

# Attracting and Retaining Innovative Entrepreneurs

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A research project for

**Northwest Development Agency (NWDA)**

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**new  
economy**

Manchester's  
Commission for the  
New Economy

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# Executive Summary

This report finds a diverse range of factors that influence where successful innovative and entrepreneurial people decide to live and work. Through a series of interviews with innovative entrepreneurs, it is also clear that there are a number of these factors that appear to be consistently important to making an area a more attractive proposition than another.

Key themes emerged as the availability of talented workers from which to hire and network with, the perceptions of a place and its connectivity (inter and intra-city transport links). The report finds that these factors are key to informing the business and lifestyle choices of entrepreneurs, across UK geographies and in different sectors and types of business.

Although cities cannot influence all the factors that will be important to making it an attractive location to such people – Manchester does not have the scale and density of a city like London for example – there are various areas where policy may be better focused or aligned to improve Manchester’s potential to attract and retain such key people.

The report recommends a sustained focus on promoting Manchester’s ‘sense of place’, and in particular perceptions of the city in the South of England – where there appears to be a profound disconnect between perceptions of the city region and the reality of experience. This should not dilute any focus on promoting the city in key international markets, but would seem like a realistic way in which the city could potentially gain significant benefits domestically.

The report also identifies labour market considerations – particularly the supply to entrepreneurs of talent, both at graduate and senior executive level – as a key factor in attracting and retaining innovative entrepreneurs. As such, the report recommends that more should be done to connect the huge graduate talent pool that emerges from the city regions five universities with potential employers, especially fast-growth SME’s and specialist creative or technical firms. The expansion of internship programmes would be especially useful in this regard, as would the better co-ordination of existing recruitment activities between universities, graduates and business.

And, at the other end of the labour market, there should be a recognition that Manchester needs to work hard in various areas to make the city more attractive to senior executives and business leaders – through promoting the city more aggressively as an attractive place to live and work, and through other ‘sense of place’ initiatives such as the quality of housing, cultural amenities and infrastructure.

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# Introduction

For a long time now, innovative entrepreneurs have been recognised as being key drivers of economic growth and sustainability. However, efforts by public policymakers to increase levels of innovative and entrepreneurial activity in given regions have often been unsuccessful<sup>1</sup>.

Reasons for such failures are numerous, but often result from a failure to understand the opinions and needs of local entrepreneurs and what specific factors would better attract talented businesspeople from elsewhere.

In order to better inform policymakers in Manchester, and particularly the Attracting and Retaining Talent Strategic Priority of the Greater Manchester Strategy<sup>2</sup>, this research project conducted interviews with successful innovative entrepreneurs from within Manchester and elsewhere to get feedback on their experiences and what factors are key to attracting and retaining more innovative entrepreneurs to a city region like Manchester.

The findings of these 42 in-depth interviews form the basis of the main part of the report.

Why has attracting and retaining Innovative Entrepreneurs become so important?

The recently released Greater Manchester Strategy<sup>3</sup>, the policy blueprint for the city region for the next ten years, has a clear objective to “increase the number of innovative entrepreneurs living and working in the city region”. The GMS acknowledges “Manchester’s future prosperity lies in having creative people that generate ideas alongside an enterprise ecosystem that turns them into revenue-generating businesses. Innovative entrepreneurs...are very much in the minority but they disproportionately drive growth. In the US market for example, innovative businesses (known as ‘gazelles’), represent only 5% of new ventures, but produce 87% of new jobs.”<sup>4</sup>

Over the last twenty years or so there has been a renewed interest in the role of the entrepreneur in driving economic growth. As the role of the entrepreneur has got more coverage in the academic literature, more efforts have been put in to understanding how better the public sector can facilitate and encourage entrepreneurial activity.

The role of government or public policy in this regard often takes one of two routes: either direct intervention or efforts to boost entrepreneurialism and innovation indirectly. The direct route has often involved such things as direct subsidies to firms to encourage

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<sup>1</sup> See for example Lerner, Josh, Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed--and What to Do About It, 2009

<sup>2</sup> Greater Manchester Strategy - [http://neweconomymanchester.com/stories/842-greater\\_manchester\\_strategy](http://neweconomymanchester.com/stories/842-greater_manchester_strategy)

<sup>3</sup> [http://neweconomymanchester.com/stories/842-greater\\_manchester\\_strategy](http://neweconomymanchester.com/stories/842-greater_manchester_strategy)

<sup>4</sup> Prosperity for All: the Greater Manchester Strategy (GMS), August 2009

[http://neweconomymanchester.com/stories/842-greater\\_manchester\\_strategy](http://neweconomymanchester.com/stories/842-greater_manchester_strategy)

them to locate in a given location or to stay in that location, or grants to firms identified as being particularly entrepreneurial or innovative (often start-ups).

In turn, the indirect efforts would incorporate all efforts to improve the environment for entrepreneurialism. As the American economist Josh Lerner states, “governments can freshen the environment for entrepreneurs”<sup>5</sup>. In theory, many of these initiatives are common sense ones and may seem relatively standard roles for policy intervention, and Lerner states that they fall into “four broad ‘buckets’: Getting the laws right; Ensuring access to cutting-edge technologies; Creating tax incentives – or removing barriers; and Training potential entrepreneurs”<sup>6</sup>.

The unfortunate reality is, according to Lerner, that “many more initiatives have been unsuccessful than successful”<sup>7</sup>. As a result, “[a]ll too often, public programs incorporate fundamental errors that are a death sentence for a program before it even starts.”<sup>8</sup> Conversely, these failings can be divided into designs that do not reflect what the entrepreneurial and venture process is all about, and those that seek to tell the market what to pursue, rather than listen to its needs<sup>9</sup>.

This viewpoint is supported by a recent article in *The Economist* that states that “[t]he most basic mistake politicians make in trying to foster entrepreneurship is to assume that there is only one model of a successful entrepreneurial cluster. There is no point in trying to create the next Silicon Valley without the Valley’s remarkable resources: two world-class universities, Stanford and Berkeley, and a big financial centre, San Francisco. Instead, would-be emulators should concentrate on their own particular strengths.”<sup>10</sup>

Therefore, whether an area needs to further support its creative-base, stimulate local networks, strengthen academia, attract foreign talent or re-build infrastructure and amenities, it is clear that tailoring specific policies to the particular needs of the local market is fundamentally important if those policies are not going to be consigned to (often expensive) failure.

The purpose of the interviews carried out as part of this research are to better understand what factors are specifically important for Manchester in attracting and retaining more innovative and entrepreneurial people. It is hoped that the findings of the research will be able to inform public policy and particularly the development of specific targeted interventions for the ‘attracting and retaining innovative entrepreneurs’ objective of the Greater Manchester Strategy.

<sup>5</sup> Lerner, J. (2009), *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed--and What to Do About It*, p90

<sup>6</sup> Lerner, J. (2009) *ibid*, p92

<sup>7</sup> Lerner, J. (2009) *ibid*, p112

<sup>8</sup> Lerner, J. (2009) *ibid*, p111

<sup>9</sup> Lerner, J. (2009) *ibid*, p111

<sup>10</sup> Wooldridge, A. (14 March 2009), *Special Report: Magic Formula*, Despite the downturn, entrepreneurs are enjoying a renaissance the world over, *The Economist*, p10

# Current Performance

It is notoriously difficult to find accurate measurements and indicators for the processes of innovation and entrepreneurialism. As such, data for various other variables are often used as proxies of entrepreneurial activity. The various indicators outlined in this section are often used as proxy indicators of innovative or entrepreneurial activity, and present Greater Manchester's (GM) or the Manchester City Region's (MCR) performance in this respect.

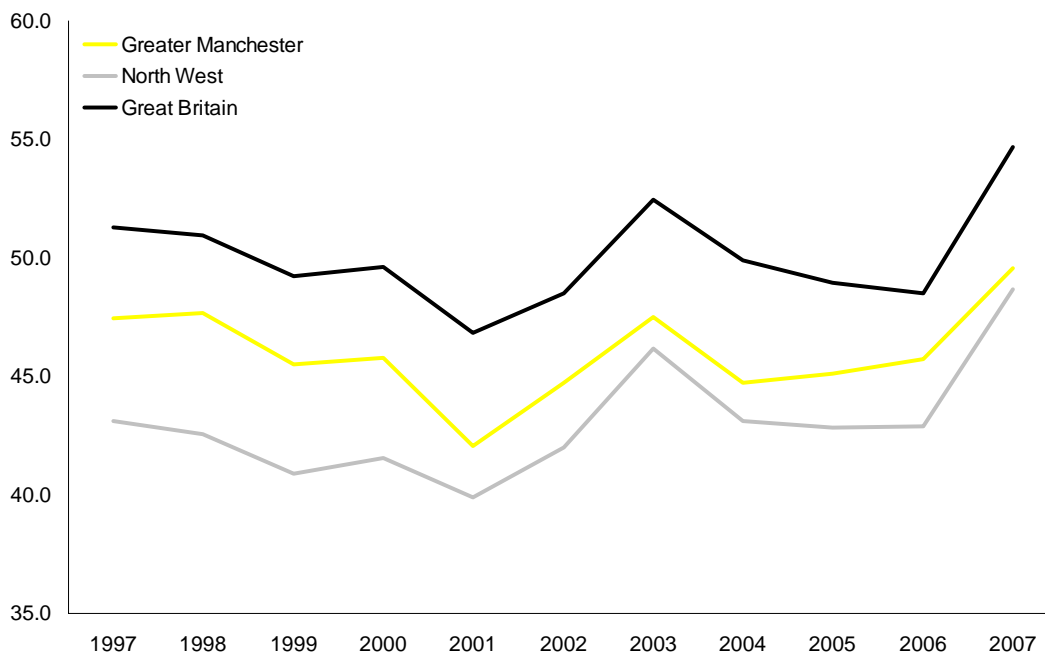
However, the intention is not to focus too much on the statistics here – rather, the purpose is to present a general overview of Manchester's performance in key parts of its business base and highlight the potential for improvement that exists.

## VAT Registrations

### *Where are we?*

- GM currently has less business per 10 000 residents than the UK but more than the NW
- However the trend data shows that the number of businesses in the NW is growing faster than in GM

### **VAT Registrations per 10,000 residents**



Source: DBIS

Numbers of Corporate Managers

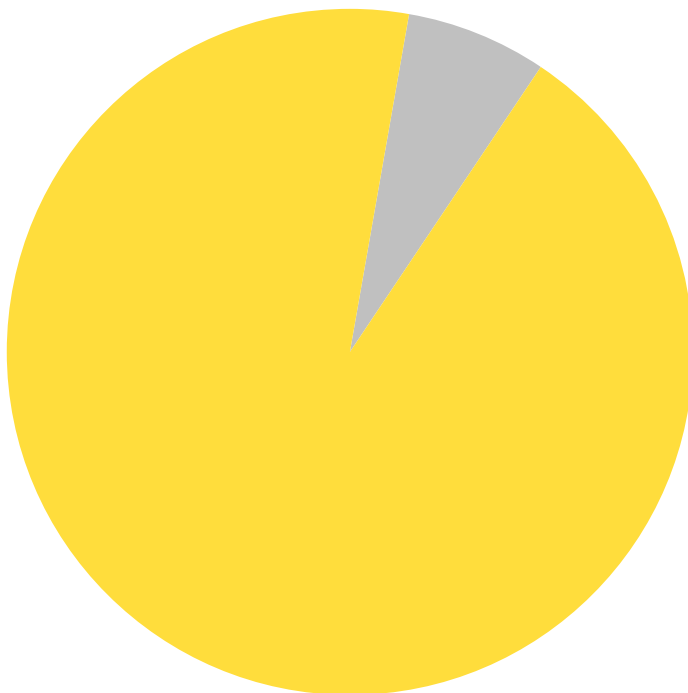
Where are we?

- GM is currently performing above the UK average (baseline: 08/09) but is still performing below other city regions including Bristol Manchester and Leeds.
- The trend between 04/05 and 08/09 in GM and across all comparators has been one of growth.



**Proportion of workforce who are Corporate Managers, Baseline Position 2008/09, Greater Manchester**

- Corporate Managers
- Other Occupations



Source: ONS, Annual Business Enquiry

Proportion of knowledge employment to total employment

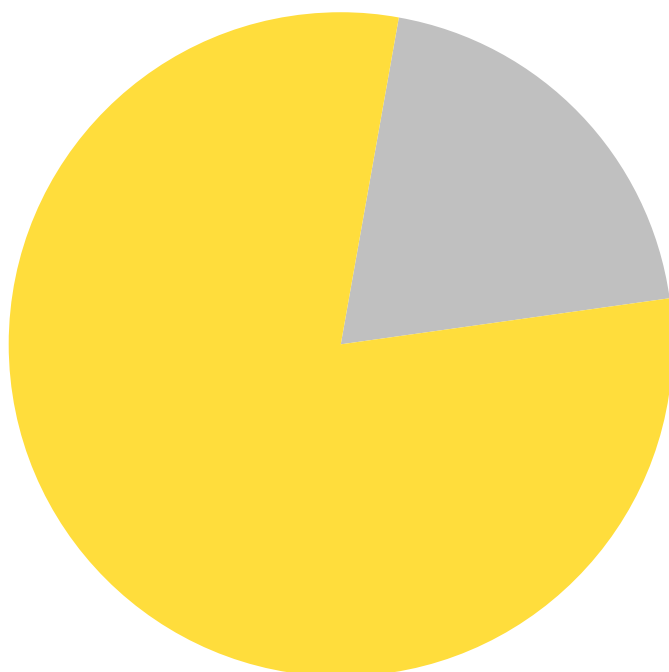
Where are we?

- GM is currently performing at the UK average (baseline, 2007) but is still performing below other city regions including London and Bristol.
- The trend between 2003 and 2007 in GM and across all comparators has been one of growth.



**Proportion of workforce employed in Knowledge Based Industries, Baseline Position 2007**

- Knowledge employment
- Other employment



Source: ONS, Annual Business Enquiry

NI 172 Indicator: Percentage of small and growing businesses

*Where are we?*

- GM is currently performing at the NW average (baseline, 06/07), above GB and England levels
- The trend between 2003 and 2007 in GM and across all comparators has been one of growth, with the exception of between 05/06 and 06/07, which witnessed a fall

**Percentage of small and growing businesses**

	2006 Employment <50	2007 Increase Employment	N172
Great Britain	2,113,970	273,970	12.96%
England	1,890,970	241,745	12.78%
North West	218,280	29,205	13.38%
Greater Manchester	81,305	10,875	13.38%
Bolton	8,670	1,120	12.92%
Bury	6,200	800	12.90%
Manchester	13,750	2,000	14.55%
Oldham	6,230	835	13.40%
Rochdale	5,705	790	13.85%
Salford	6,600	900	13.64%
Stockport	11,045	1,385	12.54%
Tameside	5,980	800	13.38%
Trafford	9,200	1,160	12.61%
Wigan	7,925	1,085	13.69%

Source: Department for Business Innovation and Skills

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# Methodology and Statement of Research Objectives

The overarching aim of the project is to assess the extent to which Manchester's 'offer', in terms of its key urban assets and place-based factors (including labour market opportunities), is supportive of attracting and retaining the innovative entrepreneurs. By assessing Manchester's current performance in attracting and retaining these mobile, highly skilled people the research analyses how adjustments in policies and investment could make this more effective in the future.

*The questionnaire sought to answer the following key questions:*

- What factors influence innovative entrepreneurs when making decisions about where to locate their businesses and families?
- How can MCR better retain innovative entrepreneurs once they are living in the City Region?
- What can Manchester do to attract internationally mobile talent?
- What aspects of public policy could be better co-ordinated or designed to better attract and retain innovative entrepreneurs?
- Will Manchester ever be able to compete with London (which is by far the largest destination for talented professionals and high-earners in the UK) in terms of providing the career opportunities and lifestyle choices talented people will demand?

Given that the basic purpose of this research was to gain insights into the experiences and opinions of innovative entrepreneurs, it was decided from the outset that only qualitative research methods would be appropriate. Given the scope of the research that was possible, the initial intention was to interview up to 80 people, including 15-20 innovative entrepreneurs who have remained in MCR having lived in MCR ('retained'), 15-20 innovative entrepreneurs people who have left Manchester having lived in Manchester ('lost Mancunian'), 15-20 innovative entrepreneurs who have moved to MCR from elsewhere having never lived in MCR ('attracted') and 15-20 innovative entrepreneurs who have been identified as the type of person that MCR should attract but has not been able to do so ('potential MCR'). However, due to interviewee recruitment difficulties, it became apparent that it would not be possible to get the required number of interviewees for each of these groups, with 'potential Mancunians' and 'lost Mancunians' particularly difficult to recruit.

As such, it was decided that interviewees would be sought from within Greater Manchester and from outside Greater Manchester. As it happened, those within GM were a mix of attracted and retained Mancunians, although it was still the case that no 'lost Mancunians' were identified from those outside Manchester.

A variety of sources were used to draw up a list of over 500 potential interviewees, including from partner agencies, professional contacts and publicly available sources (particularly local business press such as Insider magazine and Crain's).

From this list, a total of 42 in-depth interviews were successfully carried out with innovative entrepreneurs, with approximately half living inside Manchester and the other half in different parts of the UK.

As previously outlined, the definition of innovative entrepreneurship employed here is "the pursuit of opportunities beyond the resources you currently control" (Stevenson, 1983, 1985; Stevenson and Jarillo, 1991). So this may include people who have founded or own their own business, as well as those working on creating opportunities and growth within large corporations.

However, a further caveat was employed in that only *successful* innovative entrepreneurs were sought. That is, those that are already established in their chosen careers, rather than innovative or creative people at the start of their careers or in retirement.

In our sample, a spread of occupations and sectors was sought, resulting in interviewees from a broad range of business sectors and localities.

It is also important to note that, as the focus is on the economic growth that such people can create, the research focused on innovative entrepreneurs within the private sector. That is, successful and innovative businesspeople.

The interviews were, on average, 20 to 25 minutes in length, although the time range varied from a minimum of 15 minutes to over 45 minutes. The interviews asked a series of questions, some open-ended and some with scales attached (scale of 1 to 5, with 5 being the highest) – and was broadly split between questions that aimed to garner personal opinions and those that sought responses from a business perspectives (although obviously some overlap exists here, as the vast majority of interviewees were business founders or owners). The questions asked reflected the research objectives outlined in the previous section. However, some interview were more structured than others, and it was decided that there was more value in letting the interviewee speak freely on issues they felt strongly about, rather than rigidly sticking to a defined interview structure.

*The result was a set of 42 detailed interviews and it is the feedback from interviews that the remainder of this paper reports on.*

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# Interviews Feedback

## Talent

Talent was probably the most interconnected issue to emerge from the interviews, and was often described as an issue linked to Connectivity, perception and networking in particular. It was also an area where the vast majority of interviewees expressed strong opinions or concerns, based on their personal business experiences.

*The responses can broadly be split in to two main areas: those relating to graduate talent and those relating to senior executive level talent.*

## Graduates

A lot of the feedback about graduates related to recruitment problems, and particularly what more could be done to connect entrepreneurs with highly skilled graduates. Such feedback was received from interviewees in Manchester and other parts of the UK.

In Manchester there was an acknowledgement of a significant potential talent pool graduating from Greater Manchester universities each year. However, employers often cited concerns about how easy it was to find or recruit the very top graduates – especially those with specialist technical or creative skills they seek. For example, one Manchester-based business leader mentioned difficulties finding “talented IT people”, whilst another described the difficulties in trying to recruit specialist electrical engineers locally. One interviewee stated that his company finds it easier to recruit top talent from Poland, India and China rather than from local universities. In other cases, some made the point that the very top graduates were very likely to move elsewhere on graduating, whilst others stated that many graduates, although well qualified, may not have the right levels of practical / industry skills to be immediately employable.

Indeed, the issue of practical business skills, as opposed to academic skills, was a recurring one in interviews with entrepreneurs – both from Manchester and elsewhere. Again, this reflects the nature of the people interviewed, most of whom run dynamic small to medium-sized businesses that require each member of staff to be proficient in various business skills. These companies are less likely to be able to provide the extensive graduate training that some of the bigger firms are able to, and thus seemingly demand more ‘business savvy’ graduates. More internships and more business-orientated / practical teaching curriculum’s were often mentioned as welcome potential policy interventions in this regard.

Outside of Manchester, many of the interviewees also cited difficulties in finding graduates with the particular technical or practical skills they look for through traditional graduate recruitment routes. In this respect, more internships and better links between

***“We always find it difficult finding the right people, especially as a small company.”***

***“Interactions between the private sector, universities and the public sector should be much better.”***

***“We’d absolutely love to have links with any universities that would want to talk to us.”***

their businesses and universities / career services were again almost universally welcomed by the interviewed employers.

Interestingly, the support for internships supports findings from a recent paper that found that 37% of surveyed UK companies said that they would be more likely to recruit a graduate if there were more internship opportunities (whilst only 9% had actually had an intern or placement student in the past 12 months<sup>11</sup>).

*“We struggle to get top-level board people to come here.”*

## Senior Executives

A consistent and crucial theme in interviews with Manchester entrepreneurs was the difficulties that they often reported in attracting and hiring senior level people to their organisations. Indeed, many stated that they had to look out of Manchester to find such people, and often then had to work hard to attract them in to the city region.

Furthermore, a number of those interviewed from London stated that the perceived lack of such senior people in Manchester was part of the reason why Manchester would not be an attractive business proposition, as it lacks the networks and influence of the capital.

*“The problem is there’s not enough top executives in Manchester.”*

Feedback from the interviews suggest that Manchester is not perceived as having an existing mass of senior businesspeople, and that this creates a further problem in terms of attracting such people from elsewhere. This is perhaps unsurprising, and much of the economic literature on this topic stresses the importance of building such a base - and fostering an entrepreneurial culture - in order to attract and retaining top talent.

Entrepreneurial people tend to be attracted to areas where this entrepreneurial people and an entrepreneurial culture already exists. In other words, entrepreneurialism often “flourishes in clusters” and despite the internet and improved transport linkages facilitate increasing economic activity that spans huge distances, clustering is still very much in evidence – meaning that certain areas, more than others, still act as hubs of talent attraction. Innovative, entrepreneurial people still seek to live and work in places where like-minded people reside. “This is partly because entrepreneurship in such places is a way of life [i.e. a ‘culture’] – coffee houses in Silicon Valley are gull of young people talking loudly about their business plans – and partly because the infrastructure is already in place, which radically reduces the cost of starting a business<sup>12</sup>.”

*“The quality [of the local talent pool] has improved greatly over the last 10 to 15 years.”*

Therefore, those places viewed as having an entrepreneurial culture and a strong base of entrepreneurial people will more likely attract footloose innovative entrepreneurs and the infrastructure needed to support them. Successfully attracting more senior executives and successful innovative entrepreneurs can lead to the subsequent development of broader social structures and institutions that support additional entry – with angel financiers, specialized educational institutions, and small business lawyers

<sup>11</sup> Kewin, J., Hughes, T., Fletcher, T. (January 2010), Generation Crunch: the demand for recent graduates from SMEs, Research Report, p17

<sup>12</sup> Wooldridge, A. (14 March 2009), Special Report: Magic Formula, Despite the downturn, entrepreneurs are enjoying a renaissance the world over, The Economist, p2

likely to congregate in areas that start with some initial concentration, or culture, of entrepreneurship<sup>13</sup>.

*“We should not underestimate the importance of people that have studied here.”*

## Talent Summary

### Graduates

- Concerns about how easy it was to find / recruit the very top graduates – especially those with specialist technical or creative skills. Expressed by those in Manchester (despite huge potential graduate pool), but also those outside, including London.
- Many graduates, although well qualified, may not have the right levels of practical / industry skills to be immediately employable.
- More internships and better links between entrepreneurs / small businesses and universities / career services were almost universally welcomed by the interviewed employers

*“We are very keen to have closer links to the universities.”*

### Senior Executives

- Those in Manchester expressed widespread difficulties in attracting and hiring senior level people to their organisations.
- Furthermore, the perceived lack of such senior people in Manchester part of the reason why it is a less attractive business proposition to those in London.

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<sup>13</sup> Glaeser, E.L., and Kerr, William R. (4 December 2008), Local Industrial Conditions and Entrepreneurship: How Much of the Spatial Distribution Can We Explain?, Harvard Business School Working Papers

## Perceptions

Perhaps the most illuminating set of responses related to people's perceptions of Manchester or experiences of others' perceptions. These discussions drew a very mixed and sometimes very polarised set of responses.

Those working and living within Manchester generally expressed the opinion that perceptions of Manchester had improved in recent years, coinciding with an actual improvement in the city's regeneration and 'offer'. The Commonwealth Games was often cited as a catalyst in the changing perceptions and regeneration of the city, and especially the city centre.

The most positive feedback was received from those in creative or cultural industries, who often stated that Manchester was viewed favourably (if not advantageously) in terms of its cultural and creative community. Indeed, those 'Mancunians' who worked in other industries often shared this sentiment.

This cultural reputation would appear to be a key strength for Manchester and of benefit not just to those involved in working in cultural industries. As creativity is a shared characteristic of all innovative entrepreneurs, places with strong creative and cultural reputations can attract entrepreneurs from all backgrounds.

Indeed, there has been an increasing body of literature supporting the contention that a crucial reason for the success of some cities and regions over others is their ability to continually attract and harbour a young, innovative 'creative class' of people - including scientists and engineers, university professors, poets, novelists, artists, designers and creative professionals in a range of knowledge-intensive industries - through being diverse, open, tolerant and culturally appealing places<sup>14</sup>. Therefore, Manchester's strength in this area is one that should clearly be built upon and supported strongly.

Many interviewees also described the positive impression of Manchester internationally. Interviewees often relayed the experience that when traveling internationally Manchester is immediately recognised, and mostly favourably – with the strength of the international brand owing much to Manchester United and Manchester City football clubs. Again, the literature stresses the importance of building upon such strong international linkages in order to maximise the chances of an area being able attract the best talent from around the world. As a recent article in *The Economist* states, "[i]n today's knowledge economy, educated émigrés are at the cutting edge of innovation. They create more firms than regular folk, they circulate ideas, money and skills; they fill skills gaps; and they mix and match knowledge from different parts of the world"<sup>15</sup>.

*"I've never been to Manchester, but I wouldn't want to live there."*

*"The Coronation Street impression still prevails in the south."*

*"Manchester is perceived as being the poor relation [to London]."*

*"Manchester is perceived to be the top city in the North of England."*

<sup>14</sup> Florida, R. (2002) *ibid*

<sup>15</sup> Wooldridge, A. (14 March 2009), Special Report: Magic Formula, Despite the downturn, entrepreneurs are enjoying a renaissance the world over, *The Economist*, p10.

Again on a positive note, a few interviewees, from Manchester and elsewhere, felt that Manchester had claims to being “the UK’s second city” now, behind London. This was particularly the case amongst interviewees in the north of England.

However, in general the feedback from other parts of the UK was less than positive in terms of perceptions more generally (although not without exception). The majority of those external interviewees did not see Manchester as a viable option to live and work in, even where perceptions seemed relatively positive. The prevailing perception of interviewees in the south seemed to be of Manchester as part of the wider north of England – with associated problems in terms of skills, connectivity, networks and international prominence. As examples, one interviewee from London described Manchester as having “more poverty and a less developed infrastructure” than the capital, whilst an interviewee from Manchester described her experiences of dealing with the “Coronation Street impression” of many people from the south.

Although those outside of London were less likely to have very negative perceptions, Manchester was then only often viewed as positive in a northern context or on a par with other UK regional cities, such as Birmingham, Leeds or Glasgow.

These views seem to suggest that there is a potential disconnect between the reality of the Manchester experience, as relayed by those who live and work in the city, and external perceptions. Indeed, many within Manchester, even when describing various problems in the city, felt that the city could be viewed far better were it to “shout more about its achievements” and market itself more aggressively as an attractive business proposition. Perception problems were often linked to difficulties attracting senior executives, skilled graduates and selling business.

*“There is still the view that it’s ‘grim up north’, but it isn’t a true one, and people change their perceptions when they come here.”*

*“Everyone I speak to abroad has heard of Manchester.”*

*“Manchester is a bigger city than Nottingham but the North is not very appealing – reality is South.”*

## **Perceptions Summary**

- Issues around perceptions strongly linked to problems attracting and retaining best talent, which in turn linked to issues around networking, quality of housing etc.
- Those working and living within Manchester generally expressed the opinion that their own perceptions of the city had improved in recent years, coinciding with an actual improvement in the city’s regeneration and ‘offer’.
- The most positive feedback was received from those in creative or cultural industries – for both their own perceptions and those they experienced outside Manchester.
- Internationally Manchester is immediately recognised, and mostly favourably
- However, within the UK much of the feedback was far less positive, esp. in the south of England and London...disconnect between perceptions of those who knew city and those that didn’t.

*“We need to shout more about our achievements...London does not take us seriously.”*

- Negative perceptions outside Manchester as a barrier to business and forming relationships – some felt they had to overcome prejudices and personally promote the city themselves to break down barriers. Many felt the city should “shout more about its achievements” and market itself more aggressively.

## Connectivity

Transport and connectivity was a key theme of the interviews, and drew some of the most passionate responses. Both those inside and outside Manchester, almost unanimously, viewed inter and intra city transport links as a key factor in both enabling business success and entrepreneurialism and also in personal decisions on where to live and work.

Although opinions on its importance were unambiguous, the suitability of Manchester's transport infrastructure and linkages varied widely. Within Manchester, those based in or near the city centre seemed to express little concern on the whole with the road, tram and bus routes locally (although there was often stated room for improvement). The most prominent concerns from those in Manchester focused on problems related to traveling in to the city from outer parts of the conurbation - particularly in terms of road congestion and a lack of rail routes or rolling stock. These problems seemed particularly acute amongst those who live in more desirable outskirts of the city, but work or have business interests in the city centre.

Concerns were often expressed about Manchester's ability to remain competitive as an economy and to grow in the future within its current transport constraints. The basic foundations of a city, in terms of its roads, telecommunications, schools, hospitals and housing, are often a necessity to people when deciding whether or not a location is an attractive place in which to live and work, and must be viewed as an essential part of any successful cities offer. However, again, the scale and quality of this offer may well prove to be the difference between the attractiveness of one place over another<sup>16</sup>.

Many of those outside Manchester shared in the opinion that Manchester was not as connected as it could or should be, both in terms of intra-city networks and inter-city airport linkages. Especially compared to London, Manchester was often viewed as not very well connected, with London having the advantage of a Eurostar link and two major international airports (with the advantage of direct flights to almost anywhere).

Indeed, a number of those within Manchester also expressed disappointment at Manchester's airport, with concerns ranging from a lack of direct flights to parts of Asia and the United States, to a lack of comfort at the airport, and its perceived focus on package holidaymakers at the expense of frequent business travellers. Overall, responses suggested that the airport was a significant potential asset that much more could be made of.

*“Train services in the outskirts of the city are not good enough.”*

*“In terms of transport, it can be easier to get to another city than to get within the city.”*

*“Airport links could be better, especially to North Africa and beyond.”*

<sup>16</sup> C Cowling, M. (October 2009), The Geographical Distribution of UK Talent: Causes and consequences, Institute of Employment Studies, pp9-10

More positively, those inside and outside Manchester mainly viewed the rail linkages between Manchester and London as excellent. The prospect of high-speed rail connectivity between the two cities was also enthusiastically welcomed by the vast majority of interviewees, as something that would add to the attractiveness of the city and its ability to compete as a location for business and entrepreneurialism. Again, transport issues were related to problems attracting and retaining talented people, as well as networking capabilities and perceptions of the city.

### **Connectivity Summary**

- Transport issues were related to problems attracting and retaining talented people, as well as networking capabilities and perceptions of the city.
- Within Manchester, those based in or near the city centre seemed to express little concern.
- The most prominent concerns from those in Manchester focused on problems related to travelling in to the city from outer parts of the conurbation - these problems seemed particularly acute amongst those who live in more desirable outskirts of the city.
- Concerns were also expressed about Manchester's ability to remain competitive as an economy and to grow in the future within its current transport constraints.
- Outside of Manchester, many shared in the opinion that Manchester was not as connected as it could or should be, both in terms of intra-city networks and inter-city airport linkages.
- The vast majority of interviewees enthusiastically welcomed the prospect of high-speed rail connectivity between Manchester and London.

***“The roads [in Manchester] are shocking.”***

***“In terms of international connectivity, I'd feel much better served if I was in London.”***

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## Networking

Networking emerged as the issue that entrepreneurs viewed as being the most important for them in business - key to raising capital, generating ideas and innovation, collaboration and finding clients / new markets.

Networking emerged as the issue that entrepreneurs viewed as being the most important for them in business. A scale of 1 to 5 in importance was attached to this question and almost all respondents viewed networking as a 4 or 5 out of 5 in terms of its importance to them in business success. Networking was stated as being key to raising capital, generating ideas and innovation, collaboration and finding clients / new markets.

However, the role of the public sector did not emerge as quite so clear-cut. Much of the key networking reported was of the personal, organic type of relationship building that goes on without any external intervention or facilitation. Where particular networks or networking opportunities were highlighted as being useful they were often provided by the private sector e.g. by professional trade associations, or online networks like LinkedIn.

Despite this, the majority of interviewees had still had experience of networking events or processes delivered by the public sector, and many also found that these were useful and worthwhile experience. However, many more also described how they felt that this public sector intervention could be improved. A consistent theme in this regard was the need for more tailored, exclusive and sophisticated networking events from the public sector – bringing together people who could really gain value from speaking to each other. A relatively consistent suggestion was for more targeted cross-sector events, for example for a networking event for 'creative's' it may be most valuable to bring together artists, technicians and web designers. Other suggestions included networking events specifically for high-end executives, or more online networking opportunities, enabling people to better know and choose what groups they are or aren't part of. Although opinions varied on what more sophisticated public sector networking might involve, interviewees seemed to agree that any large-scale generic networking events were of limited use to them.

Despite these suggestions for improvement, the majority of those in Manchester found that there were ample opportunities for them to engage in the kinds of networking that they find is beneficial, whether personally or provided by the private or public sector.

Opinions were far less positive when comparisons were made with London and other major international cities however. Those respondents from outside Manchester often stated that Manchester is a less attractive alternative, internationally and compared to London, specifically because of perceived 'thinness' of networks and networking opportunities (linked very much to the issues of connectivity, scale and a comparative lack of dense labour markets / senior executives). A few of those in Manchester who had experience of working in London shared some of these opinions.

*“Networking is crucial, as the reality is that it's still about who you know not what you know.”*

*“London has better networking opportunities.”*

*“There's nothing worse than attending a pointless networking event.”*

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## Networking Summary

- Again, a very interconnected issue – linked strongly to issues around connectivity, presence of talented / senior people, access to funding and digital connectivity
- Role of the public sector not immediately clear-cut. Despite this, the majority of interviewees had still had experience of networking events or processes delivered by the public sector - many more also described how they felt this public sector intervention could be improved:
  - ❖ the need for more tailored, exclusive and sophisticated networking events from the public sector, including:
    - more targeted cross-sector events e.g. for a networking event for ‘creative’s’ it may be most valuable to bring together artists, technicians and web designers.
    - networking events specifically for high-end executives, or more online networking opportunities – enabling people to better know and choose what groups they are or aren’t part of.
- Opinions were far less positive when comparisons were made with London and other major international cities however - specifically because of perceived ‘thinness’ of networks and networking opportunities (linked very much to the issues of connectivity, scale and a comparative lack of dense labour markets / senior executives).

*“There are not enough bespoke networking opportunities.”*

*“Networking events can tend to be very sectoral.”*

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## Accessing Finance

The interviews confirmed that access to the funding and capital to grow a business is crucial to the majority of entrepreneurs. Although the majority of interviewees had built successful businesses and were therefore not at the point of struggling to secure funding, feedback was informative in terms of both the public and private sector sources of funding.

In terms of the availability and provision of capital in Manchester, many respondents reported no problems at all. Indeed, it was reported in some instances that Manchester had a strong equity and debt market.

However, in terms of attracting and retaining more innovative entrepreneurs, feedback centered on how local entrepreneurs could be better supported through more information on how to access funds (especially with venture capital and equity funding) and reducing difficulties in securing funding (particularly early-stage debt / loan funding from banks and public sector grants or loans).

When particular concerns were raised, they tended to focus on the somewhat arbitrary and unpredictable nature of funding decisions, especially in securing funding from banks and venture capital (VC) firms, who may apparently say one thing in public or at the outset of discussions, but then say another at a later stage. For these reasons, a number of interviewees didn't view banks or VC firms as being particularly good enablers of entrepreneurialism more broadly.

Specific suggestions for improvement included better publicising or marketing potential sources of funding, and doing more to make firms 'investor ready' and knowledgeable about how to secure funds or capital.

With specific reference to public sector funding, a consistent suggestion was that there should be far less bureaucracy involved in even applying for public sector funds. The time involved in applying and meeting requirements was seen as unnecessarily burdensome and a potential constraint by many. Respondents also suggested that the type of public sector funding was also often too specific, and therefore out of the reach of many worthwhile businesses.

In terms of the role of finance and funding in attracting and retaining more innovative entrepreneurs, overall it appeared that many of the reported issues were consistent across geographies in the UK, and not unique to Manchester. However, a clear exception was with regards to the venture capital market, where London's much more developed venture capital market appeared as a significant 'pull-factor' to many entrepreneurs.

*“In terms of venture capital, outside London there is next to nothing.”*

*“Access to public funds is a massive issue.”*

## Access to Finance Summary

- Local entrepreneurs could be better supported through more information on how to access funds (especially with venture capital and equity funding) and reducing difficulties in securing funding (particularly early-stage debt / loan funding from banks and public sector grants or loans).
- More could be done to publicise or market potential sources of funding, and doing more to make firms 'investor ready' and knowledgeable about how to secure funds or capital.
- Far less bureaucracy should be involved in even applying for public sector funds.
- London's much more developed venture capital market appeared as a significant 'pull-factor' to many entrepreneurs.

***"We struggled to get really good business mentors in Manchester."***

## Housing

Out of all the innovative entrepreneurs interviewed housing emerged as an important, although not primary concern for most.

A relatively consistent theme did emerge in respect of the perceived lack of high-quality housing in the city. For those outside Manchester, the view that housing might not be particularly good in Manchester was mentioned (but not consistently), although in this respect it probably relates more to overall perception issues rather than any specific commentary on the local housing offer.

Where this concern was reported by those in Manchester however, this often linked to issues of lack of adequate provision in places and poor connectivity, as many of the interviewees reported having to live in less well-connected outskirts of the city in order to find housing that they want, at the expense of easy access to the city centre.

This is significant as the lack of high-quality housing in the areas people want to live acts as a constraint to the attraction and retention of talented people, and particularly established and successful senior executives.

***"If you want to attract good people you've got to have good housing and we haven't got that at the moment...I've had to build my own property."***

## Housing Summary

- A relatively consistent theme did emerge in respect of the perceived lack of high-quality housing in certain areas of the city.
- Lack of adequate provision in places and poor connectivity, as many of the interviewees reported having to live in less well-connected outskirts of the city in order to find housing that they want, at the expense of easy access to the city centre.

## Digital Connectivity

The existence of high-speed and reliable broadband connectivity and wi-fi was seen as essential to many of the business-owners interviewed (especially creative and online businesses). Beyond basic business functioning, digital connectivity was often cited as being key to innovation, reducing barriers-to-entry, enabling networking and access to global markets.

*“Good internet connectivity is absolutely crucial to business.”*

Although high-speed access was not the primary concern for most – basic provision was almost always regarded as a necessity. Furthermore, it appeared that the potential for an enhanced high-speed offer in Manchester would add to its attractiveness as a place to do business, perhaps even compared to central London in this respect, where constraints on high-speed were cited by one interviewee.

## Other Factors

It must be noted that the interviews touched upon a variety of other factors highlighted as being important to attracting and retaining innovative entrepreneurs. Although these were not identified as key or consistent issues (as they weren't mentioned as much as other issues), the literature serves to support their relevance to efforts to attract and retain innovative entrepreneurs.

*“Cities do not seem to see broadband as being important enough.”*

## Amenities

Due to falling transportation costs, firms and entrepreneurs have become more transient, and “[i]ncreasingly, people have migrated to areas that are attractive places to live, rather than productive places to work”<sup>17</sup>.

*“Manchester lacks art galleries and top restaurants.”*

Therefore, another factor highlighted as being important in the attraction and retention of innovative entrepreneurial people is the quality of an areas cultural and leisure amenities: encompassing the natural, social and built environment of an area, as well as the quality of certain public and private services. Such amenities can be crucial factors in attracting and retaining a wide array of talented and mobile workers<sup>18</sup>.

Although the interviews as part of this project did not consistently bring-up the importance of amenities – perhaps as most of the interviewees live in areas that already cater for their needs and therefore don't have to think about such issues often - there is a large body of literature that highlights the key role amenity-based policies can play.

*“My experience has been that entrepreneurs find education key to relocation.”*

American economist Richard Florida contends that the social and cultural amenities that a city is able to offer may be particularly important to attracting people of the creative

<sup>17</sup> Acs, Z., Glaeser, E., Litan, R., Lee, F., Goetz, S., Kerr, W., Klepper, S., Rosenthal, S., Sorensen, O., Strange, W. (February 2008), Entrepreneurship and Urban success: Towards a Policy Consensus, Ewing Marion Kauffman Foundation, p17

<sup>18</sup> International Regions Benchmarking Consortium (November 2009), A tale of Ten Cities: Attracting and Retaining Talent, p16

class. Indeed, a recent piece of statistical analysis by the Institute of Employment Studies supports this view – finding that the attraction of talented people to UK cities is positively (and significantly) associated with the culture and cultural amenities of UK cities<sup>19</sup>.

Therefore, despite the subjectivity involved in assessing the quality of an areas amenities it is clear that the quality and scale of this offer can often add to a city's attractiveness. "Beautiful public spaces, good restaurants, and museums all can attract entrepreneurial people to specific areas [and therefore] the desire to attract potential entrepreneurs is a justification for some spending in these areas [although] we know little at this point about how rates of entrepreneurship respond to such spending"<sup>20</sup>.

***"The cultural offer in Manchester has improved massively...it used to be a 'sad place'."***

As such, 'amenity-orientated policies' could be especially important in attracting entrepreneurs, and potentially offers local policy makers new tools for intervention "rather than relying on subsidies to attract firms and industries"<sup>21</sup>.

## **The Economy**

Despite the large amount of literature focused on the importance of various place-based factors to the attractiveness of one area over another, a large amount of evidence supports the contention that "economic opportunity takes precedence over lifestyle"<sup>22</sup>. "Although lifestyle considerations are becoming increasingly important, most people place the highest priority on job opportunities [and] simply enhancing the quality of life of a region will not, by itself, contribute to economic or population growth beyond an increase in resident retirees."<sup>23</sup>

Many academics and theorists remain deeply sceptical about the primary importance given to place-based factors by Florida and others. As stated in the Manchester Independent Economic Review (MIER), "[t]he concept has been criticised for its conceptual fuzziness, definitional problems and the direction of causality employed by Florida."<sup>24</sup>

Indeed, many interviewees supported this contention, by stating that they and their businesses would be based wherever the greatest business, not lifestyle, opportunities lay. Other research would support this contention that, despite lifestyle factors being

***"As businesses grow in the North, they need to be sustained in the North."***

<sup>19</sup> Cowling, M. (October 2009), The Geographical Distribution of UK Talent: Causes and consequences, Institute of Employment Studies, pp9-10

<sup>20</sup> Acs, Z., Glaeser, E., Litan, R., Lee, F., Goetz, S., Kerr, W., Klepper, S., Rosenthal, S., Sorensen, O., Strange, W. (February 2008), Entrepreneurship and Urban success: Towards a Policy Consensus, Ewing Marion Kauffman Foundation, p18

<sup>21</sup> Cowling, M. (October 2009), The Geographical Distribution of UK Talent: Causes and consequences, Institute of Employment Studies, p20

<sup>22</sup> International Regions Benchmarking Consortium, A tale of Ten Cities: Attracting and Retaining Talent, p1, November 2009

<sup>23</sup> International Regions Benchmarking Consortium (November 2009), A tale of Ten Cities: Attracting and Retaining Talent, p16

<sup>24</sup> Manchester Independent Economic Review (MIER) (2009), Understanding Labour Markets, Skills and Talent: Thick Labour Markets Literature Review

important, essentially “[t]he economy comes first and people follow”<sup>25</sup>: thus highlighting the importance of not neglecting efforts to support and enhance the local economy and job market at the expense of other policy considerations.

## **Cost**

A traditionally important factor in the attractiveness of a given place to businesspeople is cost. Indeed, “successful locations can price themselves out of the market, with prices and wages so high that productive activity, including entrepreneurial activity, moves elsewhere”<sup>26</sup>.

The cost of doing business was not a factor that was mentioned in many of the interviews, and was certainly never described as something that Manchester had a problem with. Indeed, in one instance it was mentioned as an area where Manchester may be able to promote itself over London – specifically with regards to the cost of high-speed broadband in this instance.

*“The public sector can reduce barriers to entry and make it cheaper to set-up a business.”*

Generally, costs to business may more obviously be related to land, rent, labour, taxation or transport. Although cities and city-regions often have no control over factors such as taxation or even land supply (and thus their cost), they do often have the capability to influence (through subsidy, direct control and other mechanisms) other costs to enterprise. For example, many cities offer rent subsidies to firms to move premises to certain areas, or may offer grants to cover the cost of hiring members of the resident labour force.

However, the use of such monetary incentives by the public sector in the form of subsidies and grants must be carefully thought through, as it can often work against market-forces or lead to displacement and crowding out of other private sector activity<sup>27</sup>. Furthermore, when there are realisable benefits of such policies they may only be short-term benefits, and not sustained once the monetary incentive is removed.

It may also be the case that low costs are purely the result of depressed demand conditions and are perhaps a reflection of an areas remoteness or its perceived lack of prestige. Whilst these factors may work against that city or region in trying to attract certain highly mobile and successful people, these low costs may also give that area a comparative advantage that can be exploited.

*“Cutting the tax burden would be the biggest thing the public sector could do to help entrepreneurs.”*

Therefore, certain areas may be more successful in encouraging entrepreneurialism and attracting entrepreneurs, simply because they are perceived as being less costly places to do business.

<sup>25</sup> Boyle, Dr M., and Motherwell, S., Department of Geography and Sociology, University of Strathclyde

<sup>26</sup> Acs, Z., Glaeser, E., Litan, R., Lee, F., Goetz, S., Kerr, W., Klepper, S., Rosenthal, S., Sorensen, O., Strange, W. (February 2008), Entrepreneurship and Urban success: Towards a Policy Consensus, Ewing Marion Kauffman Foundation, p5

<sup>27</sup> Holden DR, Swales JK (1995) The additionality, displacement and substitution effects of factor subsidies. Scottish Journal of Political Economy 42: pp113-126

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# Conclusions and Policy Implications

The interviews undertaken as part of this research raised a number of issues that clearly impact upon the attractiveness of a place to live and work for innovative and entrepreneurial people; from housing, transport and infrastructure to perceptions, culture and networking. The range of issues discussed is perhaps unsurprising given the breadth of the topic.

The most useful feedback can be taken from the issues that were consistently brought up in interviews, from people with experience in different parts of the UK, working in different sectors and at different stages of their careers. These 'key issues'; the availability of talented workers from which to hire and network with, the perceptions of a place and its connectivity (inter and intra-city transport links), regularly elicited the most in-depth or passionate responses. The interviews illustrate that these are the areas where Greater Manchester faces the greatest difficulties or where the greatest potential for improvement exists.

From these 'key issues', two areas have been identified where the greatest potential for affecting change exists; **negative perceptions** and access to **talent**. It is clear that these two issues are also the most interconnected, with the research highlighting the fact that negative perceptions are a key constraint to attracting the best talent from around the country (talent that includes innovative entrepreneurs, and the talent that those entrepreneurs need to network and work with) and visa versa.

This is not to say that transport and connectivity, or the numerous other issues discussed such as access to finance, housing and digital connectivity, are not also crucial, but that the potential to influence these areas of policy, and their connectedness to other issues is perhaps not as great.





Therefore, the policy recommendations overleaf focus on the potential Greater Manchester has to improve perceptions of the city region as a place to live and work in amongst innovative and entrepreneurial people, and to better connect the large number of talented people that live here with innovative entrepreneurs and fast-growth SMEs'.

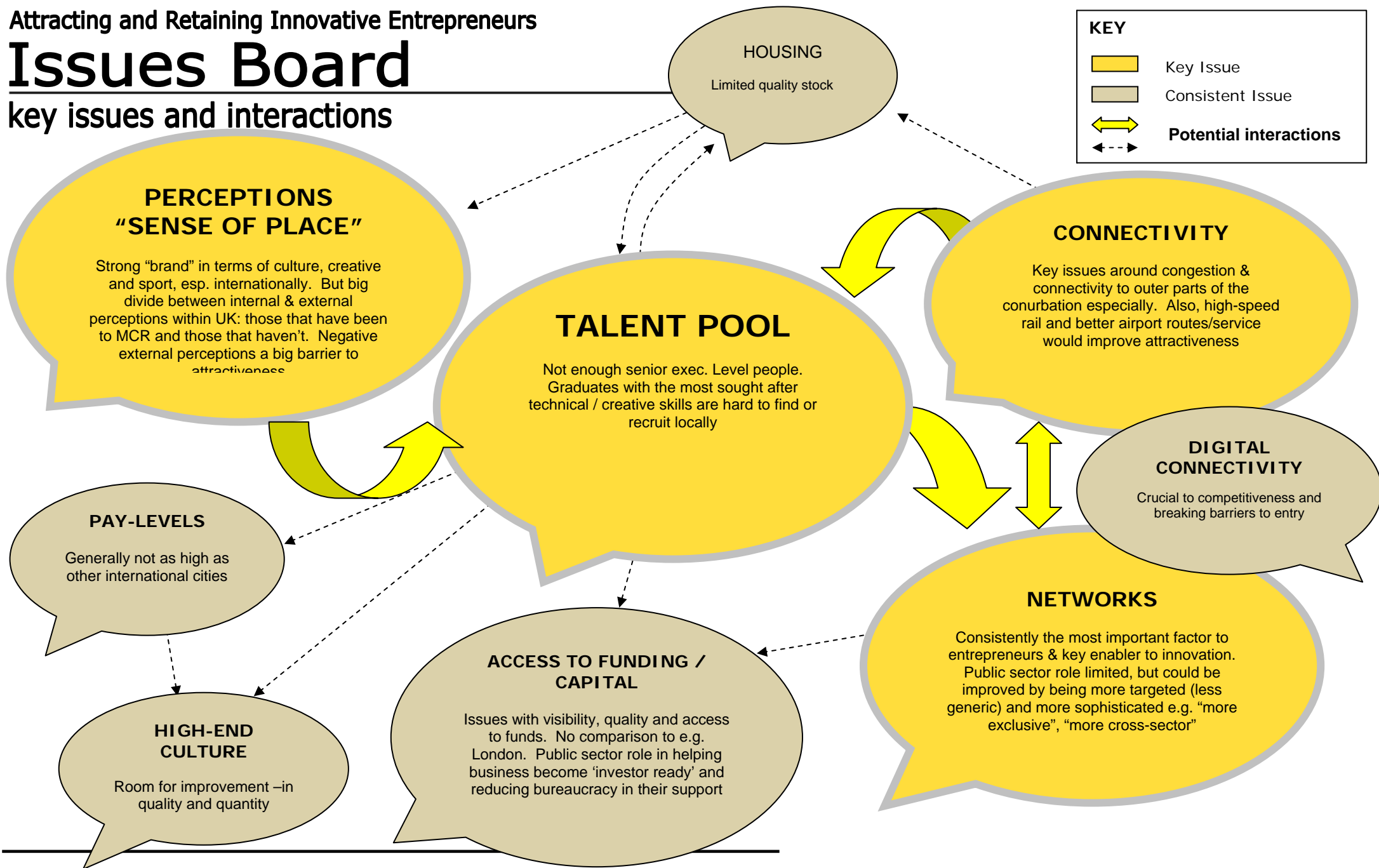
Key Topic	Research Findings	Recommendation
Perceptions	There is an apparent mismatch between the perceptions of those entrepreneurs that successfully live and work in Manchester and many of those who have never been to the city, especially amongst senior executives and those in the South.	An agency to lead, in partnerships with other agencies and the private sector, on a coherent and sustainable marketing and 'sense of place' policy, in order to improve perceptions of the MCR as a place to live and work and better promote achievements, especially in the South and to senior executives.
Talent – Senior Execs	A lack of senior executive level talent locally makes it difficult to hire top people and limits quality of networking opportunities.	
Talent - Graduates	Having a ready supply of the best graduates has been identified as being key to attracting and retaining innovative entrepreneurs to the city region. Existing initiatives across GM universities and other agencies not well enough coordinated or promoted.	
		Further efforts to increase the take-up and supply of internships.
Connectivity	Connectivity of the city centre to outskirts is not good enough. In the city centre, congestion a growing problem. Improved connectivity to London (especially high-speed rail) and international cities mostly welcomed.	
Culture and Amenities	Culture offer generally very good, especially for young and in terms of sport and nightlife. However, cannot compete with London and other cities in terms of its high-end cultural offer (theatres, restaurants etc).	
Access to Finance	Networks are not 'thick' enough or of the highest quality, which makes accessing private sector funds more difficult. Accessing public funds too bureaucratic and arduous. More could therefore be done to help to make firms more 'investor ready' and able to access the supply of capital and finance (both public and private) that already exists within GM.	
Digital Connectivity	Generally good, although opportunity to be better and give the city a huge comparative advantage over other cities – in terms of high-speed access to broadband in city centre and free Wi-Fi.	
Housing	Good offer of rental properties in and around city centre. High-end offer could be improved in outskirts of the city and more remote locations.	

# Issues Board

## key issues and interactions

**KEY**

-  Key Issue
-  Consistent Issue
-  Potential interactions
-  Potential interactions



## What Next?

*Attracting and Retaining Talent.* was identified as a key strategic priority for Greater Manchester in the Greater Manchester Strategy (GMS)<sup>28</sup>, and is one of five strategic priorities that the Commission for the New Economy is tasked with delivering. As part of this remit, New Economy has facilitated the creation of a GMS Talent Working Group, comprised of key stakeholders who are all deeply involved in making Manchester a more attractive place for talented people to live in and prosper.

The recommendations from this report will be considered and taken forward by this group, and then potentially developed in to specific interventions as part of the wider GMS delivery process. The intention is that the recommendations made here can help to prioritise and marshal existing resource to better effect and make Manchester a more attractive place for innovative and entrepreneurial people to live and work.

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<sup>28</sup> [http://neweconomymanchester.com/stories/842-greater\\_manchester\\_strategy](http://neweconomymanchester.com/stories/842-greater_manchester_strategy)