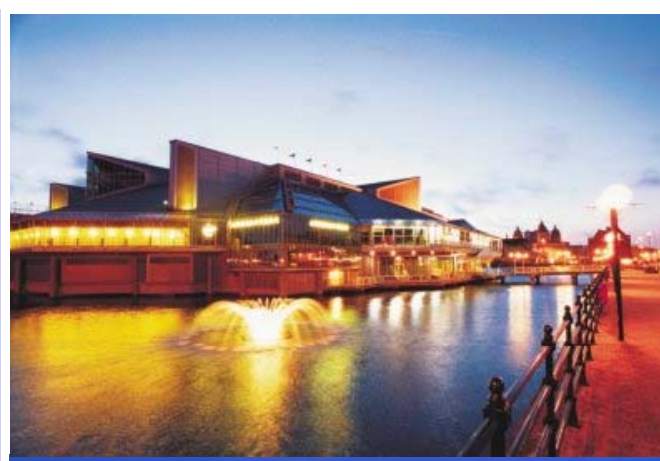


Enterprise in Hull

Business Knowledge and Ideas Exchange for
Local Enterprise Growth Initiative bid

Final Report
November 2005



**hull**
business forum

In association with

**Hull**
City Council

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Executive summary

Introduction

This report has been produced by Hull Business Forum to help inform a possible Local Enterprise Growth Initiative (LEGI) bid from Hull. The research has included a consultation review, written comments, a business survey and business focus group.

Enterprise Survey

Hull Business Forum carried out an enterprise survey in October/November 2005 to which 125 local businesses responded. Three-quarters of respondents had started their own business, and between them the respondent companies employed 8,000 people and had over 3,000 years trading experience in Hull. A summary of the survey is on the following page with further details from page 7.

Business Focus Group

A business focus group met on 7th November 2005 and were presented with provisional survey results and asked a series of questions about LEGI in Hull. The focus group broadly supported the survey findings and developed specific ideas on issues such as business support, mentoring, entrepreneurial culture and procurement. A proposal was made to set up a limited company called 'Hull Futures Ltd' pump-primed by LEGI, owned and managed by the local business community to provide a range of support services (further details from page 20). The focus group also called for:

- Any bid to carefully target resources on a small number of key projects;
- focus on support at key stages in an enterprises development e.g. start, first employee, VAT etc;
- emphasis on promoting an entrepreneurial culture;
- development of mentoring programme where advice comes from people who have 'done it'.

Increasing business start-ups

The findings of the survey reveal a range of issues relating to the LEGI objective of increasing the rate of business start-ups. It was felt the key drivers behind enterprise were issues such as the strength of the local economy, local business environment, education and entrepreneurial culture. In terms of business support measures, there was broad agreement from the research that support should be available to all businesses, primarily in the form of grants/loans supported by mentoring. There was also very strong support for a focus on young people, especially in relation to entrepreneurial culture. Help for young businesses with premises and business rates were also advocated.

Improving business survival rates

The barriers to existing companies in deprived areas were different from start-ups. Crime and a poor business and trading environment were key problems. There was broad support again for grants,

loans and mentoring and also for support on procurement. Help to 'sell' was also priority in terms of assistance to market and promote themselves through 'word of mouth' and networking (which businesses in deprived communities were less likely to be plugged into). There was also support for general local improvements in deprived communities and better links with local communities for new businesses, e.g. business brokers.

Attracting investment

Stigma was not identified as a major barrier to start-ups or running businesses in deprived areas, but improving the image of Hull was seen as the best way to attract investment, grow the economy and capture the enterprise opportunities that growth would bring.

Conclusions

The key recommendations (page 24) from the report included:

- The local economy is key enterprise driver.
- LEGI is central to Hull's new Community Strategy.
- Culture and attitude of entrepreneurs is key.
- 'Business-friendly' is more important than business support.
- Grants/loans and mentoring are vital.
- Enterprise in young people is very important.
- Image is the key to attracting investment.

Recommendations

In light of the conclusions a series of recommendations can be made:

- LEGI should focus Hull on being 'business friendly' (e.g. skills, procurement, transport, planning) to grow the economy, i.e. broader than business support.
- Focus on a small number of key interventions rather than scatter it on lots of projects.
- LEGI should support specific economic and business projects to promote a more entrepreneurial culture e.g. to young people.
- As much funding as possible should get to businesses themselves, not get lost in administration and red tape.
- Help new businesses by targeting support at key stages of their development.
- Explore feasibility of 'Hull Futures Ltd', owned and managed by business, for business to deliver a range of support services.
- Funding for more grants and soft loans, supported by mentoring programmes should take priority in business support measures.
- Improve access for businesses in deprived areas to key business networks.
- Premises issues should form part of the package in deprived areas, either enterprise centres, or rent/rate support for new enterprises.
- Improve Hull's 'product' to raise image, aspiration, investment and in turn enterprise.

Business Survey Summary

Increase business start-ups

- Enterprise**
- Three-quarters of respondents have started their own business
 - 35.2% believe 'spotting an opportunity and taking a risk' is a key enterprise factor
 - Tenacity and vision are the most important attributes in an entrepreneur
 - 75% believe it is 'very important' to promote enterprise to young people
 - 79% believe 'all businesses' not just those in clusters or deprived wards should be supported

- Barriers**
- 40.8% believe 'too little ambition and aspiration' is a key enterprise barrier
 - 'Lack of own money' at 40.9% is a key barrier amongst those who have started a business
 - 'Not enough business support' was lowest ranked barrier
 - 73% believe it is more difficult to start a business in a deprived area
 - 'Smaller market / weaker economy' is a key barrier in most deprived areas
 - Poorer education (40%) and lack of premises (28%) were also barriers in deprived areas
 - Only 17% believe 'stigma' is a significant barrier to starting a business

- Solutions**
- 'A growing economy' and 'improved education' would boost enterprise
 - 'Grant/loan funding', 'mentoring', 'youth enterprise' are key measures
 - Little support for 'enterprise awards' or 'high street enterprise agencies'
 - Improve access to business networks for businesses in deprived wards to help them sell
 - Significant support for measures to promote entrepreneurial culture

Improve business survival rates

- Barriers**
- 'High crime / poor environment' is a barrier to running a business in deprived area
 - 'Lack of suitable premises' is a bigger barrier for firms employing 100+ people
 - Only 1 in 10 believe business support in Hull is effective enough
 - Entrepreneurs running small and young businesses are least likely to find it effective
 - 97% want their company to grow. 80% expect them to grow

- Solutions**
- 54% believe grants/loans are best way to support existing businesses
 - Mentoring was second most favoured measure with 30%
 - 43% of young businesses want to establish better community links e.g. business broker
 - 66% want to see 'general improvements to local area' to support businesses

Increase investment

- Barriers**
- 'Poor local image' is key barrier to attracting investment in Hull
 - 'Lack of skills in the local workforce' was second barrier with 40%

- Solutions**
- 76% thought 'reducing the negative image of area' would have 'high' impact
 - 77% believed an improved external image of Hull would attract investment
 - 72% thought a vibrant economy and business scene would boost investment
 - Only 22% thought better business support and advice would attract investment
 - 58% believed a better skilled and qualified workforce would attract investment

Introduction

The Forum

Hull Business Forum was established in 2003 to provide strong business engagement with Cityvision, Hull's Local Strategic Partnership. The Forum provides a business 'voice' as well as a source of news and information for local companies on Hull's regeneration. We believe enterprise should be at the core of this regeneration and have consistently argued this point in local and regional strategic consultations.

Background

This report has been commissioned by Hull City Council Development and Renewal Services as part of the process for a possible Local Enterprise Growth Initiative (LEGI) in Hull. It is one of a series of pieces of work being carried out by key organisations in the city as an 'Ideas and Knowledge Exchange' on the barriers and solutions to local enterprise as proposed in mtl's LEGI Scoping Study.

LEGI was announced by the Chancellor in March 2005 as a further scheme to tackle the business and enterprise gap in deprived communities. We have noted the three key objectives for LEGI schemes that form the basis of this report are:

- Increase business start-ups
- Improve business survival rates
- Increase investment

Methodology

The purpose of this piece of work is to tap into the knowledge and experience of Hull's business community. A four-stage process was adopted:

1. **Review of previous consultations** e.g. 2005 Community Strategy, to capture existing relevant data and apply to LEGI objectives.
2. **Request for qualitative business views** to key LEGI questions to provide an open ended opportunity to express views, opinions and experiences via e-mail or other written means.
3. **Enterprise Survey** carried out in October/November 2005 to constitute main primary quantitative research to this report.
4. **LEGI Business Focus Group** held on 9th November 2005 to discuss the emerging outcomes of the research and distil the key barriers and solutions for inclusion in this report.

This report sets out the key findings of the research stages of this process and highlights key findings and conclusions to inform a possible LEGI bid from Hull.

We have not attempted in this report to set out a statistical analysis of Hull's economy, enterprise, business and investment performance, as much of the relevant data is included in the LEGI Scoping Study produced by mtl and other published sources. This report therefore is designed to reflect current views and opinions for consideration in the LEGI bid.

Business opinion review

Introduction

Hull's business community has been very active in consultation exercises this year on issues such as the Regional Economic Strategy review, Regional Spatial Strategy and Local Transport Plan all of which impact on the city's enterprise and business performance. Hull Business Forum has also led the business input into the Local Strategic Partnership's new Community Strategy which will shortly be published.

This section details some of the key messages of these consultations in the LEGI context as well as relevant national research on the barriers and solutions to enterprise.

Community Strategy Vision for Hull

The business analysis for the Community Strategy showed that Hull is a great city which is suffering from some major problems. It was advocated that the Community Strategy should focus on tackling the fundamental causes of Hull's socio-economic problems. This means a clear emphasis on creating a stronger economy, which can only be achieved in parallel with a radical improvements in education and skills.

Getting these two big issues right will go a long way towards resolving many of the other problems in the city such as high crime, low aspirations, poor housing and poor health which are largely symptoms of economic under-performance. It argued that if Hull could meet its broad targets of 15,000 new jobs and 1,600 new businesses over the next decade, we would see a city that was more prosperous, with better education, improved health, lower crime, better standards of living and a stable or growing population.

The report highlighted what Hull would look like if it could achieve its vision:

- Hull would be the **sub-regional capital** which punches its economic weight in the region.
- It would have an improved **A63 Castle Street** opening up access to the Port and reuniting the city centre with its waterfront.
- Visionary projects such as **River Hull impoundment** and/or a **light rail system** would be a reality.
- There would be at least **15,000 extra jobs** and **1,600 more businesses**, many in the most deprived communities offering local employment and enterprise.
- Every young person in Hull would reach their own potential in a **first class education system**.
- Hull's people and businesses would be **prouder of their city** and people from outside the area would recognise the city as prosperous and dynamic.

- The city would have a **fantastic cultural offering** including museums, cafes, theatre, sport and leisure pursuits, accessible day and night.

Community Strategy Priorities

After an exhaustive consultation exercise, the business community agreed some key priorities for its dual-track approach of delivering a step change in Hull's economic and educational performance. It argued that the Community Strategy would only be successful in achieving these high level objectives if partners can focus on key priorities. The Forum suggested a number of priorities on key issues such as:

Economy

- Develop a much better integrated support package for enterprise, especially youth entrepreneurship.
- Supporting Hull's existing businesses in their growth and development.
- Targeting investors based on our economic strengths and presenting them with an integrated package.
- Implementing a more business friendly planning system.
- Getting public procurement right to capture economic benefit and jobs locally.
- Producing a more imaginative transport strategy focused on tackling congestion and an improved A63.

Education/Skills

- Sustain improvements at primary level.
- Rapidly accelerate progress in GCSE attainment.
- Embed enterprise education in the curriculum and build deeper links between schools and business.
- Retain and attract more graduates within the local economy.

In its conclusion, the Forum argued that:

"We strongly believe that the Community Strategy must have an over-riding aim of tackling the root causes of some of Hull's most long standing socio-economic problems and in practice that means a relentless focus on creating the 15,000 new jobs and 1,600 new businesses needed for our economy, in parallel with the essential accelerated improvements in education and skills required to make this a reality."

It is clear from the analysis presented above that the LEGI objectives of increased enterprise, business success and investment are fundamental to the city's development. There is therefore the broadest possible support for a LEGI bid for Hull which focuses on sharp economic outcomes to help deliver wider socio-economic change for Hull's citizens and businesses.

'Have your say in Hull's future'

Input into the Community Strategy process continued with the Forum playing a leading role in the 'Have your say in Hull's future' exercise which was a huge

city-wide consultation process. The Forum once again led input from the business community.

The headline results from the business responses to the survey were as follows:

- The vast majority of respondents (**95%**) supported the **key priorities** identified as economy & jobs, education & skills and quality of life.
- Of the 95% respondents who supported the priorities, **50% felt that economy & jobs was most important**, followed by education and skills (44%) and quality of life (6%).
- It was very clear from the responses that the business community sees **economy/jobs and education/skills as inextricably linked** as the top priorities. This result supported the Forum's consultations in April/May for the 2020 vision.

The enterprise agenda continued to be a key theme throughout this process and should result in the economy being a central theme of the Community Strategy once published.

Regional Economic Strategy

Hull's business community also strongly advocated an enterprise led approach in the region in its response this year to the Regional Economic Strategy:

*"We also believe that **enterprise** should be a further top priority and we welcome the measures that Yorkshire Forward have taken to date to support this agenda. We would particularly like to see a further emphasis on the promotion of an enterprise culture. This would include measures to promote business engagement in schools, perhaps incentives could be provided to companies that dedicate time and resources to local schools, and enterprise being embedded in core curriculum subjects. This theme should then be carried through with practical business support, customised for and communicated clearly to, young people."*

National perspective – 'Enterprise Nation'

LEGI objectives are also supported at a national level. David Frost, British Chambers of Commerce Director General, this month launched 'Enterprise Nation' at the start of Enterprise Week to highlight the work being done by Chambers to promote enterprise.

'Enterprise Nation' shows the innovative ways that Chambers are addressing the challenges facing entrepreneurs, particularly those in disadvantaged areas. The report features case studies of entrepreneurs, showing what it involves to start up and grow a business today. Businesses across the UK were surveyed and the findings give us a clear indication of what businesses want and need to help them prosper.

In light of the report, British Chambers of Commerce believe that:

- *"We need greater enterprise if the UK is going to become more competitive in the face of growing global challenges."*
- *"Businesses are struggling to survive in some of our most disadvantaged communities, areas which are characterised by a raft of problems such as high crime, worklessness, low aspirations and poor educational achievement."*
- *"If we are going to make a tangible difference to the lives of people in these communities, particularly young people, we have to focus on raising levels of entrepreneurial activity."*
- *"Greater enterprise can lead the regeneration of areas and close the gap between our poorest and most prosperous areas."*
- *"Chambers of Commerce are working on behalf of businesses up and down the country to achieve the goals of greater enterprise and business growth shared by government and business alike. They hold a unique position as trusted organisations at the heart of their communities."*

Conclusions

The range of consultation and survey evidence undertaken prior to this LEGI process reinforces some of the key messages we will explore in later sections. It clearly demonstrates that the local business community believes economic development in terms of enterprise, business survival and investment should be Hull's top priority along with improvements in the city's human potential through education and skills provision. This is positive in that it means that if successful, the LEGI agenda in Hull will be central to the city's broader strategy. The support and commitment of Hull's business community to the LEGI bid is therefore not about simply bidding for additional resources because we can, it is borne out of a fundamental belief that LEGI objectives are central to the broader city objectives and they form a key part of Hull's future development strategy set out in the Community Strategy.

'Enterprise In Hull' Survey

Introduction

The core primary research element of this report comprised a survey of local businesses carried out between 26th October and 7th November 2005. The survey was sent to members of Hull Business Forum, Hull members of Hull & Humber Chamber of Commerce and the Federation of Small Businesses.

The purpose of the survey was to collate the views and opinions of local business people on the barriers and solutions to start-ups, business survival rates and investment in Hull and its most deprived communities.

125 local businesses responded to the survey and a full breakdown of respondents is included in Annex B. Companies of all sizes and sectors responded to the survey from postcodes across the city and its immediate economic hinterland. Three-quarters of respondents had started their own businesses and so the following results are a good reflection of entrepreneurs' views and perspectives on LEGI issues.

Increasing business start-ups

The survey began by testing business opinion on the **most important factors for people starting a new business**. Respondents were asked to choose only the single most important of six options.

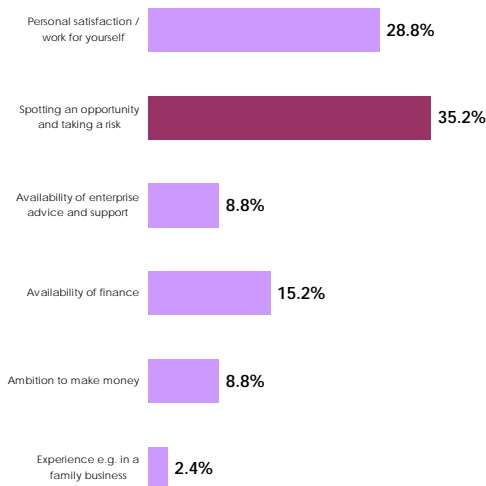


Figure 1: Factors in starting a new business (all responses)

The survey suggests that two factors were significantly prominent. 'Spotting an opportunity and taking a risk' was top with 35.2% of responses. This was followed on 28.8% by 'personal satisfaction and working for yourself'. 'Ambition to make money' was towards the bottom of the rankings with 8.8%. The top two responses are very much related to the characteristics which shape entrepreneurs in terms of to their main motivations and attitudes to risk. The other three less popular stated options were more practically orientated around the 'availability of

finance' (15.2%), the provision of 'enterprise advice and support' (8.8%) and 'experience' such as being part of a family business (2.4%). It is worth reiterating that the question asked for a single most important factor, and no doubt respondents believe more than one factor comes together to promote a business start-up.

Factor	Entrepreneurs	Non-entrepreneurs	Total
Personal satisfaction / work for yourself	32.3%	19.4%	28.8%
Spotting an opportunity and taking a risk	34.4%	38.7%	35.2%
Availability of enterprise advice and support	8.6%	9.7%	8.8%
Availability of finance	12.9%	22.6%	15.2%
Ambition to make money	8.6%	9.7%	8.8%
Experience e.g. in a family business	3.2%	0%	2.4%

Figure 2: Factors in starting a new business (entrepreneurs and non-entrepreneurs)

The rankings from the 74% of respondents who have started their businesses are the same as the total percentages, although a higher proportion, 32.3% of these entrepreneurs stated that 'personal satisfaction / working for yourself' was the key factor compared to 19.4% of responses from those who had not set up their own business. A smaller proportion of entrepreneurs also ranked the 'availability of finance' as the most important factor. The interpretation of these results re-inforces the view that enterprise is about personal characteristics rather than the availability of practical factors and business support.

The survey also asked about the key personal attributes in people starting up in business. Respondents were asked whether each of five attributes were of 'high', 'medium' or 'low' importance.

	Attribute	Entrepreneurs %	Total %
1	Tenacity	77.2%	78.1%
2	Vision	71.7%	73.0%
3	Communication	68.1%	66.1%
4	Creativity / new ideas	58.2%	58.2%
5	Administrative / managerial	39.6%	38.8%

Figure 3: Most important attributes in someone starting a business (all responses)

'Tenacity' and 'vision' were seen as the two most important attributes in entrepreneurs with 77.2% and 71.7% respectively rated as 'high'. 'Administrative and managerial' attributes ranked bottom of the five

options offered. Respondents offered a number of further attributes they believed to be important including personal satisfaction, sense of humour, enthusiasm (2), contacts, hard work, experience, drive, self-belief (2), risk-taking, self-awareness of strengths/weaknesses, leadership, courage, 'gift of the gab' (to sell), bravery to take a risk, intellect, perseverance (2), receptive to advice and listen to customers. There was no significant difference in rankings between those respondents who had started a business and those who had not.

The survey asked about the major **barriers to people starting a business in Hull**. Multiple responses were permitted and six stated options were offered.

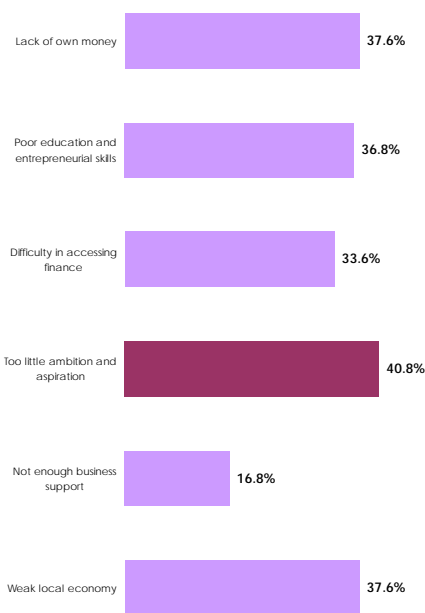


Figure 4: Barriers to business start-ups (all responses)

There was no clear consensus amongst respondents as to the major barriers to business start-ups in Hull, although 'too little ambition and aspiration' was ranked highest with 40.8%. 'Lack of own money' (37.6%) and a 'weak local economy' (37.6%) were joint second ranked with 'poor education and entrepreneurial skills' (36.8%) closely behind.

Enterprise is clearly a complex issue and despite the lack of one or two single barriers being identified by the survey, it is clear that there are different barriers for different entrepreneurs. There are broadly three areas identified as barriers:

- **Cultural issues** to enterprise such as ambition and aspiration.
- **Financial barriers** either a lack of individual wealth and/or ability to raise finance.
- **External factors** such as the relative weakness of the local economy making enterprise less likely to thrive.

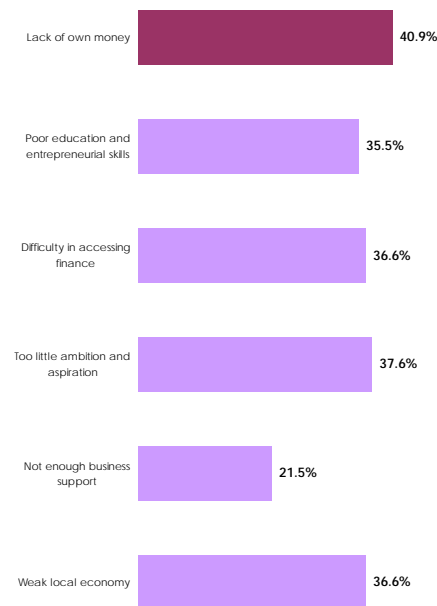


Figure 5: Barriers to business start-ups (entrepreneurs responses)

It is perhaps significant that business support is not seen as barrier to start-ups, rather that broader factors in the enterprise and business environment are far more important. Responses from entrepreneurs were broadly similar to the total responses, although given the fact that five of the six barriers were within a few percent, the rankings are slightly different.

The survey then explored the specific **barriers to enterprise in the most deprived parts** of the city (although an underlying assumption in the survey is that the city is relatively deprived almost city-wide).

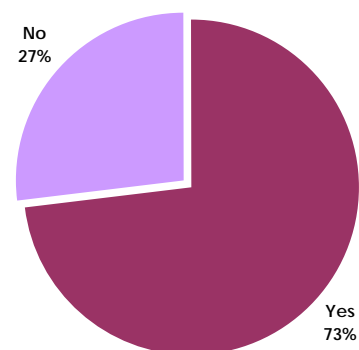


Figure 6: Is it more difficult to start a business in a deprived community? (all responses)

Almost three-quarters of respondents believe it is more difficult to start-up a business in a deprived community. The definition of a deprived community is however subjective and it is not clear whether respondents are referring to the city of Hull as a relatively deprived city or the most deprived wards within the city. The survey asked for opinion as to the specific barriers in a deprived community which shows that a 'smaller market / weak economy' is the most significant barrier with 72%. In the previous question about general barriers to enterprise in Hull, 'weak economy' was significant but not seen as the major barrier as it is in this question specifically related to deprived areas. It may therefore be fair to deduce that most respondents defined a deprived community as specific wards within Hull which makes their view that it is more difficult to start a business in such communities more significant. It should also be noted that responses from businesses in Hull's most deprived areas were amongst the lowest, e.g. HU6 (although this is in part because there are simply fewer businesses already in these wards).

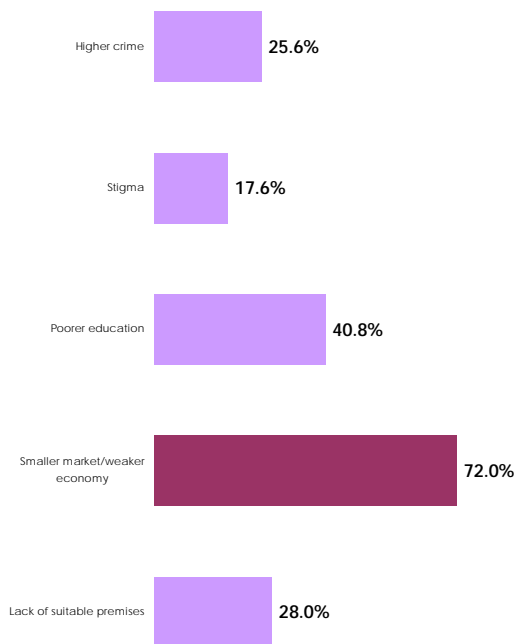


Figure 7: Barriers to start-ups in most deprived communities (all responses)

It is notable that the pre-conceived ideas about the barriers to business start-ups in deprived communities often refer to issues such as stigma and crime, although these factors feature much less prominently in this survey. Whilst 'smaller market / weaker economy' is by far the biggest barrier identified, it is also notable that 'poorer education' (40.8%) features highly, followed by a 'lack of suitable premises' (28.0%). The smaller market barrier perhaps applies more to certain types of businesses such as retail, leisure and consumer services whose primary customers are from the local area. Poorer education

is perhaps a barrier in a number of ways. In some instances it may stifle the ambition and aspiration identified as being important in previous questions. It also has practical impacts in that it may be a barrier in accessing finance, particularly through traditional routes, as basic functions such as business and financial planning become more difficult.

The survey asked about the **importance of promoting an entrepreneurial culture to young people**. This question was prompted in part by the development of a youth enterprise strategy in Hull and the fact that a number of other LEGI eligible areas are likely to give prominence to youth enterprise activity.

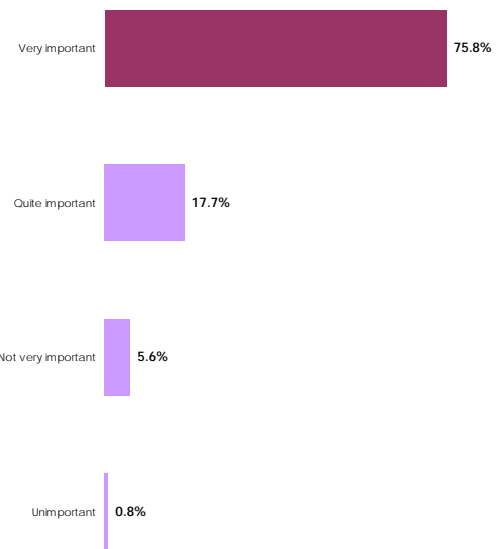


Figure 8: Importance of promoting enterprise to young people (all responses)

Respondents regarded it as crucial to promote an entrepreneurial culture to young people with 94% regarding it as important and 75.8% of those regarding it as 'very important'. Only 6.4% believed it was either 'not very important' or 'unimportant'. There was even stronger support for the importance of entrepreneurship in young people from entrepreneurs themselves. 77.4% of respondents who had started a business thought it was 'very important' to promote enterprise to young people.

One of the key debates in Hull's LEGI Scoping Study prepared by mtl is around the focus of LEGI in terms of enterprise support. The prevailing wind of economic development activity for nearly a decade, especially from RDAs and Business Links, has been that support should be targeted at businesses either in key clusters and/or with high growth potential. However, given the clear remit of LEGI for activity in deprived communities, these approaches may well need to be revisited on the basis that they have not yet made a significant impact in deprived areas. If they had, LEGI would not be required.

The survey therefore asked **where the public sector should focus their funding and support.**

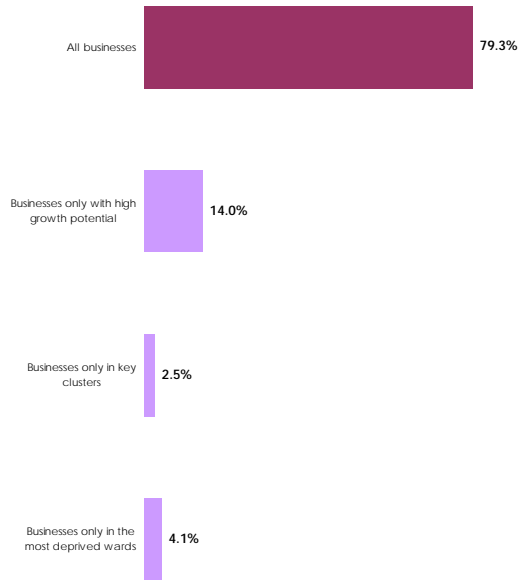


Figure 9: Focus of public sector funding and support (all responses)

Respondents clearly expressed the view that ‘all businesses’ should be the focus of public sector funding and support. This would include many previously excluded sectors such as retail which have the potential to play a major role in boosting enterprise in deprived communities. Significantly more respondents believed that business only with ‘high growth potential’ (14%) should be supported ahead of businesses only in ‘key clusters’ (2.5%). It is also significant in the LEGI context that only 4.1% of respondents believed that support should be directly focused at businesses ‘only in the most deprived wards’.

The survey then asked about the solutions to increasing business start-ups in Hull. Eleven stated options were identified and respondents were asked to approve no more than the three most important. The selection of the eleven options was based on measures suggested in the Government’s published documentation on LEGI, activities underway or proposed in Hull and some that may be suitable as a focus in any LEGI bid from Hull. The options were also deliberately a mixture of factors LEGI could directly influence and non-directly influence. The purpose was to identify what LEGI could itself deliver and achieve as opposed to what else may be required to really positively impact on enterprise performance in Hull. For example, amongst the indirectly influenceable options are ‘improved education and skills’ and ‘attract investment to grow the local economy’. Amongst the directly influenceable factors

are ‘more grant and soft loan funding’ and ‘fund local enterprise agencies on the high street’ (as suggested in the LEGI consultation paper).

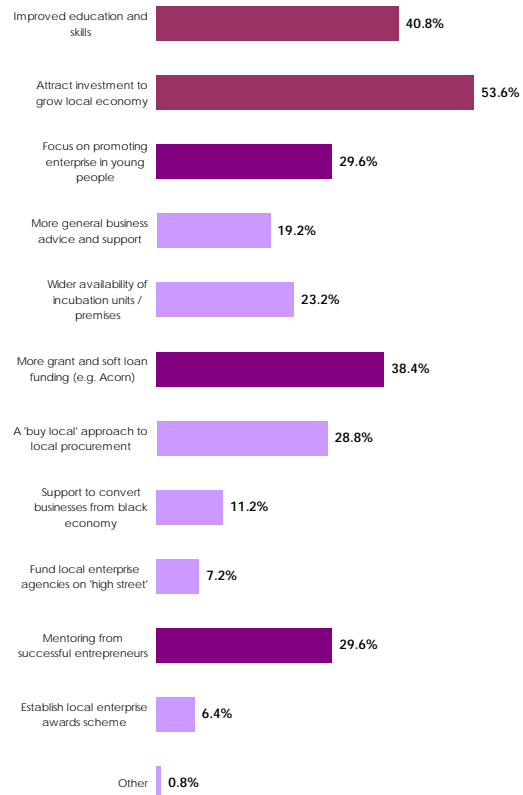


Figure 10: Measures to increase start-ups in Hull (all responses)

In terms of Hull’s LEGI bid, at least in relation to the business start-ups objective, this was perhaps the survey’s most relevant question. The two most prominent factors are at the top of the chart, ‘improved education and skills’ (40.8%) and ‘attract investment to grow local economy’ (53.6%). The link between education and enterprise is a feature of the earlier findings of Hull’s consultations on the new Community Strategy. However, education/skills and a growing economy are perhaps not part of the core LEGI remit. The three most significant LEGI ‘influenceable’ measures identified in the survey are ‘more grant and soft loan funding e.g. Acorn Fund’ with 38.4%, ‘mentoring from successful entrepreneurs’ and ‘focus on promoting enterprise in young people’ both with 29.6%. Amongst respondents who had started up their own business, ‘more grant and soft loan funding e.g. Acorn Fund’ had overtaken the indirectly influenceable ‘improved education and skills’ with 40.9% compared to 38.7%. These were followed by youth enterprise and mentoring in the same manner as for the overall responses. Amongst the remaining options, ‘a buy local approach to local procurement’ was the next favoured option with 28.8%. The three measures suggested in the Government’s LEGI consultation paper are the

bottom three of the eleven stated options with 'support to convert businesses from black economy' at 11.2%, 'fund local enterprise agencies on the high street' with 7.2% and 'establish local enterprise awards scheme' with 6.4%.

Respondents were asked to highlight any further measures they believed could be taken locally to increase business start-ups in deprived communities. These comments are detailed in full from page 16 of this report.

One of the issues in discussions on LEGI in Hull to date has been how new businesses in deprived communities can be helped to sell – perhaps the most important single factor in the success of any new enterprise. The survey therefore asked respondents to highlight the **best ways for new businesses to market and promote themselves**.

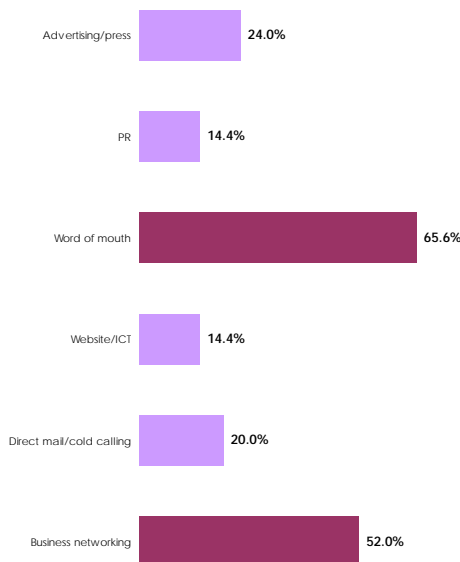


Figure 11: Best ways for new businesses to market and promote themselves (all responses)

Respondents believed that the two most effective ways to market and promote a new business were 'word of mouth' with 65.6% and 'business networking' with 52%. The issue of networking for new businesses in the most deprived parts of Hull was highlighted by the response to this survey. The questionnaire was circulated to all local members of Hull's two biggest business networks, the Federation of Small Businesses and the Chamber of Commerce. Despite this, the number of responses from some of Hull's most deprived postcodes such as HU6 was very low. The businesses in these postcodes are either not part of the traditional business networks or are members but chose not to respond. The former assertion is probably the reality and therefore there are issues LEGI could do to address this by promoting access to appropriate business networks for new and perhaps existing businesses in deprived communities.

Improving business survival rates

The next series of questions focused on the issues associated with running businesses in deprived areas, to generate opinions on the barriers and solutions to improving business survival rates across Hull.

The survey asked what the **barriers were to running a business in a deprived community**. Five stated options were offered to respondents who were asked to approve only one of the options.

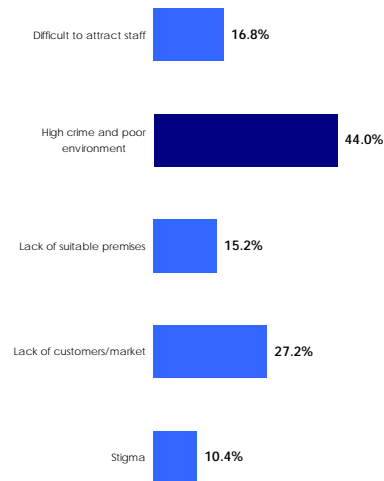


Figure 12: Barriers to running a business in a deprived community (all responses)

In contrast to the corresponding question to promote start-ups in deprived communities, respondents felt that 'high crime and poor environment' with 44% was the biggest barrier to running a business. This was followed on 27.2% by a 'lack of customers / market'. Interestingly, 'stigma' was the biggest barrier in the opinion of 10.4% of respondents and was the lowest ranked of the five stated options. At 17.6%, 'stigma' was the lowest ranked barrier in the enterprise section as well. Attracting staff to work at existing businesses in deprived areas was seen as the biggest barrier only by 16.8% of respondents. There were no significant differences reported by those who started their own business and those who had not.

	Barrier	Number of employees			
		Total	1-10	11-100	101+
1	High crime / poor environment	44%	45%	42%	39%
2	Lack of customers / market	27%	23%	32%	23%
3	Difficult to attract staff	17%	15%	24%	8%
4	Lack of suitable premises	15%	15%	11%	23%
5	Stigma	10%	15%	3%	8%

Figure 13: Barriers to running a business in a deprived community (by company size)

The survey suggests that 'high crime / poor environment' is the biggest barrier to running businesses of all sizes in deprived areas. However, it is notable that for larger businesses with 101 or more employees, 'lack of suitable' premises is a more significant barrier than for small businesses.

The survey asked whether they believed **business support in Hull was effective enough**.

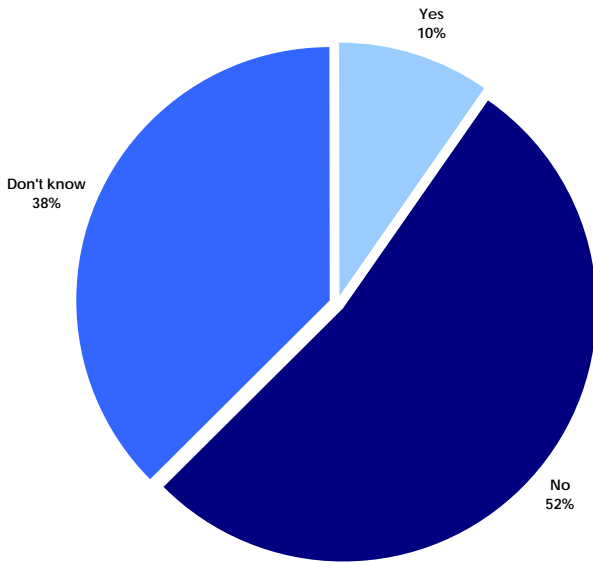


Figure 14: Is business support in Hull effective enough (all responses)

Responses to this question are of course subjective judgements, however, only 1 in 10 respondents believe that business support in Hull is effective enough, with a majority 52.8% believing that it is not.

	Yes	No	Don't know
Respondents who have started a business	8%	57%	35%
Respondents who had not started a business	16%	39%	45%
Respondents trading for less than ten years	7%	61%	33%
Respondents trading for more than ten years	13%	44%	44%
Respondents employing 1-10 people	7%	60%	33%
Respondents employing 11-100 people	16%	45%	39%
Respondents employing 101 or more people	8%	31%	61%
Total	10%	53%	37%

Figure 15: Is business support in Hull effective enough? (by type of respondents)

The lowest percentages of those believing business support in Hull is effective enough comes from young businesses at 7% (less than 10 years old), entrepreneurs at 8% (those who have started their own business) and small businesses at 7% (those employing less than 10 people). These trends are something of a concern for Hull's enterprise agenda. The highest level of support for the effectiveness of business support was held by those companies employing between 11-100 people with 16%. Unsurprisingly the businesses most likely to reply 'don't know' were the largest companies at 61% who are least likely to access publicly funded business support.

One of the factors in discussions about growing the city's small businesses relates to their willingness to grow and develop, with an underlying view that many local businesses do not want to grow. The survey therefore asked respondents whether they **wanted their business to grow** and **whether they expected it to grow** in Hull.

	Yes	No
Do you want your company to grow?	97%	3%
Do you expect it to grow in the future in Hull?	80%	20%

Figure 16: Growth expectations for businesses in Hull (all respondents)

On a positive note, a large majority of respondents wanted their business to grow in the city, although a significantly lower majority expected to grow. It should however be noted that whilst respondents included a vast array of businesses from sole traders to global multi-nationals, we should expect those businesses engaged in Hull's main business networks to want to grow. The results therefore in part reflect the base of respondents.

To follow up this question, the survey asked respondents to **define the growth in their companies**.

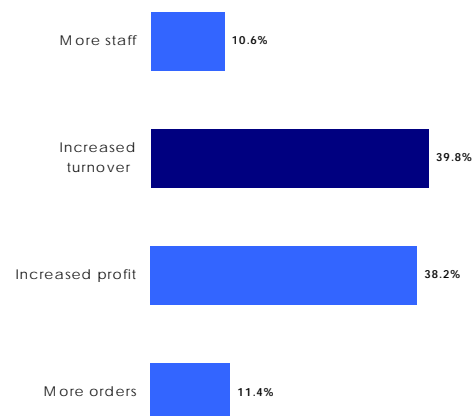


Figure 17: Definitions of growth in local businesses (all respondents)

Most respondents define the growth of their businesses in terms of increased turnover (39.8%) or increased profit (38.2%). There are some noticeable trends between different sizes of companies in how they define their growth.

	Staff	Turnover	Profit	Orders
Respondents trading for less than ten years	12%	42%	32%	15%
Respondents trading for more than ten years	10%	38%	44%	8%
Respondents employing 1-10 people	14%	34%	34%	18%
Respondents employing 11-100 people	8%	55%	34%	3%
Respondents employing 101 or more people	0%	23%	77%	0%
Total	11%	40%	38%	11%

Figure 18: Definitions of growth in local businesses (by type of respondents)

The bigger and more established the business, the greater the focus on defining growth by profit. 77% of larger business employing 101 or more people define their growth by increased profit, the rest by increased turnover. Smaller and younger businesses define their growth in a more varied way. Turnover and profit remain the most prominent definitions of growth, however 15% of businesses trading for less than 10 years and 18% of respondents employing less than 10 people define growth by their order books. More staff is the way in which 14% of the smallest businesses define their growth.

The survey then turned to some of the potential solutions to increasing business survival rates in deprived areas.

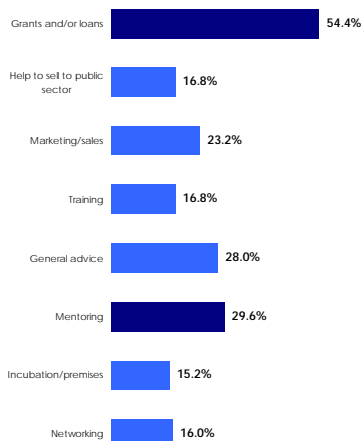


Figure 19: Business support services which would boost survival rates (all responses)

The provision of 'grants and/or loans' with 54.4% was clearly the most effective measure to support survival rates in deprived communities. Three other measures were clustered some way behind – mentoring (29.6%), general advice (28%) and marketing/sales support (23.2%). These rankings were the same for small businesses employing 1-10 people as for the total responses although for younger businesses 'incubation and premises' also broke into this cluster with 21.3%. 'Grants and loans' were even more popular amongst businesses employing 1-10 people with 61.6% and young businesses trading for less than 10 years with 65.6%.

The survey then asked about **non-business support measures which could help to improve survival rates in deprived communities.**

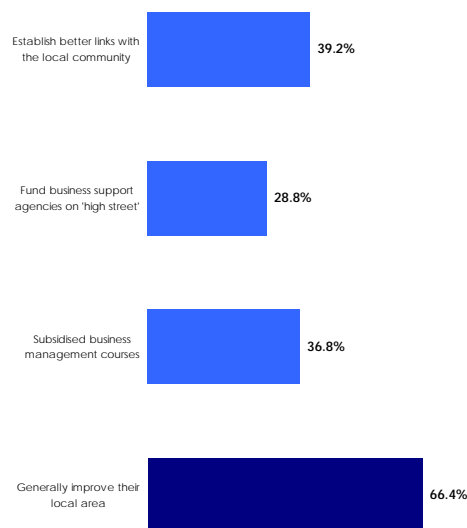


Figure 20: Non-business support measures to boost competitiveness in deprived areas (all responses)

'Generally improve the local area' was clearly the most popular non-business support measure to boost survival rates in deprived areas from the options offered. A significant proportion of respondents wanted to establish better links with the local community e.g. a 'business broker'. The earlier concerns expressed by established businesses about the 'high crime and poor environment' in some of Hull's communities would appear to be the driving force behind the results to this question. Whilst there were no significant variations in responses between businesses of different sizes, it should be noted that younger businesses trading for less than 10 years were more likely to support 'establishing better links with the local community' (42.6%) compared to more established businesses (35.9%) who favoured general improvements to the area. There was least support for 'funding business support agencies on the high street' as suggested in LEGI consultation papers.

Increasing investment in deprived communities

The final series of questions focused on increasing investment into Hull, both secondary investment from existing businesses as well as new inward investment.

The survey asked respondents where their **own businesses were likely to be investing** in the next couple of years. Respondents could approve as many stated options as appropriate.

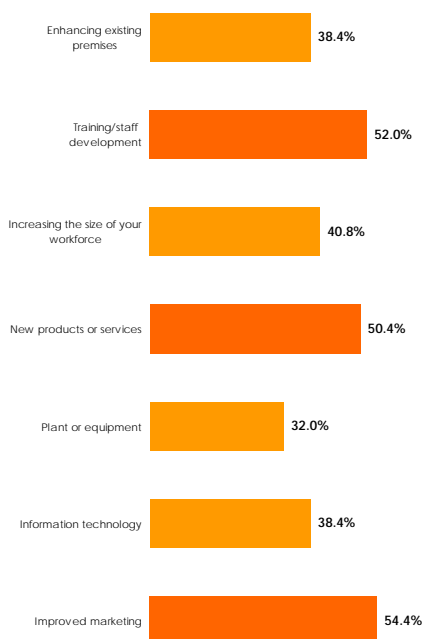


Figure 21: Investment priorities for existing businesses (all responses)

The most popular area for investment was ‘increased marketing’ with 54.4% closely followed by ‘training / staff development’ with 52% and ‘new products or services’ with 50.4%. Different priority areas were highlighted by companies of different sizes. ‘Marketing’ was still the top response for respondents employing less than 10 people, however ‘increasing the size of the workforce’ rose above ‘training’ to 41.1%. For respondents employing 11-100 people, ‘training and staff development’ was the top priority with 65.8%. This option was also the top priority for larger businesses employing over 101 people.

	Area of investment	Number of employees			
		Total	1-10	11-100	101+
1	Improved marketing	54%	56%	58%	31%
2	Training / staff development	52%	40%	66%	77%
6	Information technology	38%	30%	50%	54%
7	Plant or equipment	32%	27%	34%	54%

Figure 22: Investment priorities for existing businesses (by company size)

From an investment perspective it is clear that different businesses have different priorities. Smaller businesses saw ‘marketing’ as their top priority, whilst medium sized and larger companies view ‘training and staff development’ as their key priority. It is also noticeable that the least important total priorities of ‘information technology’ and ‘plant and equipment’ also become significantly more important for larger businesses.

Moving on to inward investment, the survey asked about the **barriers to attracting inward investment into deprived communities**.

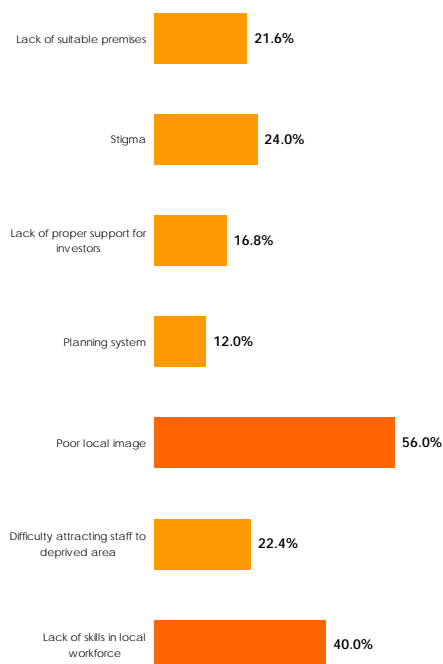


Figure 23: Barriers to attracting investment (all responses)

The two biggest barriers to attracting more investment into deprived communities was seen to be ‘poor local image’ at 56% and ‘lack of skills in the local workforce’ at 40%. It is significant that as with other parts of this survey, the key barriers and solutions are not directly influenceable by LEGI (although image in particular could be part of the strategy). There were no significant differences in the rankings from respondents of different company size. There was a key difference in those companies trading for less than 10 years, with 26.2% stating ‘lack of skills in the local workforce’ was a barrier compared to 53.1% of companies established for more than 10 years.

The survey then asked two questions about some potential **solutions to attract more investment and entrepreneurs to Hull**. Firstly, respondents were asked about the relative impact on investment of a series of options some of which had been suggested in the Government’s documentation on LEGI. For each

option, respondents could rate them as having a 'high', 'medium' or 'low' impact.

	Action	High %	Med. %	Low %
1	Reduce negative image of local area	76%	19%	5%
2	Improve vocational skills / local labour	65%	33%	2%
3	Remove red tape barriers to investment	60%	30%	10%
4	Develop a 'local business prospectus'	18%	51%	31%
5	Increase franchised business activity	13%	55%	32%

Figure 24: Impact of actions on attracting investment in Hull's deprived communities (all responses)

Three actions were well supported with a majority of 'high' rankings. 'Reduce negative image of local area' featured strongly with 76% of respondents believing this would have a high impact on attracting investment. Respondents believed 'improving skills' (65%) and 'reducing red tape' (60%) had potential to attract investment, indeed only 2% of respondents felt that 'improving vocational skills / local labour' would have a 'low' impact. There was little support to 'develop a local business prospectus' (18% high priority) or 'increase franchised business activity' (13% high priority). These two actions were suggested in the LEGI consultation paper from the Government.

The final question was about the potential measures to bring more entrepreneurs to Hull to start-up or invest. Six stated options were given to respondents who were invited to approve as many as they felt were appropriate.

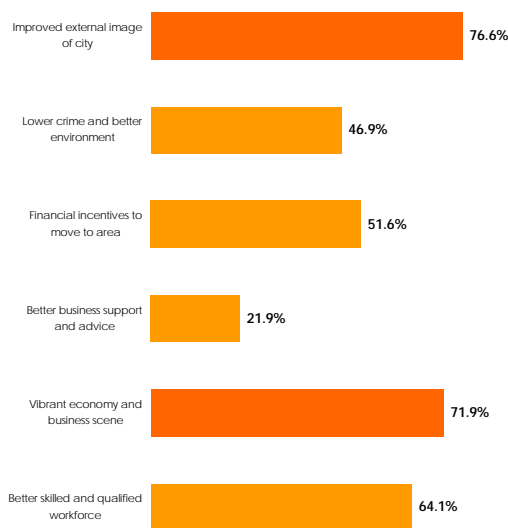


Figure 25: Factors to attract more investment and entrepreneurs to Hull (all responses)

Three-quarters of respondents believed that an 'improved external image of the city' would help bring more investment and entrepreneurs to Hull. This was closely followed in second place by a 'vibrant economy and business scene' with 68%. There was also strong support for a 'better skilled and qualified workforce' with 57.6% and 'financial incentives to move to the area' with 56%. 'Better business support and advice' with 25.6% was not thought to be an important factor, which adds to the trend throughout this survey that business support is a relatively peripheral part of the overall recipe of factors which stimulate enterprise, business success and investment in the city.

A full breakdown of the survey results are included in Annex A.

Ideas and Knowledge exchange

Measures to encourage enterprise and increase business start-ups in deprived communities

Suggested local authority actions

"Lower business rates and more use of SMEs by local authority"
Builder, 1 employee, 2 years trading

"Funding for advertising and promoting a new business."
Manufacturer, 5 employees, 1 year trading

"Free rates for one year. Half rates for second year."
Retail, 7 employees, 34 years trading

"Better local government support and co-operation."
Motor trade, 40 employees, 14 years trading

"Time out from business rates and help with rents."
Haulage, Sole Trader, 1 year trading

"Recognition of start-up publicity. Local authority seen to take an active interest. 'Local' business angels."
Marketing, 2 employees, 2 years trading

"It seems to me that Environmental Health Dept are heavy handed in the catering industry. A bit of advice would be a better approach."
Food outlet, 4 employees, 30 years trading

"Council funded community enterprise which would then become self-sufficient and cease drawing funding."
Training, 30 employees, 8 years trading

"To encourage local business and the local council to work hand in hand rather than business feeling its in a battle."
Garage, 4 employees, 10 years trading

Suggested Government actions

"Get rid of red tape for small businesses under five employees."
Leisure, 4 employees, 10 years trading

"Less bureaucratic garbage. Stop new legislation made with no thought to the impact on businesses."
Garage, 4 employees, 3 years trading

Suggested business support activities

"Easy access to business start-up information"
Business services, 1 employee, 1 year trading

"Better funding available to all start-up businesses."
Office supplies, Sole trader, 1 year trading

"Financial support to stabilise businesses."
Manufacturing, 33 employees, 2 years trading

"Weekly subsidy over set number of weeks for business owner and any staff taken on."
IT, 8 employees, 23 years trading

"Consider and help all groups. Not only BME and ex-offenders. Local help for local entrepreneurs, i.e. grants/loans to assist start-ups."
Retail, 3 employees, 5 years trading

"Real support and advice, not just hot air and promises from Government assisted advice agencies. Support new business making new jobs."
Building, 2 employees, 20 years trading

"Secure units are a must. Many a start-up is 'cleaned out' by burglars, part of a growing pain in today's society but difficult to refinance by beginners."
42 employees, 34 years trading

"A degree of targeted grant support coupled with mentoring and ongoing support."
Business support, 4 employees, 22 years trading

"Its quite easy to start a business in managed workspace. What's needed is experienced mentors who can turn a businesses cashflow positive."
Technology transfer, 60 employees, 6 years trading

"Small local workshop units must be secure and safe. Low rent with easy in, easy out. More business interacting with schools and vice versa."
Tool hire/sales, 8 employees, 23 years trading

"Hands on support from professionals who have done it."

Mail order, 90 employees, 5 years trading

"Advice from people who have been there and done it."

Transport, 4 employees, 22 years trading

"Mentoring and involving business community to get involved in deprived areas. Greater risk taking and support from business funding and support agencies – less red tape"

Technology, 2 employees, 5 years trading

"Focus available funds to existing businesses to 'partner' new start-ups. Too much money is wasted on 'no hope' start-ups who are unrealistic about what can be achieved."

Engineering, 22 employees, 5 years trading

"Ask Directors/CEOs of large concerns to be available and donate their time for a consultative/advice support for start-ups."

Export, 7 employees, 2 years trading

"Lower spending thresholds for grant funding. Business support services from people who have had experience of starting and/or running a business."

Technology, 7 employees, 8 years trading

"Larger amounts of non-specific funding."

Accountancy, 80 employees, 100 years trading

"Look at ways in which local business could assist Hull City Council in meeting its obligations e.g. recycling."

Architects, 2 employees, 8 years trading

"Remove targets from business support. Improve quality of business support. Remove risk aversion from public sector support."

Venturing, 2 employees, 1 year trading

Culture

"Teach people to believe in themselves."

Services, Sole trader, 27 years trading

"Encourage ambition, aspiration and entrepreneurial learning."

Hotel, 19 employees, 30 years trading

"Embed enterprise into the school curriculum at an early age."

Charity, 3 employees, 44 years trading

"Acceptance of failure. Encouragement of success."

Health products, 2 employees, 1 year trading

"Identifying potential enterprise skills in young people and providing or promoting in business schools or centres to develop these skills."

Recruitment/training, 14 employees, 2 years trading

"Education and awareness that people can start their own business. That society and local community wants them to and that they will be supported if they fail but encouraged to try again."

Consultancy, 3 employees, 16 years trading

"Do whatever we can to raise aspirations by mentoring and inspiring. Disseminate best practice and create a 'can do' mentality"

Ports, 2 employees, 1 year trading

General

"Attract bigger and better businesses to the area. Our economy will benefit overall."

Furniture, 2 employees, 1 year trading

"Sponsored work shadowing."

Marketing, 24 employees, 5 years trading

"Look at childcare provision in the area."

Business services, 6 employees, 3 years trading

"Open up land for development of business. Provide good modern workspace. Match funding schemes."

Development, 9 employees, 46 years trading

"We need to attract established business into the area which then provide the market for the new businesses."

IT, 28 employees, 20 years trading

Other views and comments

General

"Hull must attract big employers paying good wages to boost local economy, otherwise the same money is just circulating. Grants, start-up loans and rates freeze will help – the big boys have to be made to spread the profit out more than they do now."

Builder, 1 employee, 2 years trading

"Make the ferry traffic spend time in Hull. Stop burying your head with Castle Street, get traffic moving now, not in ten years time. Employ people who actually know the market on which they are offering advice."

Building, 2 employees, 20 years trading

"Local media should try more to promote local business and not focus so heavily on the multi-nationals."

Retail, 20 employees, 30 years trading

"There should be a major push on encouraging 'entrepreneurs' in schools and through Young Enterprise. Encourage innovation centres and an awards programme."

Consultant, 2 employees, 3 years trading

"Most important transport cost overheads are a high burden to bear due to a 'lousy' road infrastructure, an inheritance from years of bad vision and planning. Sort that out and we are on a winner. Most things in Hull take 10 years."

42 employees, 32 years trading

"It is difficult for start-up or recently established companies to fund the high costs involved in obtaining suitable premises. Perhaps you could encourage, possibly with financial incentives, local established businesses with the capacity to nurture within their premises any new and maybe complimentary companies. This was it helps two companies and provides on tap experience and resources, with much more likelihood of the business succeeding."

Equipment suppliers, 25 staff, 56 years trading

"The local government initiative in Hull appears to be to attract national shops and supermarkets to the city (in as many different locations as possible) and not to support home-grown local businesses."

Garage, 4 employees, 10 years trading

"So many Government rules and regulations these days. Especially staff regulations which get worse every year."

Engineering, 8 employees, 35 years trading

"The biggest hindrance to businesses is to do with Government policies pushing us to the limit e.g. waste oil regulations that will cost me an extra £3000 next year and £1100 thereafter, at the moment it's £138."

Garage, 4 employees, 3 years trading

"What kills SMEs is the restrictive overheads that have to be carried week in week out – business rates/rents being the major culprits. New enterprise doesn't need hot air advice – it needs real, solid financial support in the first two years."

Haulage, Sole trader, 1 years trading

"There is no quick fix – we have to look at changing attitudes and raising aspirations of our future generations."

Charity, 3 employees, 44 years trading

"As a business advisor to KH Smilers, a Young Enterprise company, which has now carried on as a limited company, I feel they have succeeded as young entrepreneurs because of the following: determination, business advice, grant funding, good education (Kelvin Hall), IT based admin system."

IT, 8 employees, 23 years trading

"The key is to enable young people to think in an entrepreneurial way and to have ambition and self-belief to be successful – supported by infrastructure of funds, good advice, training and learning by example from successful entrepreneurs."

Recruitment/training, 15 employees, 2 years trading

"It's important to recognise that many of the issues in this survey are related e.g. a skilled workforce and vibrant economy will improve the external image of the city. But you can't expect to improve the city's image through a marketing/PR campaign. You have to have the product to back up the claims you make and I wonder if that's been fully appreciated."

Technology transfer, 60 staff, 6 years trading

"More action and less talking is needed. The city's key players are too risk averse, slow off the mark and generally miss opportunities. They need to take risks."

Development, 9 employees, 46 years trading

"We find it very difficult to obtain skilled staff in the insurance / motor claims sector, as there is no longer an insurance based presence in the city."

Vehicle accident management, 27 employees

"Public sector spending in the city should be co-ordinated to develop external private businesses which can develop wealth and skills."

Professional services, 50 employees, 50 years trading

"Investment in entrepreneurial skills (aspirations) is crucial. We should not necessarily assume that businesses should locate in 'deprived' areas – where people live is not necessarily where they want to work."

Consultancy, 3 employees, 10 years trading

"Transport around the city is not easy at the best of times. Castle Street is a real problem and that is equally true when people from outside the city visit our factory. These things may possibly put people off investing."

Manufacturing, 284 employees, 30 years trading

"Extend the focus east of Hull to HU12 postcode. This area has a high potential to support business linked to the port."

Engineering, 22 employees, 5 years trading

"Business support is often provided by private companies who have an interest in their own business success but often not the business they are helping. Kingston Communications provides a huge barrier to business with their monopoly over broadband and telephone services which does not encourage new business. Attitude, self esteem and confidence in people and business locally is also very low."

Technology, 7 employees, 8 years trading

"This is a multi level problem but we have to start somewhere. Creating the right environment for business seeds to propagate is key. But we have to put the spark into peoples minds before we can let them sow a seed."

Ports, 2 employees, 1 year trading

"It is also difficult to start a business outside a deprived area. Start-ups by people in deprived areas do not have to be located in deprived areas to benefit the area. Mentoring must be by people who have started and run small businesses – not necessarily successfully."

Venturing, 2 employees, 1 year trading

"Our transport communications need to be sorted out – Castle Street! A re-education of the City Council to remind them that without a thriving, profit making business community, Hull will always stay a 3d division city with all the accompanying problems of social disadvantage, poverty and low aspirations."

IT, 28 employees, 20 years trading

"Confidence building is essential. A can do attitude is required. Having to put your house on the line is a big deterrent. Lifestyle businesses will not grow unless red tape and restrictions shrink."

Tool sales/hire, 8 employees 23 years trading

"Hull's general image is extremely poor although the city centre is rather nice now – new stadium, the Deep etc. But the Council has a lot to answer for, the educational system is dreadful, regeneration on Bransholme and Orchard Park is a must to lift Hull's image."

Import/export, 2 employees, 5 years trading

"External image of Hull is essential to improving the economy. We need to attract more white collar businesses to generally raise the type of city Hull is."

Legal, 180 employees, 130 years trading

"A well run city that is admired for its vision, its effective and efficient management and its sense of unity and purpose would be extremely helpful."

Manufacturing, 900 employees, 40 years trading

"Hull needs a better work ethic before it can generate an entrepreneurial ethic. People can't run an effective business unless they can get effective staff. So, as the LSP is aware, education, economy and quality of life all have an impact on entrepreneurship. As these are improved, I believe that businesses will start up in Hull. That is not to say nothing should be done until improvements are in place, but they will all move forward together."

Architects, 2 employees, 8 years trading

"Stimulate economic growth. Attract high quality retail business to bring higher consumer spending to the city (we lose them to York). Try to bring a more cosmopolitan feeling to the city (as in Leeds)."

17 employees, 11 years trading

"Financial incentives should not be directed at people to move to an area but to anyone including existing residents to help them develop viable business plans and get started. Post start up support should also be provided systematically to all new businesses."

Business support, 6 employees, 27 years trading

"We need to establish a 'Hull Pride' culture, one that promotes pride in the city's heritage and its place in modern Britain. One in which Hull's citizens are proud to be from Hull and look after the condition of the city. It starts in the schools and will develop (if encouraged) in the market place."

Recruitment, 9 employees, 9 years trading

Business Focus Group Minutes

'ENTERPRISE IN HULL' BUSINESS FOCUS GROUP
WEDNESDAY 9TH NOVEMBER 2005
34-38 BEVERLEY ROAD, HULL



PRESENT

David Burnby (in the Chair)
Francesca Devine (Vice-Chair)
Stephen Sutcliffe
Carl Burgar
Martin Ward
Gillian Brown
John Sharp
Tony Anson
Wendi Cross
Mark Jackson
Martin Thomas
Ian Kelly
Frederick Mole
Philip Haskins
Nick Pontone

David Burnby & Associates
Carrick Read
Sutcliffe Consulting Engineers Ltd
Ros International
Hull Daily Mail Publications
Hull Daily Mail Publications
IRC
Gelder & Kitchen
Princes Trust
Jacksons
City & County Training
Hull & Humber Chamber of Commerce
Beverley Road Community Partnership
Chamber of Commerce/Business Forum
Hull Business Forum

Agenda item 1: Welcome

David Burnby welcomed Members to the meeting and asked attendees to introduce themselves and their companies.

Agenda item 2: Local Enterprise Growth Initiative

Nick Pontone, Business Forum Manager, reviewed the background to the Local Enterprise Growth Initiative (LEGI) which had been announced by the Chancellor in the 2005 Budget.

It was reported that the scheme focused on increasing the number of business start-ups, improving business survival rates and increasing investment in deprived areas. It was noted that local authorities in Neighbourhood Renewal Fund (NRF) areas such as Hull were eligible to bid for a share of the £300m worth of LEGI resources over three years from April 2006. Nick Pontone indicated that there would be three annual bidding rounds with approximately 10 successful areas per year, which equated to one, or at most two, successful local authorities in Yorkshire and the Humber each year. Hull would therefore face substantial competition for LEGI funding and a high quality bid was needed. The deadline to bid in the first round was 9th December 2005.

Hull Business Forum had been commissioned to explore the ideas and knowledge from the business community on the key LEGI issues. A consultation review, survey and this focus group formed key parts of this work.

Agenda item 3: 'Enterprise in Hull' Survey

Nick Pontone, Business Forum Manager, reviewed the preliminary results of the 'Enterprise in Hull' survey commissioned for this report. It was noted that 116 responses had been received so far and respondent companies employed nearly 8,000 people in Hull and had been trading for a combined total of 3,047 years. The survey had been sent to local members of the Forum,

Federation of Small Businesses and the Chamber of Commerce. Responses had been received from companies of varying sizes in a range of sectors of the local economy. 42% of responses were from companies who employed less than five people and 32% were from businesses who had been trading for less than five years. 21% of responses were from businesses in HU1, 15% from HU3 and 9% from HU5. No responses had yet been received from businesses in HU6. It was also noted that nearly three-quarters of respondents had started their own businesses, which was pleasing to be able to reflect local entrepreneurs' views and opinions.

Nick Pontone reviewed the key findings of the survey which included:

Increasing the number of business start-ups

- 'Spotting an opportunity and taking a risk' was the driving factor in entrepreneurship according to 32.8% of respondents.
- 'Too little ambition and aspiration' (42.2%) and the 'weak local economy' (38.8%) were seen as the biggest barriers to starting a new business.
- 79.6% of respondents felt business support should be focused on 'all businesses'.
- 75% thought promoting enterprise to young people was 'very important'.
- Tenacity and vision were thought to be the key characteristics of an entrepreneur.
- 'Attracting investment to grow the local economy' would do most to increase business start-ups. Grant/loans, mentoring and youth enterprise were also well supported.
- 73% felt it was more difficult to start a business in a deprived community with the smaller local market and weaker economy in such areas being the key barrier.
- Word of mouth and business networking were seen as the best way to market new businesses.

Improving business survival rates

- 'Higher crime and poor environment' was a key barrier to running a business in a deprived community (44%).
- Only 10% of respondents felt business support in Hull was effective enough.
- 53.4% felt grants/loans were the best way to support businesses in deprived areas.
- 97% of respondents wanted to grow their business. 80% expected to grow.
- Generally improving the local area was thought to help business survival rates according to 67.2%.

Increasing investment in deprived communities

- 53.4% of businesses expected to invest in improved marketing in the future followed by training and staff development with 52.6%.
- 76% thought reducing the negative image of the local area would have a 'high' impact on attracting investment to the city.
- 56.9% felt that a poor local image was the biggest barrier to investment in Hull and 73.3% thought an improved external image would attract more entrepreneurs to Hull.

Nick Pontone concluded by commenting that the survey showed how important a thriving local economy was to increasing start-ups, survival rates and investment, ahead of business support measures. It also reinforced the importance the business community attached to Hull's image as a key driver to attract more investment.

Agenda item 4: Response and discussions

Members discussed the key findings of the survey and implications for Hull's LEGI bid in detail. They began by assessing **Government policy on enterprise support** and neighbourhood renewal in an attempt to identify what the Government was looking for in LEGI bids. It was felt that LEGI gave local areas a wide brief to tackle the enterprise and business agenda, and that Hull should focus on putting a strong bid together and making the case for investment to meet local priorities.

David Burnby asked if any findings of the survey were a surprise and it prompted a discussion about the **attributes and characteristics of entrepreneurs**. Members agreed that vision, tenacity and risk taking were key entrepreneurial attributes, and discussed the role of education at length. It was

felt that current education policies did not always support the enterprise agenda and that the Government seemed to prioritise employment above enterprise.

Members felt that **attracting new investment** to the city was a key driver in increasing entrepreneurship, although the city had to accept that a proportion of start-ups would fail in the first six months. Consideration was therefore given to the relative balance of creating lots of new enterprises at risk of failure or concentrating on growing existing SMEs.

Business support provision was discussed at length and it was generally felt that there was too much confusion about where small businesses should go to access support. It was also felt that general advice from public sector advisors was perhaps not the most effective means of supporting businesses. It was agreed that new and small businesses needed specific help at key stages of their development e.g. a grant/soft loan to start-ups, marketing advice to help sell their products or services, assistance when the business moved over key employment thresholds and the VAT threshold. It was agreed that targeted help at key stages in a businesses development should be the focus of business support activity.

Members also discussed the ongoing impact of business support and the view was expressed that soft loan schemes helped to recycle funding as recipient businesses grew and developed, thus providing a longer term impact. There was also broad agreement that businesses wanted to see more business support funding get directly through to the businesses themselves rather than be lost in administration and bureaucratic initiatives and programmes.

David Burnby asked what the city would look like if it was recognised as a genuinely entrepreneurial city. Members felt that the **culture of enterprise and education** would be different and the expectations of local people towards enterprise and employment would be different. From a physical perspective old buildings would be being brought back into use, primarily by the private sector. It was also felt that more businesses would be locally owned with profits reinvested in the local economy. Improved prospects and higher incomes reinvested in local communities would have a beneficial multiplier effect.

There was a discussion about how much economic benefit could be captured from key investments in the area such as regeneration schemes and the procurement policies of local authorities and the NHS. **Procurement** was agreed to be a key issue for local businesses and although it was recognised that the City Council's procurement policies were changing, there were still barriers in front of local businesses selling to the Council. It was felt that the problem was contributing to a 'skills drift' away from the city, especially in construction and related businesses. It was felt that local construction firms were capable of delivering major projects but the fact they didn't have the track record in major schemes held them back.

Members discussed a number of the positive ways in which the Council were working with local businesses such as the Acorn Fund which was proving very successful and the marriage of Council funding and private sector expertise through the Chamber was adding value. The development of incubation units and work in key sectors such as food was also highlighted as good practice.

Two ideas for solutions emerged from the procurement discussion. The first was that LEGI could provide a new service to work with local businesses and the public sector to help them win more contracts by improving their tenders and relationships. The scheme could comprise of one or two officers, trusted and valued by the business community, with the necessary expertise to assist local firms. The second idea was a broader and more ambitious concept of a new company called 'Hull Futures Ltd'. The company would be pump primed by the public sector, perhaps through LEGI, and then shares could be bought by local businesses. The company would be managed by a trusted party and could deliver a range of support functions. On procurement, 'Hull Futures Ltd' could bring together local firms and bid co-operatively for projects they couldn't individually expect to win. 'Hull Futures Ltd' would hold the contracts and sub-contract the work to local employers. The company would have the benefit of being owned by the business community and would be sustainable in the long term through its project management role. The concept could be

extended to deliver business support, advice and development services including perhaps incubation space for start-ups. Members discussed the issues related to this concept including the history of co-operative working between local business, the culture required for businesses to work together in this way and the impact it may have in deprived wards. Given the potential economic benefits if such a scheme worked, and the innovation it could offer the LEGI bid, it was felt that the idea was worthy of further investigation and could be a pilot/feasibility project in LEGI.

Members considered the issues relating to **youth entrepreneurship** and it was felt culture, education and aspiration were key issues. It was felt that the problem was not a lack of creativity or ideas, but the means to channel this in the formal economy was weak. This led to a discussion about the 'black' economy and the potential to bring some of this economic output into the mainstream economy was discussed. It was recognised that many entrepreneurs in the 'black' economy were used to dealing solely in cash and there was little incentive at present for them to legitimise their business activities. The red tape barriers to such businesses entering the formal economy were raised as a barrier.

There was a discussion about **incubator units** and it was felt greater effort on getting start-ups in, growing them and moving them on was needed to make such investments work. Mentoring was generally agreed to be a successful way to nurture such companies and was likely to be more successful than the typical public sector 'business advisor' model. A range of mentors with different skills and attributes was needed to act either as informal advisors, confidants or perhaps non-executive directors. The principle that the businesses themselves should be able to choose their advisor or mentor was thought to be important. It was felt that the 'Hull Futures Ltd' model could help to determine the allocation of business support resources in an independent, business-like manner.

Education and basic skills provision was considered as being an important issue for the city and particular how disaffected teenagers could be helped back on track. There was support for high quality placement schemes for such young people to split their time between a workplace and school to incentivise learning and help them develop vocational skills. LEGI could potentially support a very small business to take on a young person who would develop skills at the same time as assisting the business with another pair of hands. It was felt small employers may be reluctant to take people on in this way due to the PAYE implications at which point it was suggested 'Hull Futures Ltd' could employ them and place them in the companies.

Attention was then turned on how to attract more investment into Hull and it was agreed that image was a key factor. Business crime was discussed and it was suggested that a 'Business Wardens' scheme be considered to build upon the success of community wardens across the city.

After a wide-ranging discussion, David Burnby indicated that the thoughts and suggestions expressed would be included in the Forum's report on LEGI. Members were thanked for their contributions and time in attending the focus group.

The meeting was then closed.

Conclusions & Recommendations

Conclusions

This report provides a great deal of information, data and opinions related to the development of Hull's economy in terms of enterprise, competitiveness and investment.

The purpose of the report was to share knowledge and make key recommendations to Hull City Council in relation to a potential LEGI bid for Hull. The key findings are as follows:

The wider economy matters

The biggest driver of start-ups, more successful businesses and new investment in Hull will be a thriving and growing economy. This will create the business opportunities, improve Hull's image and raise ambition that lies at the heart of the survey's findings. This has been recognised in the development of Hull's new Community Strategy, which puts the economy at the centre of the city's development. We should therefore recognise that LEGI can support this broader agenda. Any additional funding cannot itself change Hull, but LEGI funding in the city would be a further investment in a new comprehensive city strategy where LEGI objectives are shared by the entire city.

Culture and character of entrepreneurs is key

Hull needs more entrepreneurs and it needs to support its existing entrepreneurs better. The survey provides evidence that it is the culture and attitudes of entrepreneurial people, not the amount of business support, that will determine enterprise success. Promoting an entrepreneurial culture through LEGI will not necessarily provide the short term outputs the Government may expect from LEGI, but in conjunction with Hull's other activities to support its economy, changing the culture is the outcome which could deliver the most long term benefits. Culture change focused on young people won considerable support.

'Business-friendly, not just business support'

The survey and comments received highlight the fact the traditional forms of publicly funded business support is relatively peripheral to economic improvement in the city. Only 1 in 10 thought business support was effective enough and it did not feature highly as either a barrier to enterprise or action which would make much impact on future enterprise and business performance. Far more important were factors such as culture, the city's economic performance and educational attainment. Other factors such as image, procurement, inward investment, the planning system and transport links were all cited as more important factors in improving the economy than business support. LEGI should not therefore fall into the trap of simply funding new or fashionable business support products without properly

evaluating their genuine impact on enterprise and investment.

Grant/loan, mentoring, young people

In terms of business support priorities which LEGI could fund there was strongest support for grants and loans which were seen as the best action to help start-ups and to boost survival rates. This finding was supported at the Focus Group and in the written comments. Mentoring from entrepreneurs who have been there and 'done it' was also favoured to support any public sector financial investment. There was also strong recognition of the need to promote enterprise to young people, partly to boost start-ups but also to raise aspirations and build an 'enterprise culture'. Incubation and premises barriers came across strongly in the focus group and written comments. Safe and cheap premises in deprived areas can stimulate enterprise, supported by key interventions such as grants and mentoring or perhaps employment/apprenticeship support. Start-ups in incubation need to be encouraged to grow and move on, not get 'stuck' long term in 'enterprise centres'. The possibility of providing rent/rate support was thought to be important by respondent businesses to nurture small and young enterprises.

Different solutions for different problems

The feedback clearly showed that there were different barriers and solutions for entrepreneurs, existing businesses and investors. For example, crime in deprived communities was not seen as a major barrier to starting a business in a deprived area, but it was seen as a barrier to running a business in the same area. Other issues such as grants/loans and enterprise were seen as beneficial to both start-ups and existing businesses. This means that Hull should be clear about where it wants to focus its energies in terms of increasing start-ups, improving survival rates and attracting investment and shape its LEGI investments accordingly.

Image matters

The issue of stigma and image were central to the investment agenda. The survey suggested that for start-ups, survival rates and investment, stigma was not seen as a major barrier (lowest barrier for new businesses 17.6% and lowest barrier for running businesses 10.4%). However, improving the city's external image, and/or reducing the negative image of deprived communities were the most favoured solutions to promoting enterprise and investment. Comments also highlighted that image was not just about the PR and marketing of the city, but that the key was improving and then selling the city's 'product'. Only by delivering tangible improvements will the city's image and investment potential get better.

Recommendations

In light of the conclusions, a series of recommendations can be made:

- Hull should focus on being as 'business friendly' as possible (e.g. skills, procurement, transport, planning) to grow the economy.
- Focus on a small number of key interventions rather than scatter it on lots of projects.
- LEGI can support specific economic and business projects such as promoting a more entrepreneurial culture.
- As much funding as possible should get to businesses themselves, not get lost in administration and red tape.
- Help new businesses by targeting support at key stages of their development.
- Explore feasibility of 'Hull Futures Ltd', owned and managed by business for business to deliver a range of support services.
- Funding for more grants and soft loans, supported by mentoring programmes should take priority in business support measures.
- Improve access for businesses in deprived areas to key business networks.
- Premises issues should form part of the package in deprived areas, either enterprise centres, or rent/rate support for new enterprises.
- Improve Hull's 'product' to raise image, aspiration, investment and in turn enterprise.

Annex A – full survey results

Creating more new businesses			
1. Have you ever started your own business? (tick any that apply)			
I have started a business	74		
I have or would consider starting a business	7		
I know or have helped people start a business	14		
I wouldn't consider starting a business in future	3		
2. What do you believe is the most important factor in someone starting a new business? (tick one)			
Personal satisfaction / work for yourself	29		
Spotting an opportunity and taking a risk	35		
Availability of enterprise advice and support	9		
Availability to finance	15		
Ambition to make money	9		
Experience e.g. in a family business	2		
3. What do you believe are the major barriers to people starting a business in Hull?(tick all that apply)			
Lack of own money	38		
Poor education and entrepreneurial skills	37		
Difficulty in accessing finance	34		
Too little ambition and aspiration	41		
Not enough business support	17		
Weak local economy	38		
4. Which type of new enterprises should the public sector focus their funding and support? (tick one)			
All businesses	79		
Businesses only with high growth potential	14		
Businesses only in key clusters (e.g. food, bio-science)	3		
Businesses only in the most deprived wards	4		
5. How important is it to promote a more entrepreneurial culture to young people? (tick one)			
Very important	76	Not very important	6
Quite important	18	Unimportant	1
6. What are the most important personal attributes in starting up in business? (tick high/medium/low for each)			
Importance...	High	Med.	Low
Tenacity	78	20	2
Communication/presentation	66	31	2
Vision	73	26	1
Administrative/managerial	39	53	8
Creativity/new ideas	58	39	3
Other			
7. What measures do you believe would do most to help more enterprises to start up in Hull? (tick no more than three)			
Improved education and skills	41		
Attract investment to grow local economy	54		
Focus on promoting enterprise in young people	30		
More general business advice and support	19		
Wider availability of incubation units / premises	23		
More grant and soft loan funding (e.g. Acorn)	38		
A 'buy local' approach to local procurement	29		
Support to convert businesses from black economy	11		
Fund local enterprise agencies on 'high street'	7		
Mentoring from successful entrepreneurs	30		
Establish local enterprise awards scheme	6		
Other (please describe):			
8. Do you believe it is more difficult to start a business in a deprived community (tick one)?			
Yes	73		
No	27		
9. What are particular barriers to start-ups? (tick two)			
Higher crime	26		
Stigma	18		
Poorer education	41		
Smaller market/weaker economy	72		
Lack of suitable premises	28		
10. What are the best ways for new businesses to market and promote themselves? (tick two)			
Advertising/press	24		
PR	14		
Word of mouth	66		
Website/ICT	14		
Direct mail/cold calling	20		
Business networking	52		
11. Can you suggest any other measures which could be taken locally to encourage enterprise and increase business start ups in deprived communities?			

Annex B – profile of respondents

This report has been produced from feedback from locally based businesses and business support organisations who have experience or interest in enterprise in Hull.

The Enterprise Survey engaged most businesses with 125 responses received. Given the tight deadlines in place, this encouraging response rate reflects a clear commitment of the business community to contribute to Hull’s enterprise agenda.

The companies who responded to the survey employ **7,994 locally** (and many more outside of the area) which constitutes a significant proportion of those employed in the private sector in Hull.

Number of employees	%
1-5 employees	43.4%
6-20 employees	27.1%
21-50 employees	13.9%
51-250 employees	9.8%
251 or more employees	5.7%

Responses range from large employers such as Smith & Nephew and Kingston Communications to the self-employed in their first year of trading. Micro-businesses are well represented in the survey with **43% of respondents employing less than 5 people**.

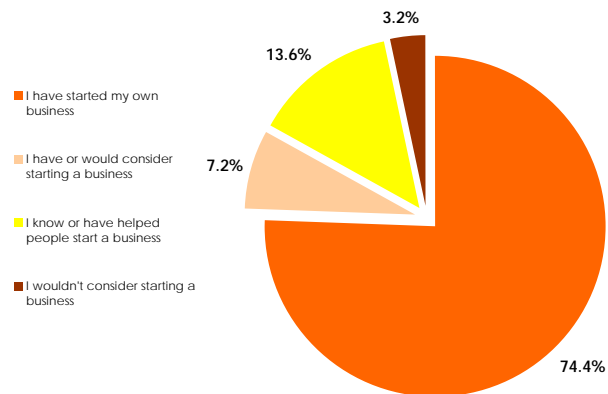
Respondents were drawn from a very wide range of sectors and professions including retail, food processing, manufacturing, engineering, IT, hotel & leisure, retail, banking, PR & design, accountancy, legal, consumer services, business support and many others.

67% of respondents businesses have been trading for 20 years or less, with 34% trading for less than 5 years.

Years trading	%
1-5 years	34.4%
6-20 years	32.8%
21-50 years	20.4%
51 or more years	12.3%

Where appropriate, varying trends between these different types of respondents are highlighted. **In total, these businesses and organisations have 3,118 years of experience starting and running businesses locally.**

There was a very broad range of businesses responding from fledgling enterprises, fast growing young businesses, well established SMEs and large companies and locally based business support organisations. **74% of respondents have themselves started a business** which clearly demonstrates how entrepreneurial our business base is (many of them are also considering starting another business and have helped other people start businesses).



All of the respondents are active in Hull’s economy (although some respondents are based outside of the city’s boundary). **The most prominent postcodes were HU1 (20%), HU3 (15%) and HU8 (8%)**. The lowest response from a Hull postcode was HU6 (the northern Beverley Road area and Orchard Park). This is a limitation in the survey as the area includes some of Hull’s most deprived wards. However, it also exemplifies one of the other findings of this survey which is that more needs to be done to engage enterprises in deprived communities into successful business networks operating across the city.

Participating Companies

A list of the companies and organisations who contributed their thoughts by responding to the survey are listed below. Many other companies either contributed indirectly in responses to separate consultations or surveys relevant to this piece of work, or participated in meetings in Forums in which we have discussed LEGI.

2B Landscape Consultancy
Advanced Plastics and Composites Ltd
Andrew Gibson Consulting Ltd
Andrew M Jackson
Antivibe
Applied Management Group
Archomai Ltd
Austin Consultancy
Auto Assist Ltd
Barton Auto Engineering
Beverley Road Community Partnership
Bluestorm Design & Marketing
Bio Safe
Bobs Bikes
Browne Smith Baker
Brough Marine Ltd
Business in the Community
Caravel Liner Agencies Ltd
Carrick Read
CE Direct UK
Cityvision
Chris Lee Carpets and Flooring
City & County Training Ltd
Cliff Pratt Ltd
Colour Flow (UK) Ltd
Common Purpose
Computer Supplies (UK) Ltd
Corporate Communications
Crating Solutions
Cranswick Country Foods
DDA
Dave Jessop Ltd
David Burnby & Associates
David Hawkins Consultancy
Direct Route
Discount 4 Kitchens and Bathrooms
Dodgson & Co
Driver Hire Hull
Drypool Freight Services
EC Harris
Envirogen Technologies
Ernst & Young
Eureka Club
Expotrak Ltd
Express Electrical Equipment
Face to Face Europe Ltd
Felicity Hats
First Class Education
George Lodge
Gelder & Kitchen
Genesis Business Systems
Golding Computer Services
Greenleaf Contractors Ltd
H Rook (Hull) Ltd
HABAC
Hawthorne Upholstery
HSBC Bank
HEDL
high10
Home Improvements
Horncastle Group
House of Fraser

Hull BDF
Hull Bedrooms Ltd
Hull Chamber of Trade
Hull Daily Mail Publications
Hull & Humber Chamber of Commerce
Hull FC
Hull Time Based Arts
Humberside Marquees
Image 2000 Systems
Ingrams Solicitors
IRC
J&R Oils
Jacksons
Jubilee Joinery
Juxta
KW Admin Services
Kendlebell
Kingston Communications plc
Kingstown Associates
Kingstown Furniture
Kirkholme Collectables
Land of Green Ginger
Lords Coaches
LMA Services Ltd
MJ Cuthbert (Builder)
MKM
Meredith Group
Military Wear House
Minster Cleaning Services
Natures Secrets
Nortech
Pearson Park Hotel Ltd
Peejay Pets Superstore Limited
Phoenix PR
PSW Ltd
Princes Trust
Pro-Fusion Partnerships Ltd
RDS International
Rags Restaurant & Hotel Ltd
Rainbow Professional Ltd
Reedkleen
Rerun
Riverside Hull
Ros International Ltd
Scansource UK Ltd
Scotts
Sedman Electronics
Sewell Group
Sewell Retail
Signature Associates
SJW Chartered Accountants
Smalles Goldie
Smith & Nephew
Stamps Electrical
Stillmeadow Haylage
Strawberry
Streets
Sutcliffe Consulting Engineers Ltd
Swift Holdings Ltd
Trelleborg
The Promotion Company
The Paint and Body Shop
The Snack Bar
Whitedale Garage Ltd
Wide Range Services
Worldwide Websights
Young Enterprise

We would like to thank all businesses who have contributed for the considerable time and support they have given us in this report.

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