



CBI



London Business Survey 2019

How business and government can tackle issues and grasp opportunities in the capital

September 2019

Survey results and analysis

Introduction

2019 has been another tumultuous year for business. But the new government and 2020 London mayoral elections are opportunities for London firms to reiterate their priorities and be heard. The 2019 London Business Survey (LBS) gives the capital's business community a unified voice and a steer in these uncertain times.

What policies should the government focus on to ensure London remains attractive? How can businesses and universities optimise their potential in the capital? The LBS answers these questions by highlighting to policymakers the challenges that businesses are facing; and outlining how government and industry can collaborate to solve them.

London firms will also understand key opportunities for growth, including access to finance; the adoption of new technologies; retaining exceptional leadership; and collaborations with the city's world-leading universities. The LBS identifies and assesses these opportunities and guides businesses on how to utilise them.

One clear emerging theme is business reiterating that people and skills are often their greatest asset – and harnessing them is central to driving growth and productivity.



A handwritten signature in black ink, appearing to read 'E Curzon'.

Eddie Curzon

Director - London & South East, CBI

The 2019 LBS has been developed in partnership with Russell Reynolds Associates, Wilson Wright and the London School of Economics and Political Science (LSE).



At a glance

Business environment and policy priorities



29%

29% of businesses cite work readiness among the next generation of staff as their top priority



74%

74% cite attracting and retaining talent and skills of all levels into London, while increasing workplace diversity and inclusion, as their top policy priority



54%

54% place delivery of major capital infrastructure projects, including employee access to affordable housing, within their top three policy priorities

London's status as a global city and home for business leaders



42%

42% believe London is 'very attractive' to UK business leaders but only 29% believe it is 'very attractive' to global business leaders



98%

98% think London's political environment needs improvement to ensure business operating in the capital can attract top leaders



54%

54% say London needs to attract strategic business leaders to remain globally competitive

Access to finance and technological adoption as growth enablers



87%

87% see technology as a tool for achieving greater efficiency, including streamlining process and/or reducing costs



78%

78% find that they have insufficient in-house skill and/or expertise to assess and/or adopt new technologies



75%

75% say creating a financial skills strategy will improve innovation and entrepreneurialism

Utilising London's world-leading universities for knowledge exchange



48%

48% have collaborated with a university



33%

33% think a university's expertise in a specific field, subject or area of research is - or would be - their primary driver to work with a university



40%

40% say computer science is the discipline they would most like to partner with a university on

London's status as *the* home of business

Section 1: The Effect of uncertainty

While business has continued faith in the capital, there is no room for complacency. The government must clarify the UK's future relationship with the EU, providing stability for firms to remain in the capital.

The 2019 LBS does demonstrate a high level of confidence in London's reputation and its ability to retain its status as a global hub for business and investment. Overall, 66% of businesses believe that London will retain its current position as a leading global city, with 32% of those believing it will continue to grow further.

However, neither government or business can afford to be complacent. 32% of businesses still feel that there is the potential for London, and/or its industries', global position to weaken against a backdrop of globalisation and protectionism.

As the Brexit deadline approaches and a new partnership between the UK and the EU is fostered, there are clear **recommendations** for both policymakers and business leaders:



38.4%

Exports to the EU (as a percentage of total exports)

Recommendations for policymakers:

- **Avoid no-deal in London and secure a trade deal with the EU covering goods and services:** Put evidence over ideology and deliver a Brexit that works for all of London's business community – securing a trade deal with the EU that supports exports and imports of goods and crucially services. The impact of no deal in London would see an annual loss of £40bn by 2034 (nearly five times the annual public spending on London's transport network and 13 times annual public spending on policing in the capital).
- **Protect and develop London's status as the business gateway to the UK:** Support London's competitiveness and status as the business gateway to the UK and continue to grow London's partnerships with the UK's regions. 12.1% of foreign direct investment projects in the UK stem from an investment in London, contributing £7.6 billion to the rest of the UK and creating 38,712 jobs outside of London. The largest beneficiaries are the South East, Scotland and the North West, with Scotland seeing the highest number of job creations.¹ Of the top ten countries for investment, five are from the EU.²

Recommendations for businesses:

- **Promote success stories to showcase London's competitive advantages:** Work with organisations such as London and Partners to promote your success stories and highlight internationally the continued competitive advantages of operating in London.

1. London and Partners, Understanding London+ FDI, published 2017
2. Germany, France, Ireland, Spain, Italy

Section 2: Top policy priorities

Outside of Brexit, people are the focus for London's business community. Looking ahead, attracting and retaining talent and skills (45%), while increasing workplace diversity (29%), is collectively the top concern for 74% of London firms.

Beyond people, infrastructure is the second top policy area for business (54%). Delivery of major infrastructure projects (28%), including transport and ensuring employees have access to affordable housing both to buy and to let (26%), rank second on the list of priorities.

29% percent of businesses say ensuring the next generation is 'work ready' is one of their top three policy priorities, alongside proactive action on climate change, including improving London's air quality and sustainability (25%).



83%

83% of accommodation and hospitality roles earn <£30,000 and 33% of workers are EEA nationals

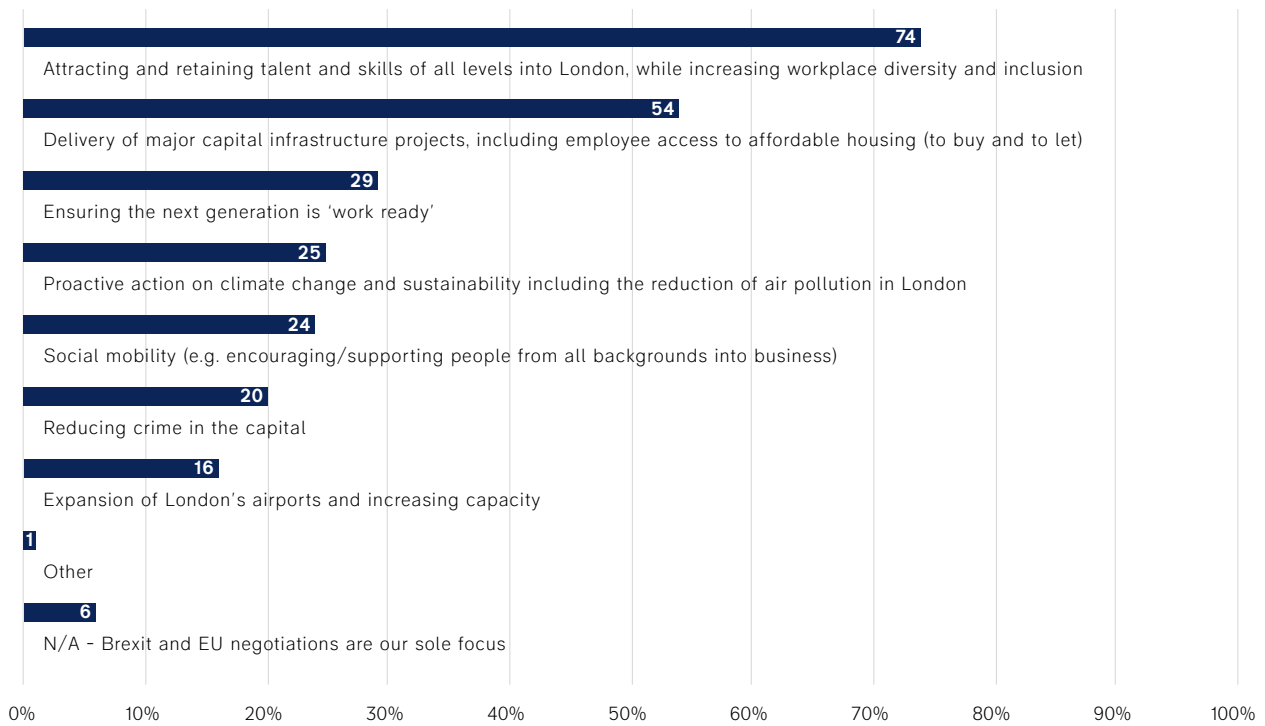


36%

36% of construction roles earn <£30,000 and 27% of workers are EEA nationals

Recommendations for policymakers:

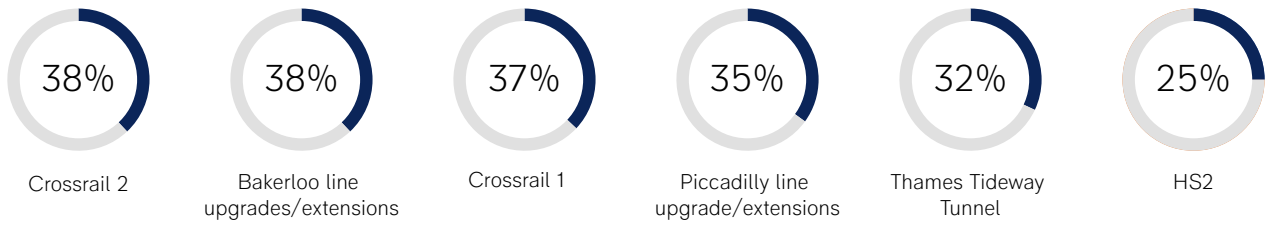
- Reconsider the £30,000 immigration salary threshold:** It is essential that London remains attractive and open to talent. The government must reconsider its planned £30,000 salary threshold, detailed in the Immigration White paper. With a median salary of £32,976, a £30,000 threshold in London will prevent access to vital overseas labour and skills. Business has spoken that access to, and retention of, talent is critical.
- Collaborate with industry to reach the government's targets:** Business wants to take an active role in tackling some of the capital's biggest issues. The government and Mayor of London should continue to collaborate with industry to achieve net-zero targets, address housing challenges and enhance social cohesion.
- Support infrastructure projects to grow London's connectivity:** The government must continue to champion infrastructure delivery in the capital, enhancing inter-city connectivity. Backing the expansion of London's airports; upgrading tube lines; and growing regional integration through HS2 will all be crucial to London's productivity. Projects such as Crossrail 2 will enhance transport links and housing in the South East and London, making the capital a more attractive place to live, invest and work.



Recommendations for businesses:

- Create a firm-wide culture of diversity and equality:** What business does and stands for, has changed. London's business community places equality and social cohesion as top priorities. To ensure you remain attractive to talent, continue to invest in your workforce, enhance your diversity of thought and create a culture of true gender equality.
- Support the government and local government to find solutions to London's problems:** Continue to work with both national and local government to reach policy targets by investing and innovating. Support consumers and employees by driving change and building confidence in new solutions to the capital's problems, such as the development of sustainable energy, alternatively fuelled vehicles and delivery of affordable homes.

Looking specifically at infrastructure, the delivery of transport projects (28%) and access to housing (26%) are crucial. Reiterating sentiments from 2018, Crossrail 2 remains the number one (38%) transport project for business, highlighting the importance of London being connected to the South East.

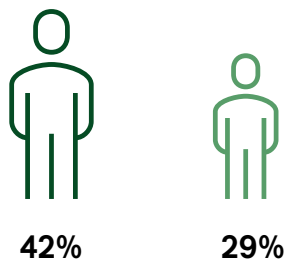


London, a globally competitive destination for business leaders?

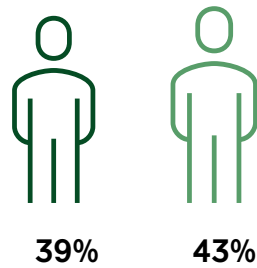


Looking at London's current environment, how attractive or unattractive is London as a location for top UK and global business leaders?

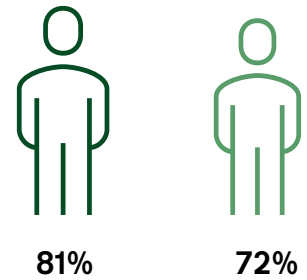
Very attractive



Somewhat attractive



Overall: Attractive



— UK business leaders
— Global business leaders

Recommendations for policymakers:

- **Create a stable political environment and improve access to policymakers for a competitive advantage:** London's business community requires a stable political environment, with access to governmental bodies and policymakers to remain competitive. Essential for business leaders to navigate the current climate, now and in the future.
 - o London's continued ability to retain leaders is also reliant on executives having a sense of genuine partnership with the government (93% respondents agree) and enabling businesses and both national and local government to solve and develop, social and environmental sustainability initiatives. Policymakers should continue to work with executives to solve the capital's most pressing issues and ensure London has a culture, at its very heart, of partnership.



James Roome, UK Country Manager, Russell Reynolds Associates



“Given the uncertainty the UK is facing, there has never been a more important time for businesses to attract and retain the very best leaders. London has an envied global reputation as an attractive place for senior executives to live and work. But there’s no time for complacency within a global market.

London has long-been a magnet for leadership talent. Senior executives see the city as one of the most attractive globally. We are used to international executives citing London as “one of the few places in the world I would consider moving to”. Beyond the vibrant commercial environment, London’s international culture also helps families relocate comfortably.

However, the current uncertainty around Brexit has increased hesitance among senior leaders. Those leaders tend to be globally minded, valuing international connections with customers, suppliers and partners. Brexit raises the question of whether London will retain its crown as a global and open-minded city; encouraging free flow of international talent at all levels.

Practically, many are now considering the ease with which family members can live and work in the UK and whether Brexit leads to an economic softening or a lack of professional opportunity. Against an uncertain backdrop, 42% of businesses deem London “very attractive” to UK business leaders, while only 29% deem it “very attractive” for global leaders. Our experience supports this. Leaders are increasingly concerned about the impact of uncertainty on access to talent, travel freedoms and the UK’s economic momentum. Work remains to ensure London remains the destination for the best global leaders.”

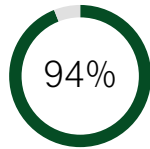


True partnership between policymakers and business leaders is essential to London's competitiveness.

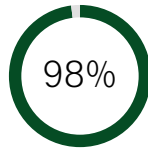
Respondents feel that the government and City Hall can play a role in mitigating the 'Brexit effect' on the capital and ensure we continue to protect our international reputation. But change is necessary. A total of 98% percent of decision makers believe London's current political environment needs improving, with over a quarter (27%) saying it needs a 'complete rethink'. Similarly, 97% of London's business community cite training and educational opportunities to develop new leaders as paramount to attracting top executives to the capital.



A culture of innovation



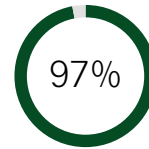
A pro-enterprise regulatory landscape



A stable political environment, with access to engage with stakeholders and policymakers



A diverse and inclusive environment and talent pool



Training and educational opportunities to develop new leaders

Recommendations for businesses:

- **Source strategic leaders to navigate uncertainty:** 54% of decision makers ranked 'strategic leadership' as the management style that businesses should most be looking to attract in order to remain globally competitive and navigate this era of change, followed by 'collaborative leadership' (38%). These findings demonstrate the balancing act that is required for leaders to navigate business through the current uncertainty. Business leaders must be able to deliver competitive advantage through market responsive strategies, have excellent internal and external influencing capabilities and be politically savvy.
- **Invest in talent to grow and enable future leaders:** Companies should continue to support and harness new leaders. On-the-job support is a particularly effective way to develop people. Beyond this, project assignments, internal rotations, secondments and reverse mentoring can help develop future leaders on-the-job³ and create great experiences needed to lead.

3. CBI, *Great job: Solving the productivity puzzle through the power of people, Habits for business leaders to put into action every day*, published May 2019

Types of leadership required:

54%

Strategic leaders:

Thinks long-term and applies market and business insights to develop compelling strategies that deliver competitive advantage. Able to pivot effectively between disruption and pragmatism.

38%

Collaborative leaders:

Builds innovative partnerships and collaborations internally and externally through exceptional influencing capabilities, political savvy and effective use of networks.

32%

Results-orientated leaders:

Is action and outcomes orientated. Drives continuous improvements in organisation performance, taking calculated risks and prioritising objectives and resources strategically for greatest impact.

29%

People-focused leaders:

Leaders that command attention and confidence across the organisation and individual teams. Accelerates enterprise-wide performance by modelling resilience in the face of uncertainty.



Optimising tech and finance opportunities to encourage innovation and growth



Lee Davy-Martin, Entrepreneur & Partner,
Wilson Wright



"London is a global hub for finance and a blossoming home for tech development and innovation; the result of successful government policy and business strategy. These have been fundamental to the capital being an incubator for successful start and scale-ups.

The 2019 LBS highlights how we can take advantage of these burgeoning industries, to the benefit of London's business community; helping London to remain at the forefront of innovation and business growth.

Looking at the capital's landscape, there is much to be excited about. This September will see Sibos, the leading financial services event, hosted in London for the first time, providing London (and the wider UK) with an opportunity to showcase the strength of our fin-tech sector. Looking to innovation, alternative funding methods continue to be developed to further enhance the SME finance market and increase the options available to business."





With access to finance and leading innovation, continued investment in the future workforce will enable businesses to prosper further. This is a supported view, with 77% of respondents agreeing that financial education should be part of the national curriculum – with 31% strongly agreeing.

The opportunities in technology

The vast majority (87%) of businesses see technology as a tool for achieving greater efficiency, while 77% seeing technology as a means to deliver better products or services. While the rapid rate of technological development must be harnessed, it can leave some businesses feeling unable to “keep up”. 78% of respondents understandably stated that, on occasion, they have insufficient in-house skill and/or expertise to assess and/or adopt new technologies.

But technology is a powerful tool, which can provide solutions to some of our most pressing problems. Wilson Wright’s own experience in the environmental sector suggests that there already exist viable solutions to counter the plastic pollution epidemic but technology without adoption will have little impact. They believe that an infrastructure or ecosystem for peer review, promotion and distribution of technology applications is evolving and on the horizon. This should help counter the challenges that businesses currently face in adoption.

Recommendations for policymakers:

- **Enable young people to apply their skills to real-life situations:** Ensure we have a broad and balanced curriculum which prepares young people for the modern world. This should include providing students with the chance to apply their knowledge in real-life scenarios, demonstrating for example, how their maths skills relate to personal and business finance.
- **Include digital skills in London’s Industrial Strategy and promote the use of beneficial technologies to industry:** Make the take-up of innovation and development of digital skills, a central theme of the London Industrial Strategy, and increase awareness of existing technology that works through online resources and relevant campaigns to industry.
- **Develop a financial skills strategy with industry, to enhance financial literacy:** Improve financial literacy amongst SME business leaders, in partnership with industry, to unlock their full potential, through a financial skills strategy. The British Business Bank’s UK Network should continue to engage with business finance stakeholders to increase small business awareness and understanding of the finance options best suited to their needs. 77% of respondents to the survey agreed that there is a role for the British Business Bank in supporting a finance knowledge network.
- **Introduce a knowledge network to stimulate access to finance:** A finance knowledge network sponsored by the British Business Bank, bringing together providers, experienced leaders and scale-up firms, could further stimulate access to growth finance and help tackle issues such as improving support for female entrepreneurs seeking Venture Capital.

The opportunities in finance

73% of businesses think that both the active relationship with their primary bank, and a clear understanding of their offerings, have been fundamental to their commercial success. Continuing this relationship is an important factor in ensuring London's economy continues to grow.

Yet, more than half (57%) of businesses say easier access to funding in recent years would have accelerated their growth, with 60% of firms having to consider alternative access to funding. This demonstrates how start-ups and scale ups, who can find difficulties in accessing finance, are turning to alternative methods of financing. It also highlights the pressures being faced by traditional lenders as they strive to keep pace with a rapidly changing technological landscape and changing customer demands.

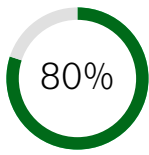


"Businesses have good knowledge of government approved schemes which can assist in unlocking financing." – 68%, with 31% strongly agreeing.

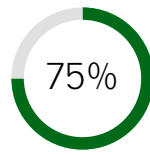
Recommendations for businesses:

- **Invest in digital skills and embrace tech adoption to streamline operations:** Invest in employees to develop digital skills, ensuring your business can adopt new technologies as they emerge for the benefit of productivity. Embrace and utilise technology to improve delivery of products and services and achieve greater efficiency. 76% of firms see technology as creating new tasks or enhancing existing tasks performed by employees, so tech offers significant opportunities for your people.
- **Develop financial skills to navigate the new lending landscape:** As new and alternative funding methods continue to grow, developing financial skills is critical. Understanding the legal protections of funding methods, and having the ability to compare and consider traditional bank lending with venture capital and alternative funding, is essential for strong growth.

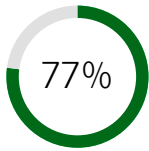
To develop London's ability to harness innovation and entrepreneurialism, to what extent do you agree or disagree with the following potential measures?



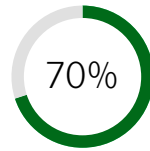
Improve collaboration and support for the Office of Tax Simplification to encourage investment



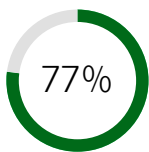
Develop a financial skills strategy with industry to raise financial literacy amongst business leaders



Introduce financial education as a core part of the national curriculum



Improve support for female entrepreneurs seeking venture capital



Create a finance knowledge network sponsored by the British Business Bank to simulate access to growth finance



Strengthening collaboration between London's universities and business



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■



Julia Black, Strategic Director of Innovation,
London School of Economics and Political
Science (LSE)



"While 48% of London firms have collaborated with a university, academic institutions remain a relatively untapped resource for many of the capital's businesses. When managed effectively, these partnerships can prove fruitful."

Universities and global alumni bases can help drive the international reputation of our cities and regions. This is perhaps nowhere more prevalent than here in London: a unique capital city that people want to live and work in.

The higher education industry must create and take opportunities to collaborate in the capital, a city where infrastructure, finance, legal and culture are all in such close proximity. We must build on these networks to discuss the future of the city and offer sustainable solutions to current challenges.

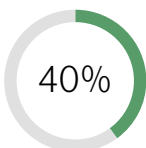




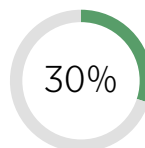
Harnessing the expertise of the talent and innovation in both universities and businesses for projects that benefit London, is crucial to creating workable solutions for the city's future. Productive collaboration between universities and business is reliant on universities regularly showcasing their impact, evidencing routes to success and removing perceived barriers to access. Excellence in research is not always an end result in itself, it can also be a launchpad for universities to create innovative and interdisciplinary solutions for diverse business needs.

London's smaller businesses are less likely to collaborate with a university than larger businesses. Only 31% of companies with 499 or less employees have collaborated with a university, compared to 65% for companies with over 500 employees.

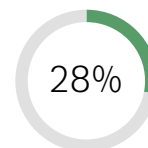
London's business leaders are most interested in collaborating with universities in:



Computer Science



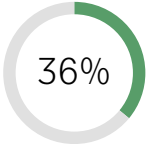
Mathematics (and related subjects)



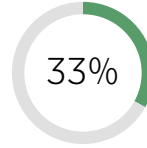
Engineering and technology related subjects

This highlights the continued importance of STEM subjects to London's business community.

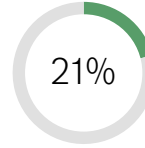
London's firms feel collaboration with a university would be most useful for the following industries:



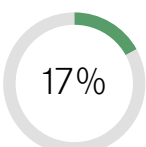
IT/Computing



Financial services



Business services

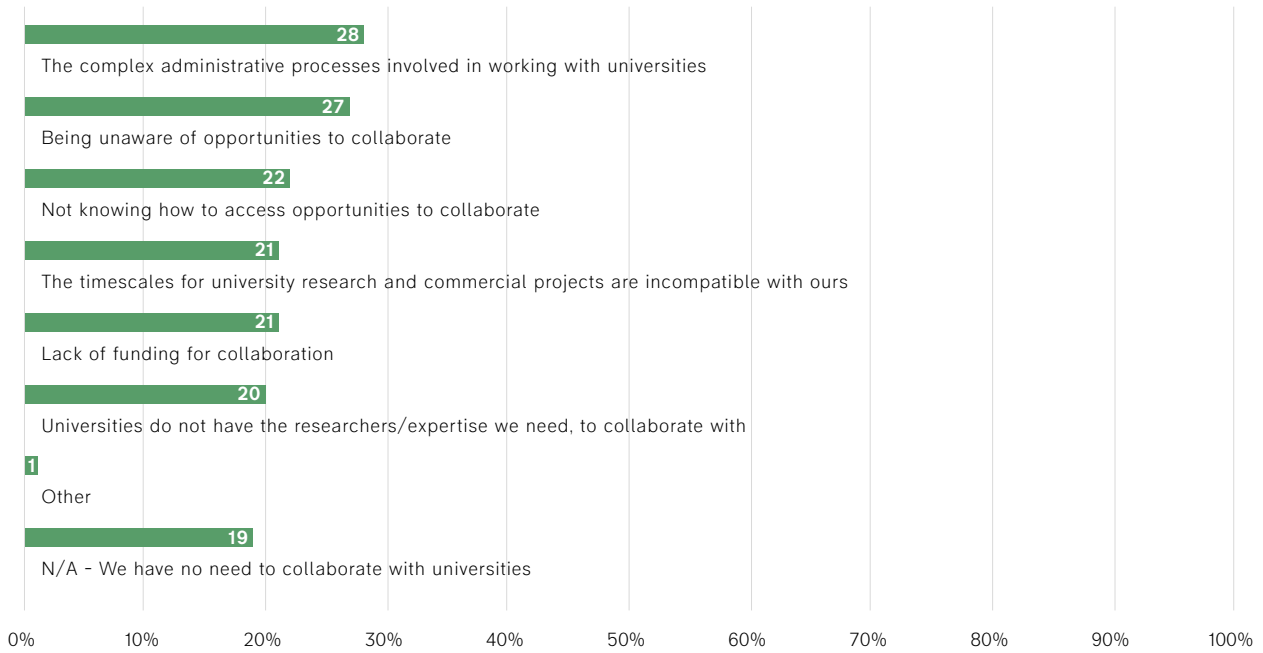


Construction

33% of businesses say that a university's expertise in a **specific field, subject or area of research** is, or would be, their primary driver to collaborate. A university's reputation for excellent research and/or teaching, ranks second (29%). While this provides a steer for universities when advertising their collaboration opportunities, processes must be streamlined.

The barriers:

What have been (or would be) major barriers to your collaboration with or use of, a university for research?

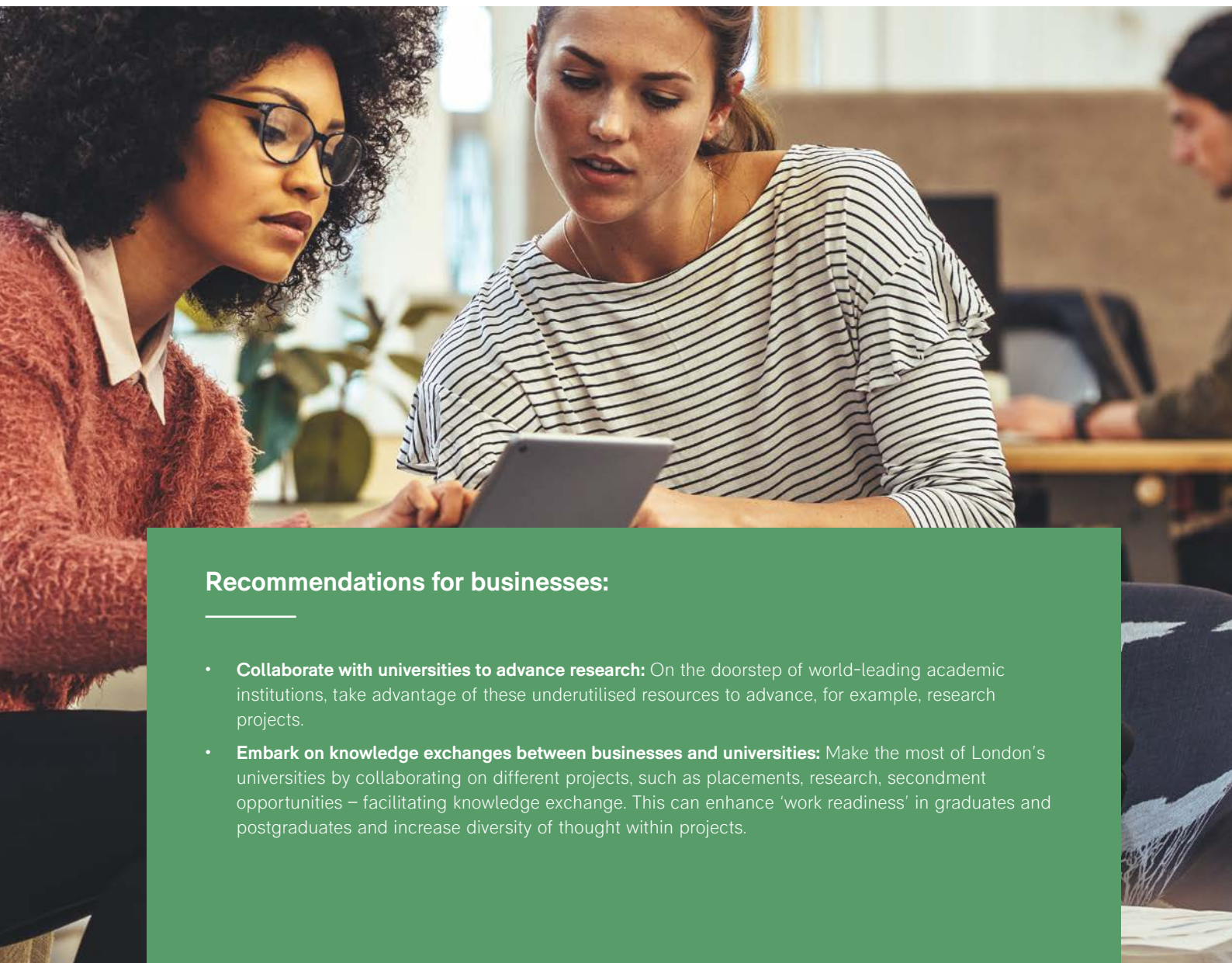
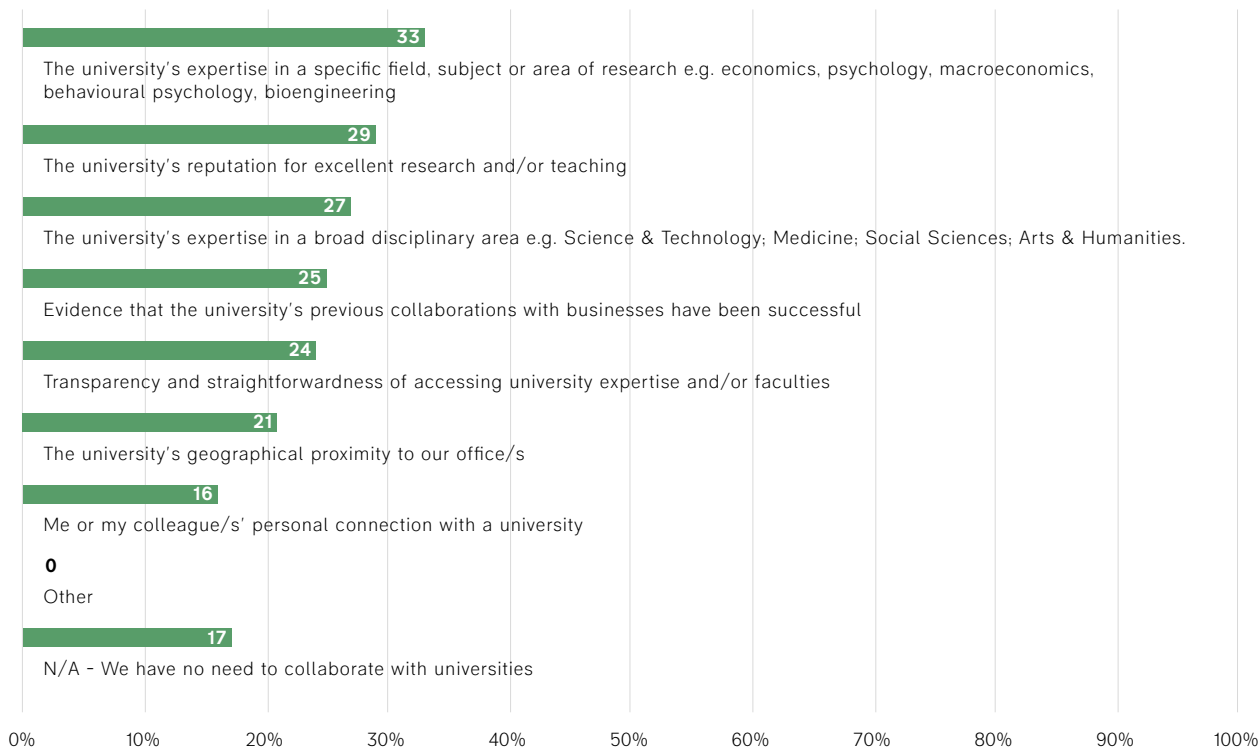


LSE is excited to be part of a new initiative, Aspect – a network that unites leading research institutions with innovators in the private, third and public sectors. By sharing insights from social science research, we transform ideas into high impact, commercial products and services. Together we are tackling the most complex social and economic challenges of our time.

Recommendations for policymakers:

- Create a digital platform for university and business collaborations:** The Greater London Authority should consider creating a digital partnership platform to help facilitate and advertise collaboration opportunities between businesses and universities. This could form part of the Skills for Londoners Strategy. The platform would provide opportunities for universities to advertise their expertise in a specific field, discipline and/or research area and show where previous collaborations with business have been successful.
- Protect and maintain university funding:** Protect the contribution that the higher education sector makes in London, and the wider country, by ensuring any cut in tuition fees does not lead to a reduction in funding for universities.
- Commit to associate membership of Horizon Europe:** Make a firm commitment as soon as possible, to seek enhanced associate membership of Horizon Europe – even in the event of no deal – including within this the intention to pay into Horizon Europe’s budget, based on similar terms to other participating nations, in order to demonstrate full commitment to association.

What are (or would be) your primary drivers to collaborate with a university?



Recommendations for businesses:

- Collaborate with universities to advance research:** On the doorstep of world-leading academic institutions, take advantage of these underutilised resources to advance, for example, research projects.
- Embark on knowledge exchanges between businesses and universities:** Make the most of London's universities by collaborating on different projects, such as placements, research, secondment opportunities – facilitating knowledge exchange. This can enhance 'work readiness' in graduates and postgraduates and increase diversity of thought within projects.

Next steps?

For London to remain a global city, policymakers must maintain the capital's ability to attract both national and global business leaders, protect London's reputation as a leader in innovation, technology and finance and enhance support for the capital's world-leading universities.

Business should continue to utilise the capital's resources and support the people, talent and skills that are at the heart of the city. While growing collaborations efforts with both the national and local government, to solve some of London's most pressing issues.

If you would like to find out more information, you can:

1. Visit My CBI

The CBI's online hub is your go-to place for information on all strands of London and wider regional, policy, including opportunities to be involved with England's local industrial strategies and is updated regularly.

2. Develop our positions for the 2020 London mayoral elections

The findings of the LBS 2019 will also feed into our 2020 London mayoral election manifesto work. But we are keen to hear from as many members as possible on what their policy priorities are for the next Mayor of London. Whether this is continuing with or ending a policy or project currently in operation or providing examples of where business can help address some of the capital's biggest issues, we are keen to hear your views. **Feed into our 2020 mayoral election work via My CBI.**

Produced by Katy Recina and the [Regional Growth](#) team
To share your views on this topic or ask us a question, contact:



Katy Recina
Senior Policy Adviser - London
katy.recina@cbi.org.uk