

# **Creation of resilient, prosperous businesses drives social and economic regeneration**

In my role as Chair of the Institute of Economic Development (IED), the UK's leading body for economic development and regeneration professionals working for local and regional communities, I am a strong advocate for supporting the creation and growth of sustainable and resilient businesses as a means of driving shared local prosperity. For myself, many of our members, and colleagues on the IED board this area of focus is absolutely critical for effective urban and economic regeneration.

The collapse of the UK's industrial and manufacturing economy and the transition to a global knowledge-based economy has left many inner city – and rural areas – blighted by unemployment, riddled with poor housing and the average citizen being increasingly excluded from more prosperous areas, let alone the already socially and economically disadvantaged. Nowhere is this more obvious than in London, but it is a major problem throughout the UK.

I am so pleased that over the years, the focus of urban regeneration has moved away from purely physical infrastructure to become much more involved with stimulating social and economic regeneration in parallel. This is an agenda I have championed throughout my career, starting from my early days working in the most deprived areas of Hackney, Tower Hamlets and Southwark in the 1970s and 1980s, regenerating the physical assets of a large social landlord, but pioneering community-based support activities at the same time. Back then, our housing stock had no central heating, no bathrooms, just shared bath houses or a tub in the kitchen if you were lucky, but it was in huge demand. Now much of Hackney is unaffordable for normal people, and rough sleeping is rising dramatically. I was a member of the Chartered Institute of Housing for much of my working career, and it's depressing that industry and politicians – and us – have still not cracked these issues of affordable housing and urban poverty.

## **Putting enterprise at the heart of regeneration**

As well as my role at the IED, since 2000 I have been Chief Executive of the YTKO Group, which helps businesses to start, sustain and scale. Our clients range from the most disadvantaged individuals furthest from the labour market and living in deprived areas, to knowledge economy entrepreneurs, established SMEs and corporate clients across the UK. Through our work, which I'll touch on later, we have demonstrated that upskilling businesses and individuals is critical to urban regeneration and ultimately the goal of making local economies and people more resilient.

I strongly believe achieving sustainable social and economic regeneration depends on successful businesses, and a productive and diverse business base. This means having the right infrastructure, developing an entrepreneurial culture, and providing high quality support services for start up and incubation, sustainability and grow-on, and growth and scale, including affordable spaces and premises at each stage –

if you like, a combined continuum of hard and soft support to take individuals and businesses up the growth escalator.

### **Why is entrepreneurship so important?**

Firstly, sole traders, micro businesses and SMEs are critical in creating local prosperity – there's about 5.3m sole traders and small business in the UK, responsible for around 60% of all employment, and representing 99% of all private sector employment. Regeneration activities must therefore recognise and really support this agenda. SMEs are the lifeblood of our economy.

Creatives and digital start-ups for example are often the sector that kick off the physical transformation of a run-down area – moving and clustering there because it is run down and therefore affordable: the challenge becomes how to retain and nurture that entrepreneurial community after physical redevelopment.

That brings me on to a second critical point. The UK is definitely one of the best places to start a business, particularly when compared to many European countries, but the more salient point is, will they survive? Only 60% of new business get to 3 years, and with disadvantaged clients and in deprived areas, that failure rate is a lot higher. For stronger, more prosperous local economies, we also need to improve business survival rates through much better education of, and quality of support for, pre-start and new businesses through the first year or two of their commercial life.

In particular, new entrepreneurs need to be much better prepared, before they start, about the timescales and costs of securing new customers, and how to be more certain they really do have a large enough and profitable target market that can provide them with a sustainable income as a minimum. Founders rarely plan to invest enough in marketing, sales and business development and quickly run out of working capital, one of the key reasons for our high business failure rate. And of course, securing that initial start-up capital is much harder for those without assets, which is usually the case for potential entrepreneurs living in our more deprived areas. The Government's Start up Loan service is providing a much-needed opportunity for such individuals to get on the financial escalator.

I understand it is easier for LEPs and local government to understand the needs of a Glaxo Smith Klein or Jaguar Land Rover than 5,000 small businesses, but a thriving and successful SME economy is vital. And urban regeneration or development without residents and local people being able to fully access and share in its benefits is unjust and will lead to degeneration. Growth for growth's sake is unsustainable.

### **Supporting businesses**

We need to do more to build a strong base of competitive, innovative and more productive businesses in the UK, strengthening supply chains, increasing the numbers of exporters, and supporting those with growth ambitions and potential with the high quality support at the right time. It is tough to start and grow a sustainable business - perhaps one reason why 96% of UK SMEs have less than 9 employees and 75% remain sole traders. A major gap in support is addressing the challenges of these established SMEs who are

ambitious to grow but stuck. They've survived the first few years, and can create more prosperity, business rates, GVA and job opportunities for local people.

The key challenges to growth we consistently come across with SMEs are access to customers (sales, marketing and business development) and access to finance. The lack of commercial knowledge and skills in sales and marketing are widespread in micro and small businesses. There is no shortage of finance, but there are a lot of unviable propositions - in my experience, many businesses do not know about all the types of funding or which are most appropriate for their business – firstly we have to overcome the financial awareness deficit, and secondly we need to help businesses become investment ready. If we get this support right, ambitious businesses will go on to create job opportunities, prosperity, business rates and GVA.

The third thing that I consider central to successful regeneration is diversity, accessibility and social inclusion, ensuring a measurable financial, economic and social return on public sector investment – the triple bottom line. This is particularly important when considering how to regenerate the most deprived areas of our towns and cities. Ensuring that socially and financially excluded people are aware of, reached by, and supported by any parallel revenue investment in skills and business support is vital – otherwise we will never eradicate areas of blight and close the gap in life chances.

A huge segment of unlocked economic and social potential is represented by women. At best, they own and run 20% of our businesses, but there is no specialised and targeted support encouraging more women to start or grow. Women do not need 'special' treatment, they just respond so much better to more tailored approach that reflects their different approaches, needs and challenges. BAME entrepreneurs and businesses similarly have significant entrepreneurial potential, but both women and BAME individuals are generally not being reached in anything like sufficient numbers by the support provision that is out there - in some parts of the UK. In my view, all publicly-funded business support programmes should have mandatory targets for engaging and supporting equal numbers of men and women and for engaging and supporting BME individuals or businesses to at least the same percentage as their presence in local populations.

### **One of many**

What frustrates me about business failure rates, lack of sustainable growth, social and financial exclusion, is that it *can* be achieved. There are many organisations across the UK who deliver tangible and significant impact, albeit without the benefit of randomised, double blind, controlled trials. As part of the YTKO Group, our [Outset](#) start up provision, focused on supporting entrepreneurship in deprived communities, has engaged over 20000 individuals, created over 5000 new businesses since 2010, just over half of them women, with survival rates of 75% after three years compared to 61% in the general population – and that service has been independently assessed to deliver<sup>1</sup> £3.36 of financial, economic and social return on every £1 invested.

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<sup>1</sup> NEF Consulting, 2015

For sustainability, growth and scale, our [GetSet for Growth](#) service is specifically tailored to help SMEs overcome the challenges mentioned earlier. In total, we've raised over £40 million for the 15,500+ businesses we've supported over the last decade, half of them women, with a 98% success rate, even throughout the recession. That body of award-winning work has created nearly 8000 new jobs and multi-millions of GVA in deprived areas so far, helping make them become more resilient and inclusive and prosperous, and in turn, supporting the goals of urban regeneration. The evidence, methodologies and knowledge is available for any policy makers or urban regeneration practitioners to benefit from, and I know there are many other similar examples across the country.

### **A challenging future**

Much of this work was financed by European Structural Investment Funds, and this is a significant concern for the future for commissioners and practitioners alike. Already it is getting increasingly difficult for public authorities to spend our current programme allocation, given the need for applicants to find the 50% match finance required – and almost impossible when working with those furthest from the labour market, and a real challenge when supporting small business. With national funding for economic development and regeneration continuing to nosedive, no co-financing budget to match ESIF money, and mechanisms for disbursing the proposed UK Shared Prosperity Fund – like most things Brexit, unknown in quantum and structure – those who work in economic development and regeneration face daunting challenges, and they are going to get worse.

Perhaps an opportunity presented by Brexit is around the localism and devolution agendas, particularly seeking ways to make combined authorities, City mayors, Metro mayors and Local Enterprise Partnerships more effective. Cooperation across boundaries is vital, coupled with strong leadership and a coherent vision, and innovative approaches to financing, as well as insisting on increased S106 and tangible CSR commitments from developers, and ensuring those benefits actually do materialise for the local community.

From our experience of working with different authorities and organisations across the UK, capitalising on these opportunities at local level means we need to improve leadership skills, capacity and capability, and increase understanding of how to address and overcome social exclusion, achieve sustainable and inclusive growth, and better support businesses.

For example, many LEPs depend on local authority partners for staff and expertise, but continuing deep funding cuts, and statutory services having the first call on local authority money, has highlighted a growing skills and resource gap. Recent IED research, published in October 2017, found that many economic development practitioners lack general knowledge about the profession and are also concerned that they have insufficient local knowledge and skills needed to make a difference to their communities. Our insight also suggests that there are people in our sector being thrown into roles without necessarily having the understanding of what makes a good economic development professional.

In a climate of shrinking budgets, continually limited resources and the delivery of an arguably critical but non-statutory service, staff must not only be equipped with the appropriate tools to deliver economic development but must also have confidence that their colleagues and those partners they rely on are equally well equipped. This recognition of a lack of knowledge and skills is a major issue for the effectiveness and success of urban regeneration interventions. And this, in turn, impacts back on the skills issue in a vicious circle – if you can't offer long-term prospects and good career development to urban regeneration and economic development professionals, how can you attract or retain the right people with the right expertise to deliver it effectively?

Greater business involvement in LEPs would be one step in helping to provide this missing expertise and knowledge. But, whilst Chairs were mandated to be from the private sector, and many LEPs have attracted highly experienced business leaders to this role, private sector board membership averages only 58%. In addition, representation on the boards from the SME sector is very small, particularly given their potential to transform local economies and areas of urban regeneration.

Within the devolution context, the ongoing role of LEPs would benefit from more clarity, especially where LEP geographies do not align with combined authorities. With the Local Growth Fund and locally-negotiated Growth Deals, forecast to rise to £12 billion by 2020-21, LEP CEO's, board and committee members clearly have a vital responsibility to invest taxpayers' money wisely, as well as their strategic oversight of £5.3 billion of ESIF, and ensure that people and businesses benefit as much as possible – and those beneficiaries should be round the decision-making table in greater numbers to help inform decision making, transparency and accountability.

There is a need too for more effective collaboration and strong individual leadership in the face of political differences. Doing better with less requires a true spirit of openness, a willingness to engage across boundaries, and increased use of technology to enable economies of scale and precious capital to go further. Long-term transport, environmental and infrastructure projects in particular require certainty, collective commitment, and funding stability beyond political cycles, and sadly, all these things are in pretty short supply right now.

All the challenges outlined in this paper, together with the non-statutory nature of economic development, are major issues for the effectiveness of urban regeneration interventions, and the ultimate goal of improving shared prosperity. That economic development remains a non-statutory function of local government in England is not helpful to achieving successful growth and regeneration and improving our prosperity, productivity and competitiveness – essentially making local economies more resilient. This is something the IED is seeking to change, beginning with the publication of a research paper and accompanying call to action at our annual conference in November, and a parallel commitment to developing more opportunities for professional skills development. We welcome partnerships with all like-minded organisations and individuals to help achieve our goals.

## **About the author**

Bev Hurley CBE, is Chair of the Institute of Economic Development, and CEO of YTKO Group, specialising in inclusive enterprise, business, skills and finance support in deprived areas. As a successful businesswoman, experienced NED and investor, Bev brings a wide-ranging perspective to the work of the IED and a passion for putting entrepreneurship and business at the heart of economic development and urban regeneration. She also holds the Queens Award for Enterprise Promotion.

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