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Sensemaker Guide

How can clusters help leverage access to finance at a regional level to drive growth?

In partnership with



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Clusters bring together businesses, suppliers, universities, and research organisations so that they gain a competitive advantage over other places. They drive innovative behaviours and help attract world class talent.

The CBI will explore how we use clusters to drive economic growth in every region of the UK
– to really achieve levelling up and deliver investment and opportunities across the country. We want to develop practical answers and solutions for business leaders that will help take clusters from good to great, to play a critical role in our economy and to be genuinely world leading.

This event will focus on investment for growth and sustainability. It will look at how clusters can help to leverage the strength of the UK finance sector, build out regional business finance and help firms across the UK access the finance they need. We'll also discuss the role of clusters in forging new partnerships between business, finance and investment funds, stakeholders and government which can unlock capital and bring collective action to places and locations to thrive and succeed.

Today we will be focusing on:

- How the rest of the country can leverage the strength of the Finance sector in London
- The importance of having access to local and regional sources of finance
- The constraints with accessing finance and how can these be overcome in a cluster
- How can businesses collaborate to generate investment
 - Whether we have cultural barriers to accessing finance and how these can be overcome

Success Measures

The CBI hypothesis is there are some key success factors for clusters. Through our roadshows, gathering insights, evidence and case studies we are looking to develop the practical ingredients of success.

The success factors are:

- Shared economic prize – unifying outcomes and stake in success
- Anchor institutions – strong organisations that others gravitate coalesce around
- Storytelling – strong place narrative, USP
- Strong leadership / figurehead – go to 'place' leader
- Great partner collaboration
- Supportive policy - the right policy levers that make a difference

Context: The Case for Action



Levelling up is the defining political and social issue of our time - without fixing it, raising the UK's long term growth rates looks a tougher bet. Clusters are a tried and tested method for improving productivity with examples of success in countries and regions around the world.

Growing UK businesses don't lack strategy, ambition or talent, but all too often, they're not getting the finance they need to take their business to the next level. We want the UK to be the best place in the world to start and grow a business, and access to the right finance is critical to make that happen. Building back from the coronavirus pandemic and forging a new global future, now more than ever, is the time to go for growth. As well as promoting investment on the ground, the CBI continues to play an active role in supporting wider debates on the right regulatory framework to unlock growth finance and provide a customer perspective on the productive finance agenda.

Access to the right funding will supercharge the UK's growing businesses and is a key plank of developing successful clusters. Clusters are concentrations of companies and institutions that benefit from being located together, such as finance providers hunting for a return and scale-up firms looking to grow. Clustering with like-minded organisations can help businesses become more productive, and more competitive. Research by the CBI has identified as many as 30 potential cluster developments in the UK. In addition to this, there are over 100 innovation hubs across the UK which could be at the heart of future cluster developments.

130% to £14bn

Equity investment in smaller businesses surged 130% to £14bn in the first ¾ of 2021 relative to the same period in 2020

45%

Bank lending returned to close to pre-pandemic levels, with 2021 lending down 45% from 2020 ¹

70%

London firms attracted 70% of 2021 Q1-Q3 investment value

Challenges



- Misinformation, poor information and lack of awareness of the finance options available are preventing firms accessing finance
- Financial literacy is a common challenge amongst business leaders which impacts accessing finance
- There are regional disparities with the majority of investment value been attracted to London, making it more challenging in other parts of the UK
- We are not strong at selling our strengths and story and therefore attracting investment
- economic uncertainty and smaller businesses' debt positions will influence finance flows in 2022.
- There is a reticence to seeking external help on finance and in some cases an aversion to using finance for growth.
- Networking and being in a cluster with other business provides a wider opportunity to gain better insights and awareness of available finance, telling a compelling story and have a network of support to help scale and grow.

Liverpool City Region – A case for clusters and finance



The Liverpool City Region is on a journey of transformation to overcome a series of systemic challenges - a low business density and survival rates which are among the lowest in the country. Not enough businesses are growing which can power the creation of the high-quality jobs that people and places need to drive up productivity and thrive.

The Combined Authority and Metro Mayor wish to develop an integrated approach to helping higher growth businesses innovate through high-intensity support, seamless access to finance, and networks. They look to build on their key assets and clusters, such as Sci-Tech Daresbury, Knowledge Quarter, and the Baltic Triangle.

¹ After the data cut off for the Small Business Finance Markets 2021/22 report, Beauhurst released its "The Deal" report on 15th February. Analysis of the data from that report shows that SMEs received £18.1bn of equity investment in 2021, up 88% on 2020.



"Reinforcing successful business clusters will be central to kickstarting this regional revival. This means building on distinctive local strengths to forge a clear USP for investment in towns, cities, regions and nations in all corners of the United Kingdom. Cookie-cutter solutions are no solution at all if levelling up is to be a success."

Tony Danker, DG CBI

Notes



For further information and to explore all the resources in the CBI Clusters Playbook, visit:

www.cbi.org.uk/cbi-clusters-playbook

With thanks to **Tortoise Media** for facilitating the Clusters ThinkIn series.