy options, which are summarised in Table 23 and discussed below.

**Table 23: Policy options to develop enterprise through clustering**

<p><b>Organise service delivery around clusters</b></p> <ul style="list-style-type: none"> <li>• Aggregate, collect, and sort information by cluster</li> <li>• Form cross-agency quick-response teams</li> <li>• Encourage and support multi-firm activity</li> <li>• Build incentives for multi-firm applications to funding programs</li> </ul>	<p><b>Strengthen networking and build bridges</b></p> <ul style="list-style-type: none"> <li>• Establish or recognise cluster organisations and alliances</li> <li>• Facilitate external linkages</li> <li>• Encourage cluster communications channels</li> </ul>
<p><b>Target investments to clusters</b></p> <ul style="list-style-type: none"> <li>• Invest in cluster R&amp;D and innovation</li> <li>• Invest in cluster technology centres or parks</li> <li>• Support cluster entrepreneurial activity</li> <li>• Market clusters and build cluster markets</li> </ul>	<p><b>Develop human resources for clusters</b></p> <ul style="list-style-type: none"> <li>• Develop a skilled and specialised labour force</li> <li>• Engage community-based employment intermediaries</li> <li>• Qualify people for cluster employment</li> <li>• Establish cluster skills centres</li> <li>• Support regional skill alliances</li> </ul>

Source: NGA (2002)

In order to establish the correct environment for cluster activities to take place, a key initial movement is to capitalise on existing industry strengths and treat relationships already developed with care, thus developing a strong platform on which to build any formal programmes. Through cluster policy evolution, a plethora of models has been developed to provide a more prescriptive definition of clusters and their attributes. One approach is to differentiate clusters on the basis of the rates and flow of information, innovation and capital amongst member organisations (Enright, 2000). Once the core strengths are identified, any cluster 'managers' have a good basis for further development.

Another approach could be to capitalise on an areas' strengths and needs. Clusters may centre on different core activities and parts of the value chain, such as enterprise, research and development, marketing and sales. This can help to keep a strong sense of purpose and direction

for the cluster in order that everyone involved knows why they are involved and how they can benefit from being members. Throughout the history of cluster development, clustering has become increasingly facilitated by public sector/not-for-profit bodies as a method of local or regional development. In some cases, this has been successful in developing certain sector economies in a region through the following of best practice examples and developing models for cluster development. For examples, see Service Network (Case Study 1) and more locally London Mice (Case Study 2).

### **Case Study 1 – Service Network**

Service Network is a membership organisation representing the Knowledge Intensive Business Service (KIBS) sector in the North East of England. The membership of nearly 300 companies, the majority of which are locally owned SMEs, consists of a close-knit group of people looking to develop best practice initiatives, keep up to date with market forces and expand their businesses. The Network provides a range of services, including access to business opportunities, marketing, current news and opportunities to network, which the members can choose to access as and when they like.

Service Network has greatly encouraged inter-trading, helped attract new investment into the area due to increased awareness of the professional services industry in the North East and expanded collaborative working partnerships. A recent innovative development to the way partnerships are extended is the Service Network linking up with a similar organisation in Edinburgh. A visit was organised with members of the Service Network team going to Edinburgh to meet people involved in a similar Scottish organisation. Through this, relaxed, informal networking occurred, both within the North East Businesses whilst travelling and with the Scottish businesses on arrival, which generated new business opportunities. This was the first event of its kind for Service Network, but one which they are now aiming to repeat at more destinations in the future. In order to measure the benefit to members, companies are asked to provide information on growth, turnover and the number of jobs which have been created or safeguarded, but it is difficult to gain accurate figures relating to the direct impact of the Network. More reliable forms of feedback are the softer aspects, where businesses have told the Network that new development plans and business ventures have developed directly out of a networking event.

The Network believes the strength of its approach lies in the size and business ethics of the company. It is not small enough that it can be flexible towards individual member needs, and the strong member focus enables them to be on the same wavelength as the businesses and give sound advice when needed.

Source: TBR 2007

### **Case Study 2 – London MICE**

London MICE (Meetings, Incentives, Conferences & Exhibitions) was set up in 2004, initially to promote businesses in London South Central (LSC). The aim of the cluster is that by working together, firms can boost their own performance, win more business for the local area and create more jobs. London MICE is led by a Cluster Action Team (CAT) that is composed solely of local firms, with no public sector representation. A company limited by guarantee has been set up and the CAT members are its directors. This private sector approach has had a number of key impacts on the cluster. On the negative side, it has been saddled with a very heavy (public sector) administrative burden that is difficult to manage. On the other hand, the positives are that it has enabled London MICE to focus on delivering services that members find useful, as opposed to delivering to development agency targets, and it has encouraged the building of capacity that should see it become self-sustaining.

Source: Houghton (2005)

In establishing a cluster and its associated management structure, a disassociation with the public sector can often be useful due to unfortunate negative connotations which are embedded in some people's minds and, conversely, positive associations with the success of privately driven initiatives. Nonetheless, the public sector will almost always play an important subsidiary role, at least in the initial stages of cluster developments (initial funding, capacity building, etc.).

Once initial steps have been made, there are a number of examples of ways in which cluster members and SMEs can begin to enhance competitiveness, including joining temporary collaborative projects or inter-firm networks for pooling of resources (see Case Study 3). This can occur through in real or 'virtual' organisations or informal knowledge networks to more effectively develop their core competencies and specialities as well as contributing to the capitalisation of regional economies of scale (Andersson et al., 2004). Through encouraging both local network interaction and regional/national interactions, an eye can be kept on the bigger picture of market drivers, and adjustments can accordingly follow to exploit the specific cluster strengths to their full potential. A good website has proved a very successful tool for small to medium sized clusters in doing this.

### Case Study 3: Screen, Image and Sound Cluster

The West Midlands Screen, Image and Sound cluster encompasses all screen media with a focus on the creation of innovative digital content for education and entertainment. The vision is for the cluster is to be a leading region for integrated innovation.

This sector has been identified by the RDA as having potential for growth; importantly, it falls in line with government regional development policies and has natural network links. It aims to meet this vision through having achievable targets and ongoing reviews at different stages of the cluster development, through working with other members and universities, pooling resources and business contacts to keep up to date with innovative initiatives in the sector, and by employing a full time cluster manager. The cluster is currently in the early stages of development but already one particular sector, the serious games industry, is naturally emerging as stronger than others. This is an opportunity for development which is being recognised and exploited through working more closely with serious games in particular and investing more in its development. Supporting a cluster to follow any naturally emerging lines of evolution is important due to the high level of importance attached to innovative businesses in cluster development. It is acknowledged by the cluster manager that as it is in the early stages of development, outside funding will need to be supplied for at least 3-5 years for the cluster to become established and self-sustaining.

Source: West Midlands Screen, Image and Sound Cluster

Certain aspects could be focused on to aid the likelihood of a successful cluster initiative:

- New product development
- Attaining initial and ongoing funding
- Getting and keeping business through the provision of products and services
- Training
- Lobbying
- General networking.

Firms need to identify the potential of these activities and clarify what they want from the cluster development. Targets are sometimes used to provide goals and a means of measuring cluster development. They can include:

- Raising the profiles of companies and industries
- Addressing barriers to growth
- Sales targets for members
- Safeguarding a certain number of jobs



- Increasing the number of new start-up companies.

However, the most important targets to help ensure a cluster's success cover more soft, horizontal aspects attained on an industry-by-industry basis.

### 8.2.2 Barriers and opportunities for clustering

In addressing barriers to clustering, various historic under-investments limit clusters from gaining new, or holding onto existing, competitive advantages. Rosenfeld (2002) argues that most of these can be attributed to:

- Lack of access to capital – the development and commercialisation of new ideas requires resources and capital.
- Lack of skills and opportunities to acquire them – companies do not consider locating or expanding in communities where skill levels are low and educational programmes do not match employers' needs.
- Weak technology institutional structures – clusters depend on regional institutions for a variety of things they cannot do internally or get from other companies. Accordingly, weak institutional structures are a serious handicap in growing clusters.
- Cluster hierarchies – small companies and larger branch sites need to work together to drive sector development forward. The time and money deficits of smaller companies need to be worked around to attract the interest of the full spectrum of businesses in an area.

One of the major ways to facilitate the ongoing running of a cluster is to have the right person running it and the right people driving it forward. The people involved in the management need to be dedicated, driven and enthusiastic. Having a business-focused mind, good interpersonal skills and coming from an industry background are some of the key attributes of successful cluster managers.

Other issues that help to ensure success are:

- Only involving companies/members who want to be involved, especially at the start – do not try and persuade people to join in who don't have a natural interest as this can make cluster development more difficult and present a tarnished image of the cluster;
- If run by a public body, give the cluster a separate name. Disassociating it with the public sector can remove any negative connotations which may hold back potentially beneficial members;
- Preferably get the private sector to run the cluster. Use the public sector to provide back-up but make sure that delivery is carried out by people with credibility on the ground;
- Get prestigious companies/figures from the industry sector involved to attain the associated positive images and make the cluster attractive to smaller companies.

### 8.2.3 Cluster Management

A recent set of methods of cluster management which is proving to be successful with other small-scale clusters in London is forming Cluster Action Teams (CATs) made up of a variety of groups of driven individuals who formally manage and drive forward individual clusters.

### 8.2.4 CAT Models

At present there are three models of CAT. These range from the truly business-led to more traditional public/private steering groups. Whatever the model, CATs are chaired by a Champion from the private sector. London MICE (Case Study 2) is the only example of a totally business-led CAT. Not only are all the members of the CAT representatives of private businesses, but London MICE has also been set up as a company limited by guarantee. London MICE consequently operates its own budget and accounts and receives funding directly. The Cluster Action Groups (CAGs) operated by the City Fringe Partnership (CFP) are more typical of

public/private steering groups with equivalent numbers of public and private sector representatives. Budgets are held and activity undertaken by the CFP. The CAGs are essentially advisory and provide a business perspective. The third model falls in between these two ideas, seeking to take advantage of private sector focus but avoid the administrative and financial burdens associated with operating a company. Thus the CAT is made up of business people with representatives from the local authorities who act as the project managers, and funding is controlled and managed by the local authority. This reduces the administrative burden but limits the CAT's abilities to initiate projects. As yet there is no consensus as to which of the three models provides the highest value added outcomes.

### 8.2.5 Establishing a CAT

Having decided on the model to use, the next stage is to recruit the members. Essentially this means the business representatives. A number of steps are involved:

1. Generate a comprehensive list of all the companies eligible to join the CAT based on the definition of the cluster (usually by SIC code)
2. Identify any industry leaders who would make obvious Champions
3. Seek out referrals or established contacts, either for direct involvement or to gain further recommendations
4. Set up events to set out the basic cluster proposition and recruit volunteers to sit on the CAT
5. Carry out direct marketing via mail, telephone or visits to meet business people and win their interest.

Generating interest from business people to serve on a CAT can be challenging. Business people are busy and have firms to run. There must therefore be a compelling rationale for them to get involved. Examples of benefits gained include:

- Influencing funding
- Ensuring that the work of the CAT is relevant
- Networking and gaining access to contacts
- Generating personal and corporate profile
- Access to contracts
- Sourcing new suppliers or joint venture partners
- Better understanding of the public sector support offered
- Satisfaction of 'putting something back' into the industry.

Setting up a CAT, as with any team, involves a process and various actions. These are likely to include:

- Introducing the cluster concept and potential benefits
- Building rapport between the members
- Developing a sense of shared goals and ownership
- Agreeing on terms of reference
- Working through the rationale for the cluster to hand (e.g. the City Growth Strategy)
- Identifying issues, challenges and opportunities that the CAT will seek to address
- Generating ideas and potential solutions
- Reviewing options, selecting projects, securing funding if required and initiating projects
- Reviewing progress
- Liaising between the wider company base, the CAT and funders
- Establishing a long-term strategy and sustainability plan.

It is likely that the CAT will seek to prepare a business plan that sets out its objectives and how it intends to achieve them.

Recruiting and setting up a functioning CAT will take several months. The exact timescale will be influenced by the availability and willingness of business leaders to 'sign up', the ease of identifying issues and projects and access to funding. A strong Cluster Champion with a clear

vision, good contacts and access to ready funding is capable of making a rapid start and generating real impact.

Note that the Recommendations chapter (section 10) of this report contains an action points related to the establishments of Sector Action Teams. These should be seen as pre-cursors to CATs, at least in the sense that they should drive forward support and development and develop an understanding of the clusters that operate within each sector. This information can then be used to take decisions about the development of CATs.

### 8.2.6 The importance of place

Geographical concentration has been central to the cluster idea from the outset. While geographical concentration alone will not guarantee a successful working cluster, the tendency of firms in the same or similar industries to group together geographically is an established feature of the global economic landscape, for example Advanced Manufacture firms in PUSH generally and Visual Arts of Creative in Portsmouth specifically. Some studies have attempted to disprove this, but Andersson et al. (2004) identify a number of key reasons as to why co-location remains a core principle of the cluster concept:

The availability of specific natural resources or other unique local assets may contribute to co-location:

- Geographical proximity provides opportunities for lowering transaction costs especially in accessing and transferring knowledge;
- Economies of scale and scope may be optimised most effectively by a limited number of efficient-scale plants in a geographical area;
- Specialisation of supply from factor markets with respect to labour, capital or technology sources may be facilitated within a specific area;
- The means of accessing and sharing information on market and technology change may become more effective within a given area;
- Interplay with local customers triggers learning processes and more sophisticated demand.

Furthermore, while the physical distance between firms is the most obvious dimension of a cluster, there are a number of other possible dimensions of distance, including:

- Technological distance – how similar or dissimilar are the technologies that two businesses employ;
- Market distance – whether different businesses have similar or connected sets of customers;
- Social distance – the levels and kinds of interactions between managers and workers in different businesses (Cortright, 2006).

Due consideration needs to be given to the specific requirements of an area. An understanding of the processes of clustering allows cluster development support to build on what already exists (Lyon and Atherton, 2000).

### 8.2.7 Place Branding

One angle of economic and social development, which has been used to give certain areas particular focuses on developing their economies, is place branding. Numerous communities, cities, states and nations around the world have grasped the need to develop and promote a competitive advantage. To achieve this, strategic marketing and brand management concepts are increasingly being adopted in order to achieve success in an increasingly competitive global economy. Places can become known for positive and negative reasons, and can be popularised through a variety of intentional or unintentional methods and for similarly various reasons. Clearly we are concerned with how a positive place images arises and what benefits that can have on an economy. Positive brand images have helped many economies to attract investments, businesses, visitors, residents and talented people. Every branding initiative will

have a unique need, and therefore identifier, which will be available to capitalise on. The key is correctly identifying and understanding this need and gaining local, business and public support to drive this brand image forward (Gertner 2007). Examples of local aspects that could be capitalised on for place branding within the PUSH area are:

### **Advanced Manufacture**

- Promotion of the area's Advanced Manufacture strengths, highlighting that the area has a full spectrum of good R&D (5, 5\* RAE courses), talented engineers and large multinational firms based there.
- Having a number of successful high profile companies based in the area and to try to get involved and heading up a campaign.

### **Business Services**

- The area's benefits as a location for Businesses Services should be promoted, perhaps with London being the key target audience. Benefits include the location being able to offer a higher quality of life, better environment, the same professional level and good career prospects
- Legal services in Southampton
- Strong partnerships with Portsmouth

### **Creative**

- Capitalise on existing and new landmark buildings to attract attention, for example:
  - Aspex Gallery
  - SNAC
  - The Point
  - The Arches
- Capitalise on the wealth of different types of creative production existing within specific locations of the PUSH area:
  - Visual and media arts in Portsmouth
  - Contemporary dance and theatre production in Eastleigh
  - Production space and facilities in Southampton
  - Enterprising creative network and English Literature in Winchester.

The key to successful place branding is the existence of historically and locally enforced, supported and upheld ideals about the location.

### **Summary 16**

Launching cluster policies requires that the basis for intervention is clear and that objectives are defined and adhered to from the outset. Having a dedicated steering group or Cluster Action Team is a key aspect in the successful development of a cluster. One major factor that facilitates the ongoing running of a cluster is having the right person heading it up and driving it forward. Having a business-focused mind, good interpersonal skills and coming from an industry background are some of the key attributes of successful cluster managers.

There are three main drivers of clustering initiatives, involving public sector, private sector or a combination of both. The most effective is likely to be the third option, with a disassociation from the public sector but it playing an important subsidiary role.

Whilst considering all of the above, the importance of place cannot be forgotten. Geographical locations, as specific aspects of economic development in the form of place branding, can be used as features to capitalise on. This can be a powerful tool promote a unique identifier of the area by giving it a specific image which it becomes known for and is used to attract new business, visitors and inhabitants to the area.

## 9. Cluster Linkages

The report now introduces the concept of economic clustering, which affords the opportunity to focus not only on the core activity of the sectors described above, but to also consider supporting organisations, supply chains and markets. This is useful because in doing so, the opportunity to assess other support techniques related to cluster development (as opposed to sector development) is afforded.

Each of the growth sectors will be made up of a number of clusters focused on specific markets. For example, within the Advanced Manufacturing sector will potentially contain clusters of businesses (and support organisations, R&D institutions, etc.) that relate to the markets of defence, aerospace, marine and so on. Of course, there will be overlap between these markets, and individual companies are likely to operate in a number of clusters, therefore.

An interesting technique for exploring and presenting interactions between businesses in growth sectors is the use of cluster maps. These tools describe not only the structure of economic clusters (or supply/value chains) but also the linkage between activities (industries) in these clusters. It is important to note, however, that they are not readily applicable to sectors, because they are designed to focus on the production chain as it relates to a clearly defined market for a particular product or service. It would therefore be futile to draw a cluster map for manufacturing, due to the very diverse range of markets served by companies in that sector. However, it would be possible to draw cluster maps for each of the clusters operating within each of the growth sectors, but it is beyond the scope of this project to do so. For example, it is possible to draw a large number of cluster maps within the Creative & media sector; related to performing arts, music or design services, for example.

In order to illuminate some of the key interactions across growth sectors, this section presents three cluster maps for Health, Aerospace and Digital Media. The decision to choose these clusters ahead of others is based on a number of factors. Firstly, these are very strong activities within the PUSH area. Secondly, they are very commercially focused. Thirdly, they are markets that lend themselves to the analysis approach taken (i.e. they can be isolated relatively easily using SIC codes). Lastly, they are clusters that rely heavily on innovation and are relatively high generators of economic wealth.

Note that we have not produced cluster maps for any element of Business Services. This is due to the fact that, by its very nature, the Business Services sector (even the advanced or 'professional' end of it) exists to support other elements of the economy. In cluster analysis terms (i.e. following Porter's theories) they are largely a 'supporting and related industry' and therefore sit – as supporting or specialist services – on other cluster maps. For example, specialist marine financing or insurance firms/activities would be located on the Marine cluster map, if they operate in the cluster.

As far as methodology is concerned, we have drawn on three key sources of information to inform these cluster maps: input-output analysis, discussions with people involved in these sectors and our own experience of mapping such clusters.

The following colour coding system was used:

**Yellow** – Strong SICs with % Emp 0.2 or above, and Firm or Emp LQs 1.25 or higher

**Green** – Reasonably strong/medium SICs: % Emp of 0.2% or above and LQs 1.24 or lower AND LQ's 1.25 or above and Emp lower than 0.2%

**Blue** – Weak SICs: LQs below 1.25 and Emp below 0.2%

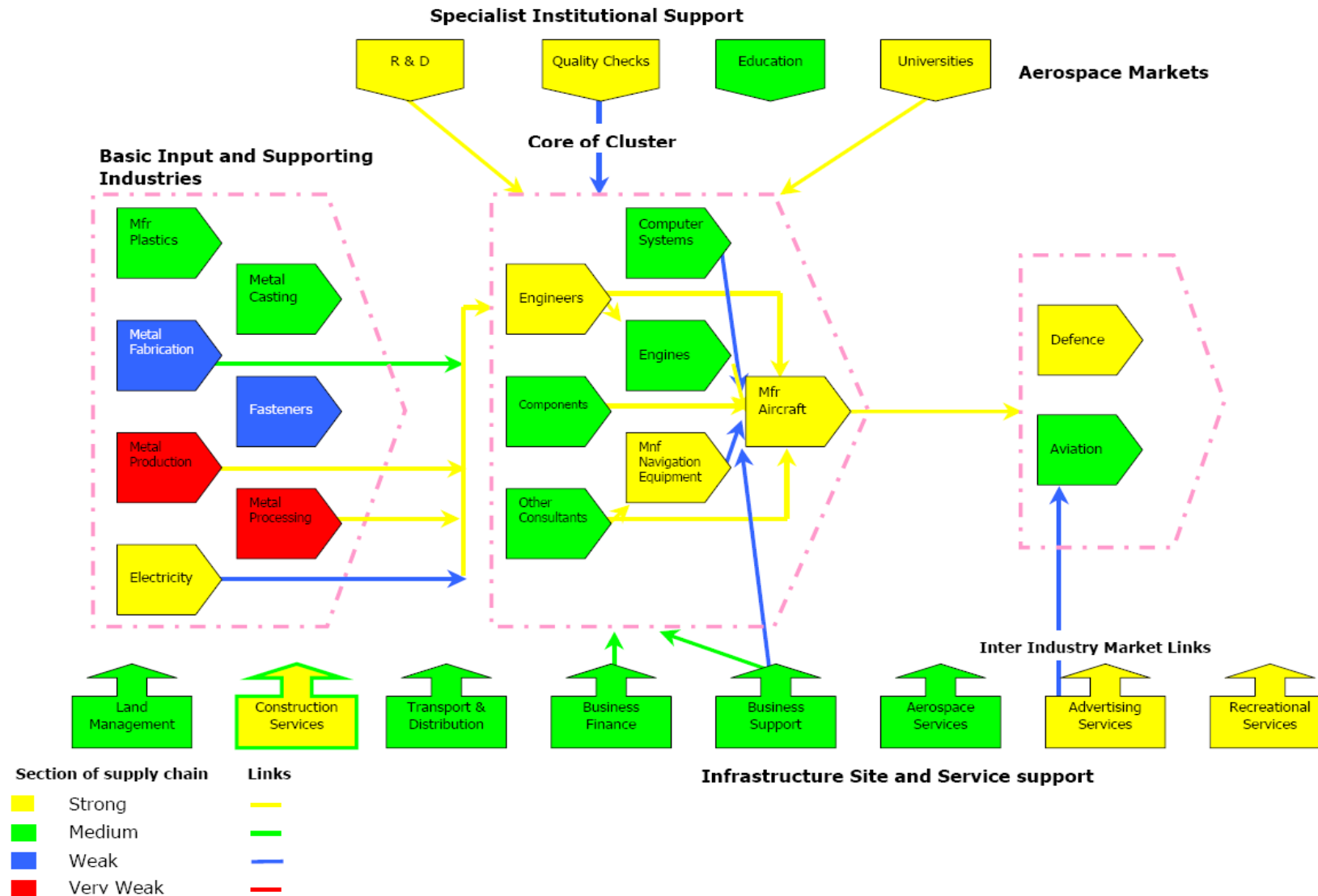
**Red** – No presence of the SIC in the study area, but it is present and strong in national input/output data so highlights gaps in the supply chain.

Aerospace is one of the key industries operating within the Advanced Manufacture sector. The particular strengths within the core of this industry in PUSH lie in the engineers, manufacture of navigation equipment and manufacture of aircraft. The strong industries they supply are defence and engineering. A key to the success of this industry is the relatively high strength of R&D and Education in the PUSH area, which are important aspects in continual innovation, fuelling enterprise and growth in the industry.

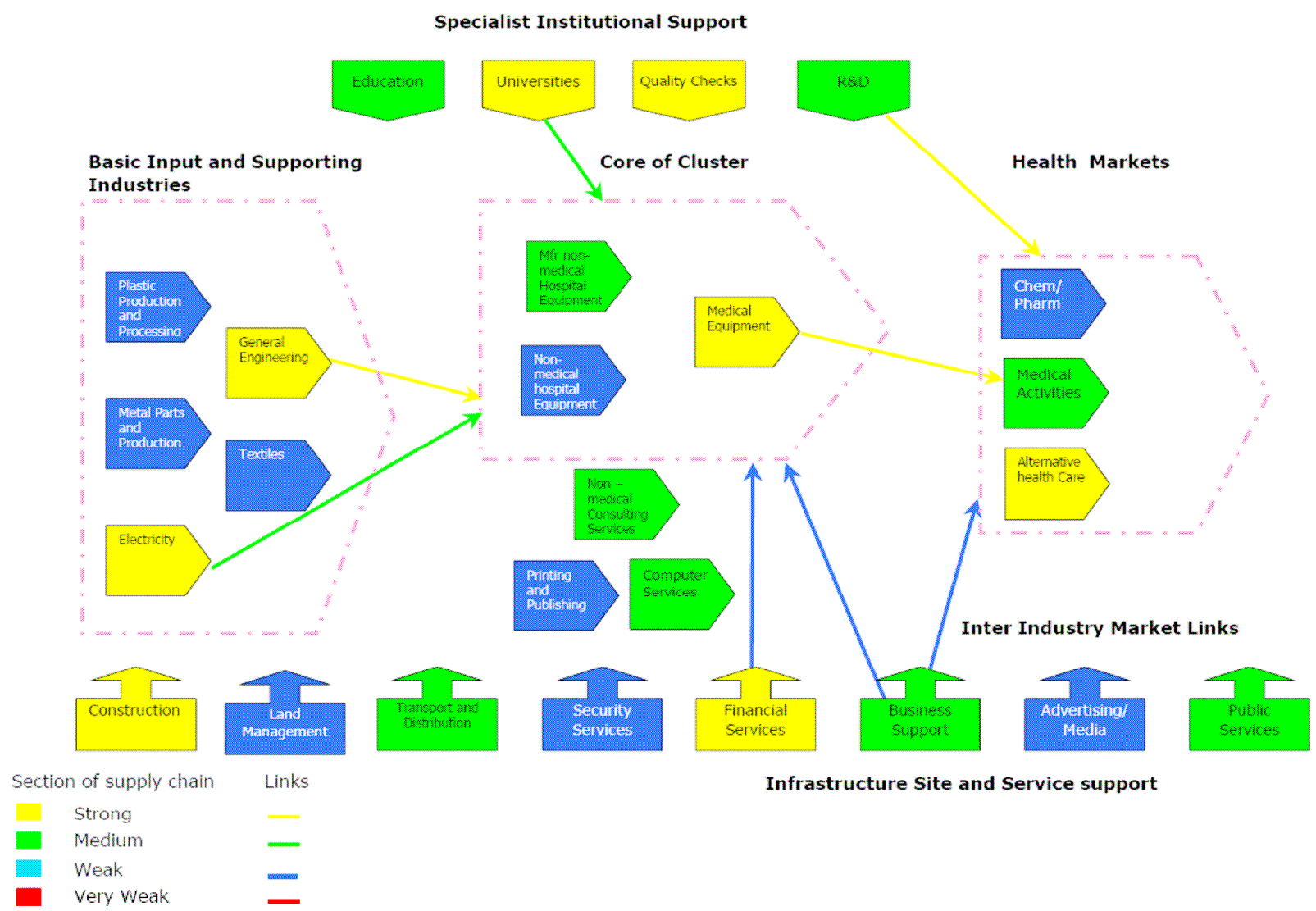
The Health cluster diagram illustrates that certain industries within the supply chain (production of medical equipment, input of general engineering, universities and the output to alternative health care and aerospace) are performing well and have a larger significance in the PUSH area than expected (LQ 1.25 or above). However, certain aspects which might be expected to be stronger than average for a cluster to boom (R&D, medical activities, health related outputs driving the cluster) are not quite as strong in the PUSH area as they could be. This suggests that there is room for more firms or employment in these activities, which if achieved should make the cluster more highly competitive.

The Digital Media cluster diagram illustrates that the only two strong influences on the cluster are higher education and testing; the other sub-sector industries which make up the supply chain are of medium or weak strength. In normal clustering scenarios, the lack of strong industrial influences may ring alarm bells; however, in the case of a creative industry such as Digital Media, this is not a large concern. Due to the nature of Creative industries a lot of activity is informal, subsidised or voluntary; this makes it difficult to statistically assess certain industrial sub-sectors, because the organisations will not supply information to the data sources used to do the statistical analysis. This is taken into consideration in mapping the cluster and these organisations will be accounted for through advice from industry specialists and through the consultation process, and mapped in a different colour (**purple**). With this in mind, the cluster diagram illustrates that the Digital Media industry is strong in IT, media & the manufacture of related devices, printing and leisure activities, feeding into strong outputs of live entertainment, festivals, theatre and visual arts & crafts. The industry also supplies other clusters of Advanced Manufacture, in particular Health.

### 9.1 Aerospace Cluster Map

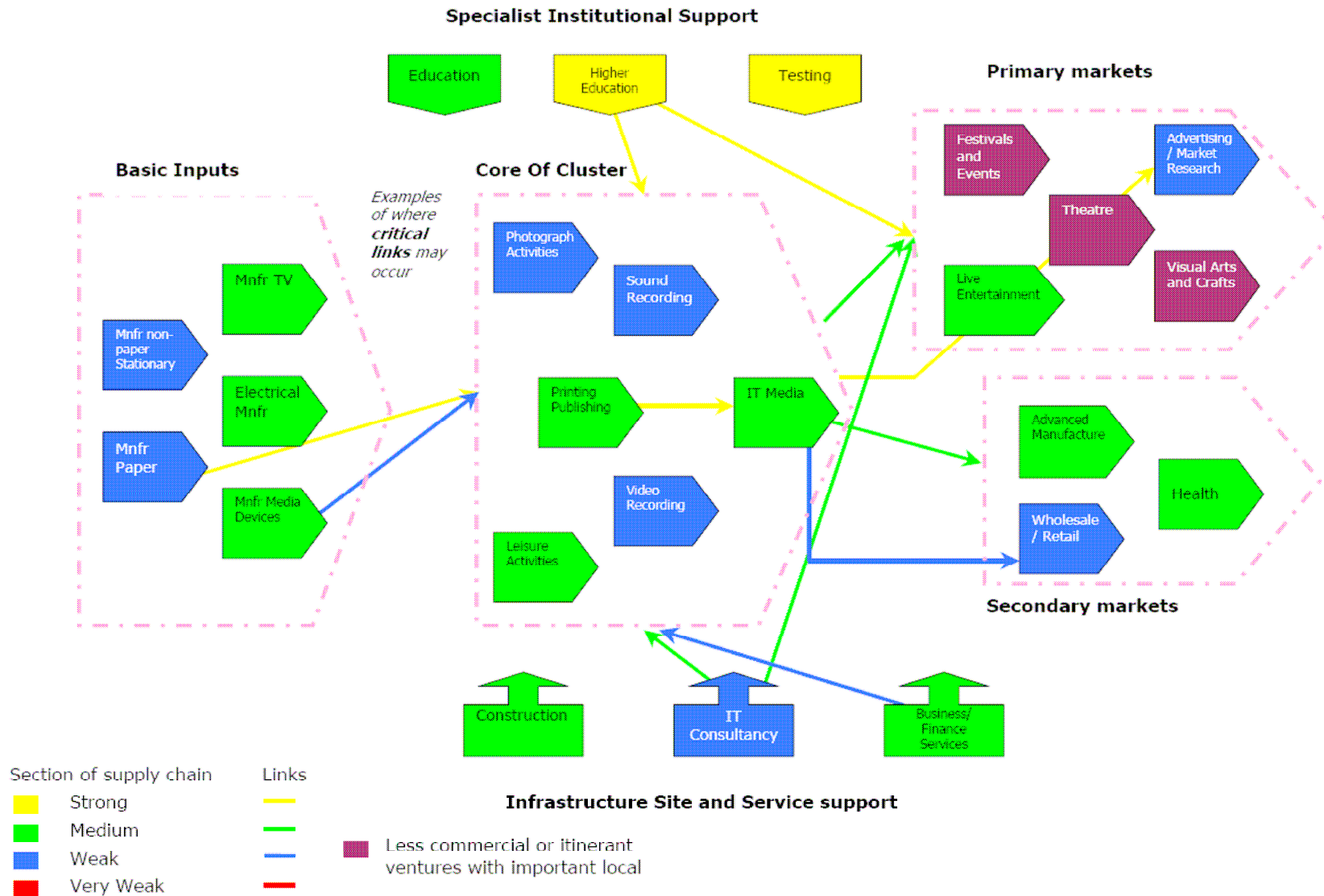


### 9.2 Health Cluster Map





### 9.3 Digital Media Cluster Map



## 10. Conclusions, Recommendations and Action Plan

### 10.1 Assessing the growth sectors

This final section of the report brings together the findings from the primary and secondary research, both quantitative and qualitative, to generate an overall assessment of the three sectors studied in depth. It goes on to then make recommendations for action within each sector in order to support and promote economic growth within them. It is worth re-emphasising that the term 'cluster' has not been used to describe these sectors because of the way they have been defined and the fact that the study does not focus upon markets and related supply chains (which would be a feature of cluster analysis).

Having said that, there are a number of assessment techniques that can be borrowed from cluster analysis in order to draw conclusions about the necessity for support and the nature of support mechanisms and projects that might be established. Section 8 above contains a review of these assessment techniques. Whilst this study has focused on sectors rather than clusters, this assessment framework stated below is useful because it leads to conclusions about the justification for support and the types of projects that might be deployed.

The assessment framework to be used considers the following characteristics;

- Stage of development (a qualitative assessment)
- Sector Depth (qualitative)
- Sector employment dynamics (quantitative)
- Geographic Reach (qualitative)
- Comparative Scale (quantitative)
- Significance (quantitative)
- Thickness (qualitative)

Table 24 below presents evidence of the comparative scale and significance of the three key sectors that have been studied in detail.

**Table 24: Assessment of Comparative Scale and Significance**

Sector	Comparative Scale (Firms)	Comparative Scale (Emp)	Significance	
			(Firms)	Significance (Emp)
<b>Advanced Manufacture</b>	<b>1.0%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>3.7%</b>
Health/Pharmaceuticals	0.1%	0.3%	1.1%	2.2%
Energy	0.1%	0.2%	2.4%	2.4%
Defence	0.1%	0.9%	4.5%	5.3%
Engineering	0.2%	0.4%	2.2%	4.1%
Electronics	0.5%	0.8%	2.3%	3.7%
<b>Creative &amp; Media</b>	<b>4.5%</b>	<b>2.9%</b>	<b>1.0%</b>	<b>2.2%</b>
<b>Business Services</b>	<b>31.2%</b>	<b>21.5%</b>	<b>1.5%</b>	<b>2.4%</b>
Market Research	0.1%	0.1%	0.9%	1.4%
Call Centre Activities	0.3%	0.8%	1.2%	1.6%
Printing	0.7%	0.7%	1.4%	2.8%
Leasing Activities	0.7%	0.3%	1.7%	1.9%
Finance	2.0%	2.3%	1.4%	1.7%
ICT	2.4%	0.7%	1.8%	2.4%
Real Estate	4.5%	1.8%	1.3%	2.4%
Other Business Services	5.3%	10.3%	1.6%	3.1%
Administration	6.9%	1.4%	1.9%	2.1%
Business and management Consultancies	8.1%	3.2%	1.4%	2.2%
The Rest	31.7%	42.6%	1.5%	2.3%
<b>All PUSH economy</b>	<b>100%</b>	<b>100%</b>	<b>1.4%</b>	<b>2.4%</b>

Source: TBR and ABI 2005 (W1/S13h)

Note that we have excluded Retail, distribution and Tourism from the table above and therefore, columns will not sum to 100%.

Table 25 below summarises the assessment of each growth sector.

**Table 25: Sector Assessment**

Sector	Stage of Development	Depth	Employment Dynamics	Geographic Reach	Comparative Scale	Significance	Thickness
Advanced Manufacturing	Established	Deep	Growth	National/Global	High	High	Thick
Creative & Media	Embryonic/Established	Shallow	Stable	Local/Regional	Low/Medium	Medium	Medium
Advanced Business Services	Established	Unknown	Stable	Regional	Medium	Medium	Thin

Source: TBR 2007

### 10.1.1 Advanced Manufacturing

Our assessment of Advanced Manufacturing can be summarised as follows;

- The sector is established in the sense that it is based around a core of activities that have existed for some time and have evolved from long-standing industries such as defence. However, there are some new entrants and more established businesses are evolving their products and services to reflect changing technology and markets. The sector is deep because it has a comparatively large number of industrial linkages, but that is not to say that these could not still be supported and further developed.
- Employment analysis indicates that this sector is displaying growth, which is encouraging given the current climate for UK manufacturing environment. The geographic reach of the sector is also quite extensive, with the core of the sector containing businesses of national and international significance within their market.
- In terms of comparative scale, advanced manufacturing represents 1% of all firms in the PUSH area but is much more important in terms of employment, where it contributes 2.6% to the total. It is also strong in terms of significance because it contributes more forms and employment to the UK advanced manufacturing industries than one would expect (i.e. PUSH contributes 2.2% of all UK firms compared to an average of 1.4%, and PUSH contributes 3.7% of all UK advanced manufacturing employment compared to an average of 2.4% of all employment). The sector can be seen as relatively 'thick' because it has a number of support organisations focused upon it, including Solent Synergy and other more specific bodies such as Marine South East.
- This analysis suggests that support should focus on sector development initiatives that could consider the principles of cluster development – i.e. aimed at improving collaboration and networking, increasing innovation, accelerating the use of high performance manufacturing processes and ensuring that the sector can access the appropriate high-level engineering and technical skills. Specific markets such as defence, marine (because there will surely be overlap despite the omission of marine from the definition used) and aerospace should be considered within the overall sector development programmes, because this is a critical aspect of cluster development.

### 10.1.2 Creative & Media

Our assessment of Creative & Media can be summarised as follows;

- The sector is assessed as relatively embryonic because, despite some aspects of it being established (e.g. arts related activities), there are certain industries that are beginning to emerge and develop, such as digital and media-related activities. These activities in particular are generating new businesses and growth. However, the sector is assessed as shallow because there is little evidence at this stage of a high incidence of collaboration and linkage. This is an area for additional support.

- Despite containing emerging industries, it should not be assumed that these will necessarily provide employment growth. The overall assessment of the sector is that it is stable in employment terms. Further examination, should it be undertaken, may highlight pockets of growth and decline that together present an aggregated picture of stability.
- The assessment of geographic reach leads to a conclusion that the sector is important at a local and regional level, but has yet to make a significant impact on the national market (although there may well be interaction with key markets such as London).
- In terms of comparative scale, the Creative & Media sector is relatively important in terms of the extent to which it makes up the firm base (4.5% of all PUSH firms). However, firms tend to be comparatively small in employment terms and the scale of the sector by this measure is reduced (2.9% of employment). The sector's significance is rated as medium, because it contributes roughly what one might expect to the UK sector in terms of firms (1.1%, compared with the average for PUSH of 1.4% of all UK firms in this sector) and employment (2.2% compared with the average for PUSH of 2.4% of all UK employment in Creative & Media).
- Sector thickness is rated as medium, because some locally focused support mechanisms and bodies are in place but additional opportunities to join up the urban centres in the PUSH area do present themselves.
- Again, one can conclude that there is justification for supporting this sector based on its early stage of development, potential for collaboration and linkage, need for additional support mechanisms or resources and potential for growth. It is likely that this sector would respond to support techniques which follow the 'cluster development' principles set out in Section 8 above. In other words, they should heavily involve businesses at their heart and be focused in the long term on identifying and developing clusters within the growth sectors (for example, specific clusters of businesses responding to the same markets should be identified and cluster development techniques used to build capacity and competitiveness within them).

### 10.1.3 Business Services

Our assessment of Business Services can be summarised as follows;

- The sector is rated as established. It is built upon the common professional services observed in most sub-regional locations and economies. However, there is also a range of low value added services that contribute to the overall size of the sector, and these are contained in the Other Business Services category.
- The depth of the sector is, at this stage, rated as 'unknown'. This term is used to indicate that the research reported here did not find any significant evidence of any collaboration or linkage, but it would perhaps be hasty to conclude that this is categorically the case given the relative size of the sector and the scale of the consultation exercise undertaken within this study. However, it is the view of the research team that it is unlikely that this sector would display any significant collaborative tendencies. The core activities are focused on supporting other businesses, as the sector name suggests. Whilst there might be opportunities to join certain services together vertically (estate agency with legal and financial services, for example) this does not in itself suggest that business services are liable to collaboration. Experience suggests that they are not naturally open to such arrangements in the way that companies in other sectors might be. The core of the business services sector will seek to sell professional services in to other businesses, so a key driver of the market is the size and scale of the local market, and the size and scale of markets that can be serviced remotely or from a regional HQ. This is the first indication that this sector should be considered less conducive to cluster development techniques; sector development techniques may be more appropriate.

- In employment terms, the sector is stable. Its geographic reach is assessed as being regional, although there may be significant branches of larger businesses that serve a wider geographic market.
- The comparative scale of the business services sector is rated as medium, because whilst the sector represents 31.2% of all PUSH firms, it only represents 21.5% of all PUSH employment. It is also rated as medium in terms of significance, because the level of UK firms and employment that the PUSH sector contributes is no higher than that for the whole PUSH economy. Lastly, the sector is rated as thin because there appears to be a lack of specific business services-focused support bodies.
- It is the conclusion of this report that there is justification for supporting this sector, but that it should be undertaken in a way that aligns to traditional sector support approaches (rather than cluster development). Unlike for Creative & Media and Advanced Manufacturing, there are no distinct markets that can be identified.

## 10.2 Support Themes

Having researched the issues related to the location of businesses in growth sectors and developing linkages across them, a number of conclusions have been drawn about the way forward for PUSH. These are based on the following key themes that have emerged from the research:

- Procurement
- Skills/Labour Market
- Networks
- Innovation
- Business Support
- Employment Land
- Place Branding/Promotion
- Proximity to London and Diamonds for Growth

These themes are largely self-explanatory and provide a framework against which we can make our recommendations for action. However, it is worth noting that the concept of communicating and 'joining up', based on the need to co-ordinate activities, remove duplication and make information, resources and assistance more readily available to local businesses, run throughout the Action Plan. This makes sense not only because the current Business Support Simplification Programme requires a rationalisation of business support, but also because more effective solutions will be built on existing, rather than new, structures and projects.

The actions outlined below provide a mix of high-level strategic partnership working (with SEEDA, for example) and more operational activities coordinated by existing local partners or agents. We have avoided being too prescriptive about precisely what should happen and when, but have outlined the theme, key issue, objective, key partners and some detail of what needs to happen.

This report does not make significant comment about the use of employment land. Clearly, the principle drivers of employment land need careful consideration. For example, whilst the sectors studied do not appear to have any major supply chain issues or gaps, this may change with markets being very dynamic. Advanced manufacturers will continue to face stiff local, national and global competition and will seek to ensure competitiveness is preserved or built. This could mean sourcing components from other locations due to cost or quality benefits. These factors are not easily addressed through sector or cluster initiatives, which should instead ensure that local conditions are as good as they possibly can be in order to support competitiveness. Employment land, therefore, should be developed in such a way that the three growth sectors are sufficiently supplied with new, high quality accommodation in locations that are (to some

extent) close to clients, suppliers and competitor/collaborator companies (or other important inputs/outputs such as labour or innovation enablers). Additional mapping activity may be required to understand this spatial distribution.

There are also very strong messages arising from the study that underpin the proposals in the Action Plan that follows. For example, there are a number of strong, sometimes emerging organisations or projects within the growth sectors (certainly in Advanced Manufacture and Creative) that are well placed to provide significant benefit to the businesses within them. These projects tend to be located in one of the core PUSH cities and have a local focus. Notwithstanding the sensitivities that might exist about local competition and where the benefit from local innovation in business support should accrue, the Partnership must seek to understand where good practice is occurring and how, should other conditions be right, it might be spun out across other locations in the PUSH area for the wider benefit of growth sectors and the PUSH economy. For example, the Creative Industries Business Advisory Service is located in Portsmouth and could, given certain conditions, work closely with the new development vehicle being established by Southampton City Council and the Arts Council (SNAP). We believe such principles should run throughout the activities of PUSH, as reflected in the Action Plan below; that PUSH activities should be largely (but not exclusively) focused on capacity building, joining together complementary projects, supporting emerging projects that add value and providing resources to develop new support offers as and when the need for them arises.

The recommendations for action that follow are based on the evidence gathered during the research exercise underpinning this report. Some are specific but others are more generic. The reason for the lack of specificity, where it exists, is that the research exercise was a relatively small one and this has resulted in a situation where insufficient evidence was available to allow the authors to be more specific about detailed actions. This is a relatively unsatisfactory outcome because ideally the client would understand precisely what needed to be done, by whom, when and how much it might cost. As it is, more work might need to be done to understand in more detail the sectors of interest, the clusters that might exist within them, their development requirements and thereby, the specific actions that are needed.

Please note that the Action Plan details how growth in each sector can be supported and encouraged over the short (3-12 months), medium (12 months-3 years) and long (3-5 years) term to fit in with the PUSH business plan.

### 10.3 Recommendations for Action – Advanced Manufacturing

This sector is likely to be conducive to support initiatives that follow cluster development principles. The justification for this conclusion is provided above in Section 10.1.1. The key recommendation is that the PUSH partnership should fund the establishment of a Sector Action Team (SAT), which would involve a range of partners but would crucially include key business representatives. The objective would be to pump-prime activity in the short term, with the view that the SAT would become independent of the funding organisations within 3 years (but that is not to say that the SAT may continue to be funded by the PUSH partnership, but it would be managed autonomously from it). Funding could then be generated through revenue raising activities, membership subscriptions, specific project funding from local, regional and national funding bodies. The SAT would drive forward on a range of specific projects/programmes of its own choosing, but the table below indicates a number of issues that this report has indicated as requiring redress. It might also be that the SAT either moves towards a cluster approach, or oversees cluster activities within each of the clusters within the Advanced Manufacturing sector.

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Sector Action Team	Lack of cohesive mechanism through which to deliver and manage sector support initiatives	Establishment – Short Term  Delivery – Medium term	Key partners such as Solent Synergy, Marine South East, Universities, R&D enablers, representatives from businesses within the sector and clients/markets	To provide a forum which manages, prioritises and drives forward on sector (or cluster) support programmes	Funding to establish the group (including first year employment of SAT manager) manage the secretariat, run events, promotions/advertising, additional research etc.	£150,000 in first year (post plus events, initiatives, research) and £100,000 in each of years 2 and 3
R&D facilitation	Solent Synergy – the key R&D enabling organisation for this sector – is reaching capacity, but has an increasing number of opportunities to support connecting R&D and Universities with industry.	Short Term	Solent Synergy, Marine South East, businesses, Universities	To support Solent Synergy to increase partnership building and facilitate innovation	An increase in resources for Solent Synergy	£60,000 per year to increase capacity

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Support Service Rationalisation	Disparate nature of existing business support initiatives that require better signposting and rationalisation	Short to medium term	All business support services, specifically Business Link and the members involved in the Business Support Simplification Programme, PUSH working groups.	Continued support development of the BSSP.	Quick and objective review of the BSSP pilot scheme in Southampton city and roll out over the whole of PUSH. Acknowledge SME feedback and illustrate this through making recommended changes where possible to gain local business support and start positive promotion of the new, simpler, more effective programme.	Potentially none – could be delivered by existing partners and through existing structures such as PUSH
Employment Land	Suitable land being available for larger Advanced Manufacturers to expand.	Medium term	Marine South East, Farnborough Air Consortium, Solent Synergy, local authorities	Investigation into the extent of the problem of finding suitable employment land and to propose possible solutions	Further research into employment land issues, specifically with large Advanced Manufacture companies.	£40,000 one off
Reputation building	Need to publicise strength of advanced manufacturing sector and the opportunities it presents	Long term	SEEDA, Marine South East, Local Authorities, PUSH.	Whilst the PUSH area benefits from having a strong Advanced Manufacturing sector, wider publicity regarding this would be beneficial on a number of levels, including attracting school leavers and encouraging the take up of engineering education, qualifications and jobs. The broad objective is for the area to gain a reputation as being a global leader in Advanced Manufacturing	<p>Promote the area's Advanced Manufacture strengths, highlighting that the area has full spectrum of good R&amp;D (5, 5* RAE courses), talented engineers and large multi-national firms based there.</p> <p>Participation of the local newspapers could be an important step. It could be that an agreement might be reached for an Advanced Manufacture column to regularly appear, where key issues are raised and debated and successful businesses showcased. Key high profile companies to try to get involved and head up a campaign:</p> <ul style="list-style-type: none"> <li>• Yellowfin</li> <li>• QinetiQ</li> <li>• Snell and Wilcox</li> <li>• Astrium</li> <li>• Formula Yacht Spars (although located just outside the PUSH boundary, the business and their aspirations for development are very relevant to this work)</li> <li>• PALL</li> <li>• Meggitt</li> </ul>	£60,000 to fund case study development and promotional activity (e.g. at international fairs)



Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Skills/Labour Market	Middle tier and industry ready skilled staff shortages	Long term	Manufacturing Engineering Marine Skills Partnership (MEMSP), Snell & Wilcox and the Innovation Advisory Service, The Purple Door, Portsmouth University, SEEDA Sector Consortia (Aerospace & Defence, Environmental Technologies, Health Technologies, Marine), representatives of the education and training sector	To increase the number of education, training and development courses and qualifications focusing specifically on providing graduates with the skills necessary to enter employment in the strong and growing industries in the area.	<p>Bring appropriate bodies together to develop ways in which education providers might establish better links with the specific Advanced Manufacture growth sectors, and to develop training courses or elements within them, e.g. work placements which may need to be more than a generic activity that the careers service undertakes. This will enhance employability and technical skills and develop employment opportunities for local graduates.</p> <p>The local universities could help with skills and capability development by encouraging businesses to sponsor students. PUSH could offer to match-fund the cost of sponsorship (either directly to the businesses or to the universities) and provide a promotion/lobbying role with the objective of making monies available through mainstream educational funding.</p> <p>To identify specific gaps in the market and possible ways of addressing these, it may be worth contacting:</p> <ul style="list-style-type: none"> <li>• Aerospace and defence advanced manufacture courses</li> <li>• Astrium</li> <li>• PALL</li> <li>• QinetiQ</li> <li>• Marine Advanced Manufacture</li> <li>• Formula Yacht Spars</li> </ul>	None – may be achieved through existing capacity of through SAT

#### **10.4 Recommendations for Action – Creative & Media**

This sector is likely to be conducive to support initiatives that follow cluster development principles. The justification for this conclusion is provided above in Section 10.1.2. Principally, the sector would benefit from greater cohesion and collaboration, and this should be supported through the establishment of a Sector Action Team, much like for Advanced Manufacturing. The same principles would apply, i.e. the SAT would involve a range of partners but would crucially include key business representatives. The objective would be to pump-prime activity in the short term, with the view that the SAT would become independent of the funding organisations within 3 years (but that is not to say that the SAT may continue to be funded by the PUSH partnership, but it would be managed autonomously from it). Funding could then be generated through revenue raising activities, membership subscriptions, specific project funding from local, regional and national funding bodies. The SAT would drive forward on a range of specific projects/programmes of its own choosing, but the table below indicates a number of issues that this report has indicated as requiring redress. It might also be that the SAT either moves towards a cluster approach, or oversees cluster activities within each of the clusters within the Advanced Manufacturing sector.

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Sector Action Team	<p>Lack of cohesive mechanism through which to deliver and manage sector support initiatives</p> <p>Lack of awareness, confidence and promotion of variety of Creative production strengths in the area.</p>	<p>Establishment – Short Term</p> <p>Delivery – Medium term</p>	Key partners such as SNAC, Universities, R&D enablers, representatives from businesses within the sector and clients/markets such as BBC	<p>To provide a forum which manages, prioritises and drives forward on sector (or cluster) support programmes</p> <p>To provide the vehicle through which to develop a sub-regional Creative development network.</p>	<p>Funding to establish the group (including first year employment of SAT manager) manage the secretariat, run events, promotions/advertising, additional research etc. The aim should be to establish a network, managed by the SAT, which mirrors the Screen, Image and Sound cluster discussed in Section 8.2 above)</p> <p>Specific issues to be addressed include;</p> <p>An over-arching PUSH Creative Sector Action Team could organise and lead networking activities, identify potential sector champions, lead on work to identify clusters of activity that could be developed as sub-networks or into more formal cluster development initiatives headed by cluster action teams. These sub-networks could be based in different areas of PUSH where different strengths lie (as noted in the action related to procurement), but initially under a more generic PUSH-wide Creative development network, to ensure all potential is included and to allow for the development of naturally emerging strong sub-sectors. Link the current developing partnership (SNAP) with innovation and enterprise support for anyone who wants to generate economic value out of the creative industries, not just the organisations using the SNAC complex.</p> <p>The specific business sectors which are strong and ripe for investment are Visual Arts, Theatrical Producers and Services, Contemporary Dance Schools and the development of innovative creative talent in the area to turn ideas and passion into a commercially viable business, thereby capitalising on or developing the ASpace and CIBAS projects.</p>	£150,000 in first year (post plus events, initiatives, research) and £100,000 in each of years 2 and 3

<b>Initiative Name</b>	<b>Issue</b>	<b>Timescale</b>	<b>Participants</b>	<b>Objective</b>	<b>Action</b>	<b>Estimated Budget</b>
Collaborative Networking	Little collaboration between digital media companies (and other key elements of sector)	Medium and long term	ASpace, CIBAS, SNAP, Art Asia, The Creation Centre, Café Culture, the Aspex Gallery, the Turner Sims Concert Hall, the Nuffield Theatre, the John Hansard Gallery, Southampton University, CEI.	Develop a local Creative development partnership.	Develop a Digital Media network, built through the SAT. This may best be achieved through the exploration of the possibilities of creating a local version of the South East Digital Media Network, a regional body with aims that would be relevant to the PUSH area. Link to Procurement initiative below	Minimal should SAT be established.
Audience Development	Relatively low level of demand, especially in the live and performing arts	Short - Medium term	Southampton, Winchester and Portsmouth Universities, Arts Development Agency that Art Asia has already worked with, Arts Marketing Hampshire (AMH), and Audience Development South East (ADSE).	More audience development R&D in the creative sector	Improve chances to attain organised and continuous funding through research into ways in which audiences might be developed in the PUSH area. Market research may be required, followed by a need for intimate and personal marketing in order to retain audiences (e.g. word of mouth or social network promotion rather than direct mail type approaches).	£100,000
Business Support	Support Service Rationalisation	Short - Medium term	All business support services, specifically Business Link and members involved in the Business Support Simplification Programme (BSSP).	Continued support development of the BSSP	Quick and objective review of the BSSP pilot scheme in Southampton city and roll out over the whole of PUSH. Acknowledge SME feedback and illustrate this through making recommended changes where possible to gain local business support and start positive promotion of the new, simpler, more effective programme.	Potentially none – could be delivered by existing partners and through existing structures such as PUSH

<b>Initiative Name</b>	<b>Issue</b>	<b>Timescale</b>	<b>Participants</b>	<b>Objective</b>	<b>Action</b>	<b>Estimated Budget</b>
Employment Land	Insufficient Creative-specific business incubation units to meet demand.	Medium term – long term	ASpace, CIBAS (Creative Industries Business Advisory Service), The Arts Council, City Councils, SEEDA, local authorities	To develop more incubation units, exhibition spaces and workshops	Encourage CIBAS to work with ASpace as well as local property developers to develop and release a higher number of incubation units or premises suitable for small Creative businesses (e.g. serviced accommodation of a particular quality, size or location).  Local authorities to consider how to use void space in order to provide temporary or permanent exhibition and atelier space	Revenue costs are low, or could be met through other initiatives such as SAT core funding. Capital costs could be high.
Innovation Development	Potential loss of specialist arts enterprise and innovation development advisors with the removal of AIF.	Short - Medium term	ASpace, Southampton University, CEI (Centre for Enterprise and Innovation), CIBAS (Creative Industries Business Advisory Service), local authorities	To provide continuing support for enterprise development in the creative sector.	Continue to support the ASpace, CIBAS and Café Culture creative enterprise and business development schemes. Additional support for the bid to recreate a position for a specialist Creative business advisor at the CEI (Centre for Enterprise and Innovation), which was previously highly valued, should be considered. Continuing support for all organisations will ensure the wider PUSH area geographic remit is covered.	Potentially £100,000 as a minimum
Skills/Labour Market	High competition for work amongst small businesses coupled with a challenging labour market for graduates, leading to many of them leaving the area to work (digital media focus)	Short - Medium term	CIBAS, SNAP, South East Media Network, Creative Returns.	Raising awareness of different types of work available locally and encouraging individuals and SMEs to work together to bid for larger projects. Develop Creative production capacity in all areas of PUSH	Building on Creative sub-sector networks noted in Key Action 6 to incorporate a graduate to business matching programme.	None – may be achieved through existing capacity of through SAT

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Procurement	Encouraging collaborative bidding for public sector contracts	Medium term	Local authorities and businesses, SNAP and CIBAS, Business Link, support from 'Café Culture' in Winchester	To provide a resource that can be used to assist local businesses in forming partnerships and collaborative teams in order to bid for larger contracts.	<p>Develop a Creative capability register, which would be a sophisticated directory giving key contact details but also information about areas of expertise, skills, unique offers, etc.</p> <p>A register combined with activity to help local businesses access and procurement processes development (e.g. tenders) could be a very useful and powerful tool. Once established, it could be followed up with sub-sector specific collaboration events. In the Creative industries, it is important that the formality is kept to a minimum.</p> <p>Have a selection of small networking groups aimed at specific sectors of the Creative industries, along with a base in the geographic centre that is most appropriate for them:</p> <ul style="list-style-type: none"> <li>• Southampton – Creative production, utilising and promoting through new creative space development.</li> <li>• Portsmouth – Visual Arts and Media</li> <li>• Eastleigh – Contemporary theatre and dance</li> <li>• Winchester – English Literature and dance production</li> </ul> <p>The 'Café Culture' networking model in Winchester could be evaluated and if appropriate rolled out for specific creative sub-sectors in the locations noted above. This agency' should, if possible, be run by an existing not-for-profit organisation.</p>	<p>£20,000 for capability register</p> <p>Procurement assistance and brokerage service could cost £50,000 per annum to include one member of staff</p> <p>Networking events could attract direct costs of £300-£500 each but this does not include time/money for organisation and promotion, which could add another £10,000-£20,000 per annum</p>

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Reputation development and place branding	Having strong Creative production talent but lacking the space, support and confidence to nurture this,	Long Term	SEEDA, Southampton, Portsmouth and Winchester Universities, Local Authorities, CIBAS, Café Culture, SNAP, Arts Marketing Hampshire, Audience Development South East, INESO.	The area to gain a reputation for its quality and variety of Creative production and the range of associated entertainment values.	<p>Assess attitudes within the Creative sector in PUSH and the perception of creativity in Southampton. Build on this by promoting the area's creative strengths through developing a branded image of the PUSH area and what its different localities have to offer, so providing a high quality, large variety within a small geographical area. Capitalise on the proximity and good infrastructure that allows easy connection London with lower rents to attract new productions, talent and audiences from the wider South East.</p> <p>Participation of the local press could be an important step. An agreement could be reached for a Creative column to regularly appear advertising up and coming events throughout PUSH, or Creative media could be given away with local press. Use innovative forms of advertising the area. Capitalise on existing and new landmark buildings to attract attention, for example:</p> <ul style="list-style-type: none"> <li>• Aspex Gallery</li> <li>• SNAC</li> <li>• The Point</li> <li>• The Arches</li> </ul> <p>Key organisations/developments to try to get involved and head up a campaign:</p> <ul style="list-style-type: none"> <li>• SNAC</li> <li>• The Creation Centre</li> <li>• The Point</li> <li>• Aspex Gallery</li> <li>• Café Culture</li> <li>• 3 Men &amp; A Suit</li> <li>• Sematic Ltd</li> <li>• MQM, new media</li> <li>• Mindworks Marketing</li> </ul>	£40,000 to fund case study development and promotional activity (e.g. at international fairs)

### 10.5 Recommendations for Action – Business Services

This sector is likely to be conducive to support initiatives that follow sector development principles. The justification for this conclusion is provided above in Section 10.1.3. This means that the interventions are likely to have a life that matches the length of the funding available. There are models of networking within the Service sectors, such as Service Network in the North East, and such an approach might be considered. However, further evidence of market need is required before resources are committed to such an activity, because significant pump priming would be required. This report advocates, therefore, an approach which considers providing resources to execute some specific actions, with the understanding that once that funding expires, those activities are likely to end unless alternative funding can be found or other organisations take up the responsibility of running them (for example, if the activity has generated sufficient interest to be a viable proposition in its own right, or of spin-out activities emerge that can be sustained over a longer period through minimal or zero funding, or are funded because additional supporting evidence of their value has been provided).

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Business Support	Support Service Rationalisation	Short - Medium term	All business support service specifically Business Link and members involved in the Business Support Simplification Programme.	Continued support development of the BSSP	Quick and objective review of the BSSP pilot scheme in Southampton city and roll out over the whole of PUSH. Acknowledge SME feedback and illustrate this through making and recommended changes where possible to gain local business support and start positive promotion of the new, simpler, more effective programme.	Perhaps none – could be delivered through existing mechanisms & fora
Market demand study	Lack of sufficient knowledge of how the business services sector operates and the demand for networking support	Short term	PUSH	To ascertain evidence of market demand for networking, and interaction from within business services with key clusters	Commission a research exercise to answer outstanding questions related to the extent to which business services businesses would be interested in networking with peers and potential clients within and across the services sector.	£40,000



Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Networking	<p><b>Note – dependent on outcome of market demand study described above</b></p> <p>Lack of mechanism through which business services businesses can network and collaborate</p>	Medium Term	PUSH, Business Link, SEEDA, local businesses	To provide a forum for interaction, networking and collaboration	A specific starting point focus could be to target legal services in Southampton, as they are already developing a reputation as being a strong local concentration of legal services. Identify the driven people working within this industry and location and work with them to identify what better business-to-business collaboration could bring. Make stronger links with Portsmouth legal services to capitalise on local strengths and promote a PUSH network as a whole, which could start to attract the needed middle tier staff and business from London. There are models of successful network development in the manufacturing and service sectors (for example the North East based Service Network in Case Study 1), which could be studied and understood in short order. This would provide a platform for the development of activity within the Business Services sector, which is perhaps the most challenging when it comes to formulating actions because of a general lack of commonality across the sector.	Up to £200,000 per annum for to cover overheads of small team. Revenue could be generated in year two onwards.

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Place Branding	Having strong Business Services (specifically Law, management consultancy) but the sector finding it hard to attract the middle level staff needed to boost the sector.	Long Term	SEEDA, Local Authorities, PUSH, Business Link, Chambers	The area to gain a reputation as being a national competitor to London and the West Midlands for professional services.	<p>Southampton is starting to develop a wider reputation for the quality and concentration of its Business Services sector, but is not yet recognised as nationally competitive. The area's benefits as a location for Business Services should be promoted, perhaps with London being the key target audience. It should be highlighted as able to offer higher quality of life, better environment, the same professional level and good career prospects. This could help attract back to the area those experienced professionals whom local businesses find it hard to recruit. Build Portsmouth's Business Services sector by developing the branches that are there through more experienced staff, thus improving its reputation. Development of the Diamonds for Growth (Reading and Basingstoke) could also be a key driver, and opportunities for new businesses in outsourcing of value added services could be driven by growth in adjacent locations.</p> <p>Participation of the local newspapers and advertisement of the 'great location' on company web sites could be an important step. An agreement could be reached for a professional services column to regularly appear, where key issues are raised and debated and successful businesses showcased.</p> <p>Key locally active companies to try to get involved and head up a campaign:</p> <ul style="list-style-type: none"> <li>• Taylor Made Computer Solutions</li> <li>• Wessex Partnerships</li> <li>• The Environmental Project Consulting Group</li> <li>• Hughes and Ellard</li> <li>• Showsmiths</li> <li>• Compass Accountants</li> </ul>	From £20,000 to £100,000 depending on scale and objectives selected as priorities

Initiative Name	Issue	Timescale	Participants	Objective	Action	Estimated Budget
Procurement	Procurement procedures – particularly in the public sector but also amongst large private sector companies - are challenging for SMEs	Medium term	Local authorities and businesses, exemplified by the relationship VT Group have with Portsmouth City Council in trying to build local supplier relationships	Promotion and simplification of local procurement	<p>Local councils and other public bodies, as well as larger businesses, account for a significant proportion of local 'purchases'. SMEs in particular find such processes difficult to break in to and be successful in. This can often be because of the way procurement procedures are designed.</p> <p>Each council could run a small 'straight talking event' to identify precise business issues associated with procurement procedures, which could form the basis of a work plan to eradicate unnecessary procurement hurdles (e.g. the level of insurance required, which is often driven by Construction projects) and to make opportunities more widely accessible to local SMEs. Clearly in the first instance these should focus on contracts related to the growth sectors, such as outsourcing, design and consultancy assignments. This is not about creating an uneven playing field and positive discrimination towards local businesses, but about ensuring opportunity for all and that local business are at least as aware as others about what is required. A follow up meeting around writing tenders and a more qualitative discussion about strong and weak bid writing (for officers) and proposal writing (for companies).</p>	£50,000

## 11. Appendix

### 11.1 Contacts for discussions

**Table 26: Business Contacts**

<b>Contact</b>	<b>Company</b>	<b>Sector</b>
Anne Duncan	Yellow Fin	Advanced Manufacture
Peter Milne	Aetheric Engineering	Advanced Manufacture
Huw Chapman	PALL	Advanced Manufacture
Chris Butler	Meggitt	Advanced Manufacture
Mark Merritt	Formula Yacht Spars	Advanced Manufacture
John Walkerdine	Astrium	Advanced Manufacture
Roderick Snell	Snell & Wilcox	Advanced Manufacture
Paul Leister	VT Group	Advanced Manufacture
David Point	Point Source	Advanced Manufacture
Maghin Tamilarasan	Qinetiq	Advanced Manufacture
Paul Pagdin	Astro Technologies	Advanced Manufacture
Jeff Walton	Compass Accountants	Business Services
Chris Bramley	Fastream Recruitment	Business Services
Ian Lockwood	Taylor Made Computer Solutions	Business Services
Mary Allen	The Environmental Project Consulting group	Business Services
Robert Bentley	Wessex Partnerships	Business Services
Richard Cook	Showsmiths	Business Services
Rebecca Rubio	Inter Regs	Business Services
Stephen Downham	Hughes and Ellard	Business Services
Nick Warren	Semantic Ltd	Creative
John Harris-Burland	Mindworks Marketing	Creative
Caroline Stewart	3 Men & a Suit	Creative
Steven Foster	John Hansard Gallery	Creative
Kevin Appleby	Turner Sims Concert Hall	Creative
Helen Keal	Art Asia	Creative
Kate Anderson	Nuffield Theatre	Creative
Steve Fisher	CIBAS	Creative
Mark Woodruff	MQM	Creative
Daniel Crow	Aspace	Creative

**Table 27: Supporting Organisation Contacts**

<b>Contact</b>	<b>Organisation</b>	<b>Position</b>
Jacky Stevens	Business Link	CEO
Steve Fisher	CI Business Advisory	Project Support
Tony Mundy	Economic Development Manager	Fareham Borough Council
Genevieve Dady	Hampshire County Council	Economic Projects Officer
Ian Bridges	Portsmouth Council	Inward Investment Officer
Andy Clement	SEEDA	Supply Chain Manager
Colin Baldwin	SEEDA	Knowledge Transfer Manager
Trevor Moore	SEEDA	Investor Development Manager
Neil Pearce	SEEDA	Hampshire and Isle of Wight Senior Area Manager
Ed Metcalfe	SEEDA	Head of Science, Technology, Entrepreneurship and Management
Arthur Monks	Solent Enterprise Hub	Director
Steve Davis	Southampton Enterprise Hub	Director
Nigel Vaughn	Solent Synergy	CEO

## 11.2 Detailed RAE Ratings table

Institution name	Unit of assessment name	Sector	2001 Rating
University of Portsmouth	Applied Mathematics	Advanced Manufacture	5
University of Southampton	Applied Mathematics	Advanced Manufacture	5
University of Portsmouth	Electrical and Electronic Engineering	Advanced Manufacture	2
University of Southampton	Electrical and Electronic Engineering	Advanced Manufacture	5*
University of Portsmouth	Mechanical, Aeronautical and Manufacture Engineering	Advanced Manufacture	4
University of Southampton	Mechanical, Aeronautical and Manufacture Engineering	Advanced Manufacture	5*
University of Southampton	Computer Science	Advanced Manufacture/Creative & Media	5*
University of Southampton	Physics	Advanced Manufacture	5*
Southampton Institute	Business and Management Studies	Business Services	2
University of Portsmouth	Business and Management Studies	Business Services	4
University of Southampton	Business and Management Studies	Business Services	4
Southampton Institute	Law	Business Services	3a
University of Southampton	Law	Business Services	5*
University of Southampton	Social Policy and Administration	Business Services	5
University of Southampton	Statistics and Operational Research	Business Services	5
University of Southampton	Statistics and Operational Research	Business Services	5
University of Portsmouth	Civil Engineering	Business Services/Advanced Manufacture	3a
University of Southampton	Civil Engineering	Business Services/Advanced Manufacture	5*
University of Southampton	Economics and Econometrics	Business Services	5
Southampton Institute	Art and Design	Creative & Media	3b
University of Portsmouth	Art and Design	Creative & Media	3a
University of Southampton	Art and Design	Creative & Media	4
Southampton Institute	Communication, Cultural and Media Studies	Creative & Media	2
University of Southampton	English Language and Literature	Creative & Media	5
University of Southampton	Music	Creative & Media	5*
University of Southampton	Archaeology	Tourism/Creative & Media	5
University of Portsmouth	History	Tourism/Creative & Media	4
University of Southampton	History	Tourism/Creative & Media	5
Southampton Institute	History of Art, Architecture and Design	Tourism/Creative & Media	2
University of Southampton	History of Art, Architecture and Design	Tourism/Creative & Media	4

Source: [www.hero.ac.uk](http://www.hero.ac.uk)

### 11.3 DTZ geographical areas analysed.

The sub-region includes the full district areas of Portsmouth, Southampton, Fareham, Gosport, Havant and Eastleigh plus part of the New Forest, Winchester, Test Valley and East Hampshire district areas. In order to recognize the differing characteristics that make up the area, distinctions between the Cities, Urban Boroughs, and Rural Fringe areas have been made.

Cities: Portsmouth and Southampton

Urban Boroughs: Eastleigh, Fareham, Gosport, and Havant

Rural Fringe: East Hampshire, New Forrest, Test Valley, Winchester

### 11.4 Business support, networks and formal clusters that currently exist.

**Tourism** – TSE <http://industry.visitsoutheastengland.com/> works with tourism businesses, to support the industry and promote the region.

**The Hampshire Economic Partnership**

<http://www.hep.uk.com/content/default.asp?ParamReload=true&PageId=17> brings together business and local government to influence government policy and support the economic prosperity of Hampshire. Partners involved include **the following**.

**Harbour Economic Development Forum** <http://www.harbour-forum.co.uk/> Harbour Forum where you can find out about our work in developing and promoting South East Hampshire.

**In-Biz** <http://www.inbiz.co.uk/about-inbiz.html> part of Avanta Enterprise Ltd, focuses on enterprise creation and neighbourhood regeneration mainly with start-ups, micro-businesses and SME's.

**North Hampshire Chamber of Commerce and Industry** <http://www.nhcci.co.uk/>

**Portsmouth and South East Hampshire Chamber** <http://www.chamber.org.uk/>

**South Hampshire Enterprise Agency** <http://www.shealtd.co.uk/> - very basic web site with a directory of small businesses in the area; offers general business support and a number of training programmes

**Southampton Enterprise Hub** <http://www.southamptonhub.com/home/default.asp> - based at Southampton University.

**The Universities Science Park** <http://www.science-park.co.uk/> linked with the enterprise hub providing high quality office and lab space in attractive landscaped surroundings. It is home to science and technology based companies of all sizes, from fast growing start-ups to international household names.

**SEHTA** <http://www.sehta.co.uk/> South East England's health technologies association, a Ltd company, aims to catalyse innovation and international competitiveness in South East England.

**Marine South East** <http://www.marinesoutheast.co.uk/>

**Sea Vision UK** <http://www.seavisionuk.org/>

**MareNet**

**The Solent Forum** <http://www.solentforum.hants.org.uk/>

**Solent Marine Community** [www.solentmarinecommunity.co.uk](http://www.solentmarinecommunity.co.uk)

**British Marine Federation** <http://www.britishmarine.co.uk/>

**The UK Spill Association** <http://www.ukspill.org/>

**Finance SE**, <http://www.financesoutheast.com/index.html>

**Solent Synergy** <http://www.solentsynergy.co.uk/>

**Business Link Hampshire** <http://www.businesslink.gov.uk/bdotg/action/home?site=41>

**Other support/research organisations mentioned in the SEEDA RES**

**UKTI**

**MAS**

**Innovation Advisory Service** <http://www.iasse.co.uk/> The 14 specialists advisors of the Innovation Advisory Service have board level experience in a wide range of companies.

**South East Women's Enterprise Group**

[http://www.seeda.co.uk/Work\\_in\\_the\\_Region/Business/Womens\\_Enterprise/](http://www.seeda.co.uk/Work_in_the_Region/Business/Womens_Enterprise/)

**Culture South East** <http://www.culturesoutheast.org.uk/pages/content.asp> and partners <http://www.culturesoutheast.org.uk/pages/content.asp?PageID=148&Position=2>

**RSPA?**

**Sector Skills councils**

**Regional Housing Board****English Partnerships****LSPA's** <http://www.hampshireiow-lspa.com/>**PROWESS**<http://www.prowess.org.uk/>**PRIME**[http://www.primeinitiative.org.uk/prime\\_locations.php](http://www.primeinitiative.org.uk/prime_locations.php)**NIACE** <http://www.niace.org.uk/>

an adult learning NGO

**SIPSE** <http://www.raise-networks.org.uk/sipse/>