

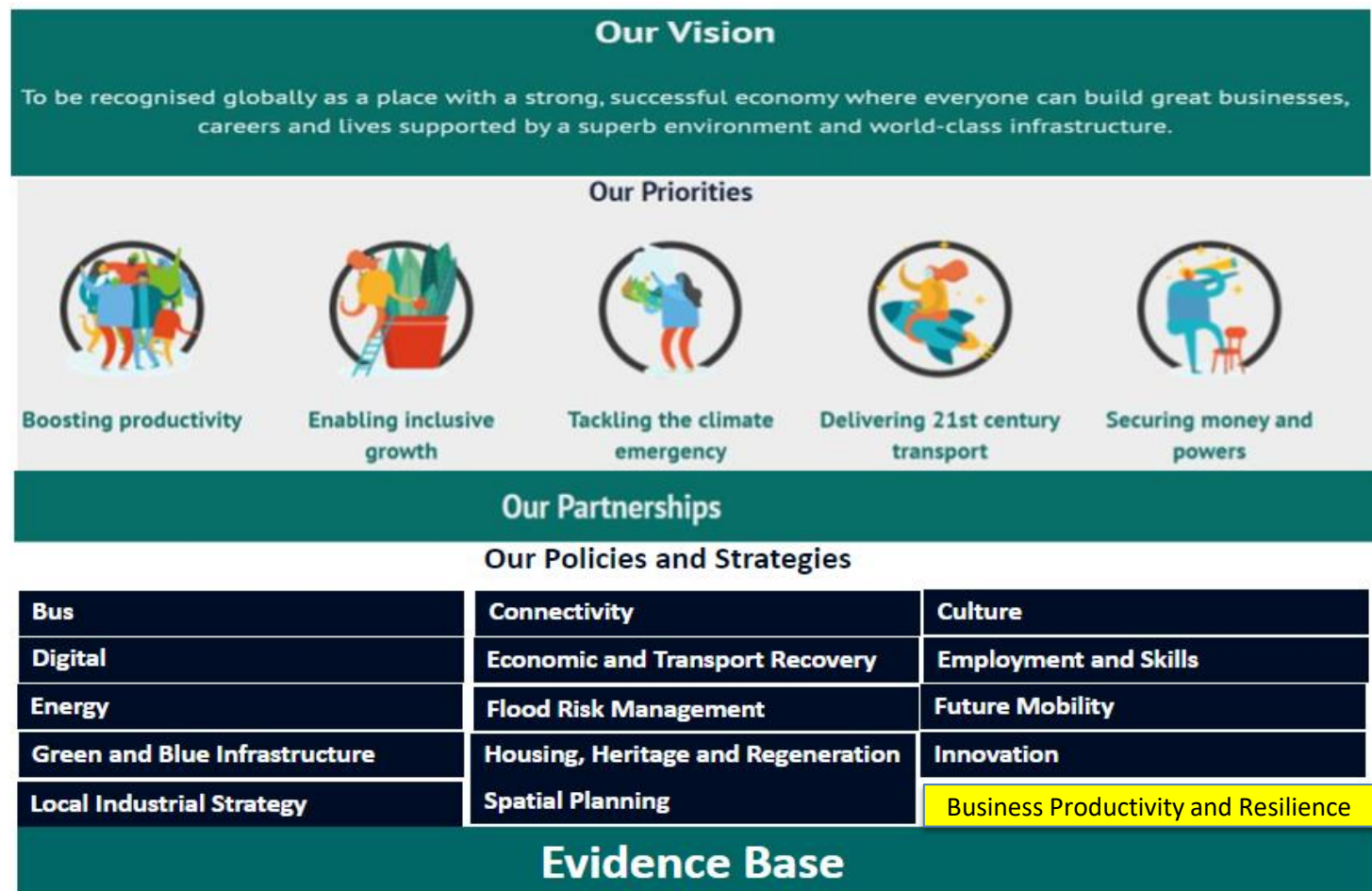
# **Business Productivity and Resilience Plan**

## **Draft Vision and Priorities**

May 2020

# Introduction and purpose

The **Business Productivity and Resilience Plan** fills a current gap in our Strategic Economic Framework. It has close connections to policies and strategies particularly on Economic Recovery, Innovation and Employment and Skills, and draws from the evidence of the Local Industrial Strategy. It provides a significant contribution to the priority of **Boosting Productivity**, but will also contribute to **Enabling inclusive growth** and **Tackling the climate emergency**.



# Aligning our plan

## Strategic Economic Framework

The Business Productivity and Resilience Plan will sit within the West Yorkshire [Strategic Economic Framework](#). The framework sets out our ambitious vision for the ongoing transformation of West Yorkshire and establishes our investment and decision making priorities for how we will achieve this.

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## Regional priorities



Boosting productivity



Enabling inclusive growth



Tackling the climate emergency

Business Productivity and Resilience is at the heart of the West Yorkshire Combined Authority priority of boosting productivity. However, our plan also aims to make significant positive contribution to two further priorities of tackling the climate emergency and enabling inclusive growth

## Connected business facing policy & strategies

Innovation Framework

Employment and skills Framework

The plan shares key objectives with other areas of business facing policy, particularly the Innovation Framework and Employment and Skills Framework. Our business behaviours focus for innovation and skills directly read across to the actions in these partner strategies.

## Immediate issues

COVID-19 Economic Recovery Plan

Immediate actions to support post-EU transition

Our Business Productivity and Resilience Plan is aligned to our immediate strategic prioritise for the economy – recovering from COVID-19 and supporting the transition of the economy as the UK has left the European Union single market.

# What do we mean by productivity and why does it matter?

Productivity, in economics terms, generally refers to how efficiently inputs (labour and capital) are used to produce outputs (goods and services). This can be partial factor, total factor, or multi-factor productivity.

$$\text{Productivity} = \frac{\text{Turnover} (- \text{Intermediate consumption})}{\text{Number of workers}}$$

[ONS definition](#)

But productivity isn't an end in itself, and it is generally accepted that it has greater importance than just measuring outputs.

**In Leeds City Region we are concerned about productivity because it is directly linked to living standards.** At a macro level, a country's ability to improve its standard of living over time is almost entirely dependent on productivity growth. At a micro level, business behaviours and good work can improve productivity, but also be made possible as a result of productivity.

It is also **crucial in determining long-term growth rates** of an economy. It leads to stronger Gross Domestic Product (GDP) growth and, in turn, increases tax revenues and lowers government budget deficits. If inclusive growth matters, productivity matters (more to come on this later)

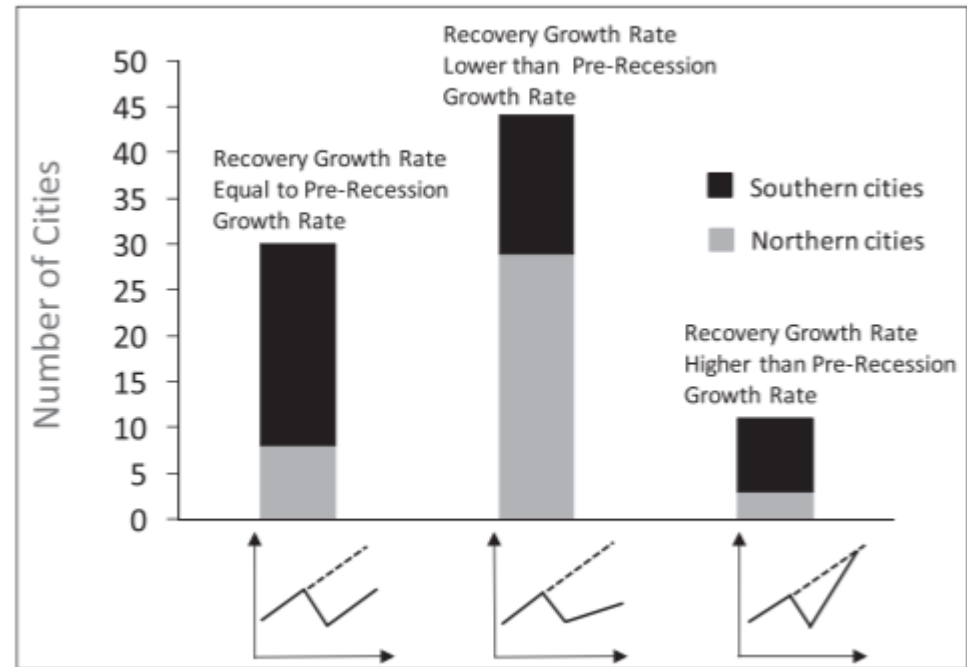
The West Yorkshire economy would be £8.5bn larger if job productivity levels equalled the UK average

# How do productivity and resilience work together?

**Business resilience** has been brought into closer focus by the impacts of COVID-19, which has had disproportionate impacts on certain sectors and locations of the economy. But unlike productivity, there are no universally agreed definitions of resilience, and most businesses don't measure it ([HBR](#), 2020).

What does seem to be accepted about both productivity and resilience, is the central role played by **business behaviours** ([WCPP](#), 2020) in determining the productivity or resilience of the wider economy. This is why we have placed behaviours at the heart of our plan.

The resilience of business to adapt, pivot and survive through changes, to support their workforces and contribute to their local places, will also be critical to realising our regional ambitions for **inclusive growth**.



City recovery from the great recession of 2008–2010. Source: [Martin and Gardener](#) (2019)

## Lenses for business resilience:

- Financial
- Supply chains
- Workforce
- Environmental
- Technological

# Our DRAFT vision

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## **Our vision for action on business productivity and resilience in the Leeds City Region is:**

“Supporting businesses to become more productive, focussing on the behaviours and good work that also make a positive long-term contribution to living standards and the environment in West Yorkshire.

Over time, this should contribute to a significant closing of the £8.5bn gap between job productivity levels in the West Yorkshire economy and the UK average”.

# **Our productivity and resilience focus and priorities (draft)**

# Our productivity and resilience focus

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Based on the evidence, our focus is twofold.

- We must look at the positive **business behaviours** that can increase productivity and build greater resilience
- At the same time we also need to act on the structural **transformation opportunities** that can impact on our overall business productivity performance, including through investment, attraction of new enterprises and reshaping our economy to be net zero carbon resilient.

And across these, we need to ensure that our actions contribute positively to **inclusive growth**, with higher levels of good work and improved environmental sustainability that will contribute to the wider resilience of our people and places, as well as a closing of the £8.5bn gap in productivity.



# Our productivity and resilience focus

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For both of these.

- We have to work on both the supply and demand side, so that the right assistance is there to support businesses to increase their productivity and resilience, and that there is demand from businesses, existing and new, to take action.
- We need to get practical, and agree on where regional level intervention is best placed and targeted, and how this works together in partnership with businesses, other public support and intermediaries.

The draft priorities that follow are based on the evidence, and are aimed at tackling some long standing structural issues as well as addressing the immediate needs of economic recovery from COVID-19. These will only be realised by joining up strategic investment and interventions across a range of partners.

This plan is therefore the beginning of a journey towards greater business productivity and resilience.

# Focus Part 1: Business behaviours

5 sets of behaviours that make a difference to business productivity performance, provide our framework for how as a city region we will build the potential of our business base and wider economy towards our overall objective, to a significant closing of the £8.5bn gap between job productivity levels in the West Yorkshire economy and the UK average contributing to improved living standards for inclusive growth.

Improving  
strategic decision  
making and  
planning

Increasing the  
number of highly  
skilled managers  
and staff

Increasing  
adoption of new  
innovative  
practices

Increasing the  
value and volume  
of exports

Increasing the  
prevalence of  
Good Work

*n.b. these are based on evidence from the [BEIS business productivity review call for evidence](#) (2018)*

# Focus Part 2: Transformation opportunities

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Alongside the firm level business behaviours, our plan will look to how we can make better use of the structural transformation opportunities for improved productivity and resilience. Each of these opportunities are directly connected to the role of individual businesses in the Leeds City Region in achieving our vision, and in both reducing inequalities of opportunity whilst increasing the diversity of our entrepreneurs and the businesses they lead.

Growing the presence of high productivity businesses and sectors

Tackling the Long Tail of low productivity

Attracting increased levels of investment (including on infrastructure)

Transition to Net Zero Carbon Resilient Economy

## Focus 3: Targeting to business cohorts

We want to be targeted with our plan to reflect the opportunities that exist at different stages of a business' journey, recognising that not all of our businesses will necessarily want or be able to grow exponentially and that there are other positive contributions they can make to our economy. In measuring success, we will look at what should be expected from businesses depending on the stage of their journey, based on what we know about successful West Yorkshire businesses.

	Pre starts and start-ups	Productivity Growth	High growth and scale-up
<b>Definition</b>	Pre-starts, entrepreneurs, freelancers and those entering self-employment on the first steps of a productivity journey	Established businesses with low productivity, who may have only limited ambition to grow	Established businesses and entrepreneurs with high potential productivity and substantial growth potential

# Our Business Productivity and Resilience priorities – plan on a page DRAFT

DRAFT – Policy in development

## Business Productivity & Resilience

### Actions

#### Building through Business Behaviours for Productivity

Improving strategic decision making and planning

Increasing the number of highly skilled managers and staff

Increasing adoption of new innovative practices

Increasing the value and volume of exports

Increasing the prevalence of Good Work

#### Acting on transformational opportunities

Growing the presence of high productivity businesses and sectors

Tackling the Long Tail of low productivity

Attracting increased levels of investment (including on infrastructure)

Transition to Net Zero Carbon Resilient Economy

## Delivering on greater economic resilience

### Outcomes

#### Higher productivity

a significant closing of the £8.5bn gap between job productivity levels in the West Yorkshire economy and the UK average

#### Good work

Higher levels of good work - 271,000 WY employees (29% of the total) were not in good quality work (ONS definition based on Taylor Review) before COVID-19

#### Improved living standards

Improved Gross disposable household income & a reduction in CO2 and Emissions Intensity Ratio

# 1. Building through Business Behaviours for Productivity

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**We will:** prioritise support to businesses that builds behaviours for productivity, taking a holistic business change cycle approach made relevant to businesses from Pre starts and start-ups, to Productivity Growth to High growth and scale-up.

**By:**

- Focussing on 5 broad areas of behaviours that we know are linked to improved productivity and resilience in a business:
  - Improving strategic decision making and planning
  - Increasing the number of highly skilled managers and staff
  - Increasing adoption of new innovative practices
  - Increasing the value and volume of exports
  - Increasing the prevalence of Good Work
- Joining up on the provision that exists to support individual behaviours (building on experience from the Leeds City Region [productivity pilot](#)), to make sure businesses have straight forward access to the support they need within the ecosystem
- Taking an approach focussed on the [business change cycle](#) – Realisation, Assessment, Navigation, Embedding that is relevant to businesses at different stages of development.

**Which will result in:** A clear framework for supporting businesses to improve productivity and long-term resilience, more businesses adopting business behaviours for productivity, leading to improved productivity performance of the region's economy.

# Measuring business behaviours – what does success look like?

DRAFT – Policy in development

Improving strategic decision making and planning

Increasing the number of highly skilled managers and staff

Increasing adoption of new innovative practices

Increasing the value and volume of exports

Increasing the prevalence of Good Work

## Measuring success

Pre starts and start-ups

Written a business plan

Successful in securing seedcorn investment

Developed a productivity growth plan

Planning for carbon resilience

Developed a scale-up plan

Successful in securing equity

Access entrepreneurship training support

Management and leadership training

Employer-led upskilling and retraining

MBA or other Leadership qualification

Supporting level 4+ qualifications

Diversity of innovative start-ups

Start ups tackling environmental challenges

Engaging in innovative activity

Technology adoption & leverage

Engaging with HE sector

R&D tax credit claims

Openness to trading internationally

Export active

Exploring a new market

Increasing global market share

Attracting inward investment

Exploring new markets

Diversity of entrepreneurs

Enterprises for social good

Living wage employers

Encourage employee engagement

Best practice in wellbeing

Adopting all elements of a good work standard

Productivity Growth

High growth and scale-up

# 1a. Business Behaviours - Improving strategic decision making and planning

**We will:** promote and prioritise support that helps businesses to successfully plan for future productivity and greater resilience.

**By:**

- Utilise experience from the Leeds City Region [productivity pilot](#) in developing an effective model for “productivity plans”, particularly in relation to capital investments
- Build on the principles of a “No Wrong Door” approach to business support to make navigating the ecosystem more straightforward, through close collaboration between the Growth Hub, representative groups and intermediaries, and local delivery partners.
- Build on learning from existing pilots with regards to benchmarking and diagnostic tools, to identify best practices to follow across our measures of success
- Deliver Peer to Peer networks as a proven route to improve decision making by learning from other businesses
- Delivering increased levels of investment readiness support and promotion of available finance
- Deliver a package of support for entrepreneurship, focussed on increasing the diversity of entrepreneurs

**Which will result in:** More businesses with plans in place for improved productivity, engaged with strategic support programmes and successfully accessing funding to deliver those plans.



# 1b. Business Behaviours - highly skilled managers and staff

**We will:** promote and prioritise support that increases the numbers of highly skilled managers and staff.

**By:**

- Supporting the objectives of the [Employment and Skills framework](#) around:
  - Creating a culture of investment in workforce skills at all levels
  - Driving innovation and productivity through high level skills
  - Encouraging more business to have a skills plan and training budgets
- Encouraging greater take up of available support for management training – such as through the Chartered Management Institute
- Delivering a high performing workplace programme
- Drawing learning from other areas on how to encourage greater meaningful employee engagement in flexible training and decision making.
- Supporting those exploring establishing an enterprise to access skills and training required to be successful, with a focus on increased diversity.

**Which will result in:** An increase in the number of highly skilled managers and staff, and increased investment in workforce skills at all levels.

# 1c. Business Behaviours - Increasing adoption of new innovative practices

**We will:** support all businesses to benefit from the diffusion of ideas, as well as promote frontier businesses investing in radical innovation

**By:**

- Supporting the objectives of the [Innovation Framework](#) around:
  - Innovation for all, embedding inclusivity in our approaches to innovation and promoting the role of innovation in tackling societal challenges
  - Innovation diffusion, strengthening the evidence base on what works and then supporting the implement appropriate interventions
  - Better understanding the overall investment landscape, and in particular the needs for innovation finance – with the intention to develop potential solutions for key gaps in provision.
- Maximising the benefits from the delivery of the Made Smarter Pilot for manufacturers, and secure future funding
- Drawing lessons from participation in the [European Interreg SMARTY project](#), focussed on SMEs adopting Industry 4.0 technologies and practices

**Which will result in:** Greater take up of innovative practices (digital technologies and leadership and management practices etc) which will result in more productive, innovative businesses. Increased appetite from industry to explore increased use of digital tech and opportunities to de-risk investment through demonstrator hubs.

# 1d. Business Behaviours - Increasing the value and volume of exports

**We will:** work with the trade support ecosystem to increase export activity from the region

**By:**

- Developing clear priorities for international trade for West Yorkshire based on evidence of strengths and opportunities for exporting – markets and sectors.
- Working with the network of trade partners to share intelligence and ensure join up of the provision of appropriate support for those seeking to export or reach new markets
- Analysing gaps and barriers to exporting and looking to best practice from elsewhere on how to influence change, including increasing the diversity of exporters.
- Delivering support to business to navigate advice and services related to international trade, and analysing the long-term implications for trade support
- Promote the Leeds City Region at trade fairs, events and through communications – shouting about the existing export strengths of the region.

**Which will result in:** More businesses exporting more, with West Yorkshire business owners supported to adapt to the changing trade regime of the UK.

# 1e. Business Behaviours - Increasing the prevalence of Good Work

**We will:** promote the benefits of Good Work to businesses and embed it as a core value of doing business in West Yorkshire, linked to our regional [Inclusive Growth Framework](#)

**By:**

- Developing a Good Work Standard for West Yorkshire which encourages our employers to adopt best in class employment practices, including on: pay and benefits, work-life balance, employee voice, and health and wellbeing
- Actively promoting the value of Good Work to businesses through communications, recognising its role both in reducing inequalities and improved physical and mental health but also improving productivity and business performance
- Facilitating the sharing of local best practice of workforce approaches to improved productivity and resilience
- Drawing lessons from elsewhere on how to promote successful alternative models of employee investment and business ownership
- Utilise the conditionality attached to business support programmes in the city region and through procurement to drive up key good work behaviours – including paying the Living Wage, flexible working arrangements, employee engagement and supporting physical and mental health.

**Which will result in:** an increase in the number of people in West Yorkshire in “good work” (ONS definition) above the UK average and increased knowledge of the benefits of good work in increasing business productivity.

# Acting on transformational opportunities

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Acting on transformational opportunities means how we can effect structural changes in the West Yorkshire economy that will lead to long-term business productivity and resilience

## 2a. Growing the presence of high productivity businesses and sectors

**We will:** prioritise opportunities to attract, retain and grow businesses with high productivity, focussing in particular on those sectors that have some of the greatest potential

**By:**

- Focusing interventions and efforts on growing our industry base of high productivity businesses, attracting new companies and realising the potential of businesses with high growth ambition already within the region, including in creating high quality employment opportunities.
- Developing clear sector plans for supporting the attraction and retention of high productivity sectors – (including on Healthtech, zero carbon)
- Supporting inward investment opportunities that land new businesses across the city region;
- Aligning to employment and skills to ensure a talent pipeline of individuals with the necessary skills and qualifications needed for those sectors from across our communities
- Aligning to the innovation framework to ensure industry led clusters are developed
- Developing supply chain perspectives that add greater resilience to the economy

**Which will result in:**

- Leeds City Region positioned as a leading place to grow a high productivity business, bringing high quality jobs and opportunities for the region.
- Attracting further inward investment opportunities to the region with a clear offer and vision based on productivity (high level)
- The development of strong regional clusters of industry, including, but not restricted to, Healthtech and zero carbon

## 2b. Tackling the Long Tail of low productivity

**We will:** action interventions with partners that can make a meaningful difference to current low productivity businesses, focussing especially on the role of good work in non-tradable parts of the economy, including social enterprises. As the majority of people work in these sectors, making improvements here is essential to reducing inequalities.

**By:**

- Building on best practice of what works in boosting low productivity, especially in sectors of the West Yorkshire economy currently characterised by large scale, low pay employment.
- Linked to the business behaviour on good work, look to promote the Good Work Standard as a key action in boosting low productivity and achieving inclusive growth
- Collective work to identify businesses that might currently have low productivity but have the potential to improve [or even become high growth], and to provide relevant support linked to the business behaviours.
- Designing specific interventions that target low productivity particularly in areas of inequality that do not normally access mainstream business support - (including learning from work on the effects of COVID-19 on retail in West Yorkshire)

**Which will result in:**

- Supporting businesses to adopt best practice, including on Good Work, that will also benefit their productivity and bottom line
- More support available targeted at communities that might currently be excluded
- Building greater resilience into our long tail and the jobs that they provide

## 2c. Attracting increased levels of investment (including on infrastructure)

**We will:** focus on overcoming the barriers to investment in the city region's economy, joining up the offer we have with the available sources of finance, whether that comes from public or private sources.

**By:**

- Better understanding the overall investment landscape and connecting the offer for businesses at all stages and productivity potential, but with a particular focus on those who may face additional barriers and those with the biggest potential to grow.
- Aligning here to the innovation framework - Identifying means to fill the investment gap of between £100k-1m for business investment
- Putting in place mechanisms to attract additional Venture Capital investment into Leeds City Region by building the profile of place and showcasing the offer.
- Working across disciplines to make sure physical infrastructure supports business productivity and resilience – particularly digital connectivity and the low carbon pipeline.

**Which will result in:**

- More of the right finance being available and accessible for a range of businesses at the right stage of their business journey.
- Greater connections between investment in physical infrastructure and improved productivity and resilience for businesses



# 2d. Transition to Net Zero Carbon Resilient Economy

**We will:** focus on the role of business in the transition to a net zero carbon economy, and how this can positively contribute to increased levels of productivity and resilience

**By:**

- Aligning with the region's carbon emissions pathways work, particularly as it relates industry.
- Understanding best practice in how to support improved productivity and business resilience through transition to net zero carbon, and where there are market opportunities for businesses in transition – and using this as the basis for positive business engagement.
- Identifying ways to support businesses in their own transition and on circular economy ambitions, including through specific programmes of support such as ReBiz.
- Linked to the increased investment opportunity, exploring the financial mechanisms and incentives needed to achieve transition, including through national funding routes

**Which will result in:**

- Clear communications with businesses about the benefits and trade-offs of a transition to net zero and how it can be a positive opportunity for productivity.
- Increased numbers of businesses supported to accelerate their own transition or circular economy targets.
- Achievement of the carbon emissions pathways roadmap as it relates to industry

# How this can deliver on economic resilience?

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**More specific targets for economic resilience will be developed if and when the priorities of this plan are agreed. As a starting point, we have identified the following high level outcome objectives, linked to indicators in our Strategic Economic Framework:**

- Higher productivity:
  - a significant closing of the £8.5bn gap between job productivity levels in the West Yorkshire economy and the UK average
  - Measurement - Nominal gross value added per hour worked
- Good work – improving on:
  - % Employees in Quality Work
  - Employment rate gap for disadvantaged groups: Proportion of people in employment in disadvantaged groups (disabled, BAME, aged over-50) versus overall employment rate.
  - Workforce diversity (at all levels)
  - % employers providing flexible working –eg incidence of home-based working
- Improved living standards
  - Improved Gross disposable household income
  - Emissions intensity ratio: Ratio of carbon emissions to gross value added



**Thank you**