

Tees Valley Business Survey 2015 – Overview of results 18th November 2015

1. Context

The 2015 Tees Valley Business Survey was conducted between May and August 2015 and produced over 330 responses from Tees Valley businesses, across a variety of sectors, sizes and geographies.

The short survey asked a series of questions of businesses regarding:

- Make-up of the business; including size, location and industry;
- Business Growth; including expansion plans, barriers to growth, innovation and their customers/suppliers;
- Skills; including skills shortages and satisfaction with graduates/apprentices;
- Their perception of Tees Valley as a place to do business.

Our analysis has looked at the key questions asked, how Tees Valley businesses responded and how such answers compared to the last time the survey was undertaken in 2012.

It should be noted that the survey was carried out before SSI entered liquidation. In addition, for accuracy purposes, the sector analysis included in this document excludes sectors for which the response rate per question was 15 or less respondents (unless otherwise stated). Not every respondent to the survey completed every question.

2. Key findings

- 75% of Tees Valley businesses rate the Tees Valley as a very positive or positive place to do business (highest ratings were given to quality of life and workforce, the lowest to communications and transport infrastructure).
- 82% of Tees Valley businesses expect turnover to grow over the next year (over 30% will be investing in exporting over the next 12 months).
- The biggest barriers to growth were named as lack of suitably skilled people (44%), followed by cash flow (37%) and domestic market demand (29%).
- 65% of Tees Valley businesses expect their number of employees to grow over the next year, with 71% of employers investing or considering investing in training.
- 60% of Tees Valley business have engaged with schools or colleges over the past year and 42% of Tees Valley employers have taken on an apprentice over the last 12 months and are very satisfied with their performance
- 64% of Tees Valley employers had not or were not planning to invest in innovation or research and development.
- 45% of Tees Valley businesses have a skills shortage/are struggling to recruit, with the issue particularly acute in the ICT and digital/creative sectors.

3. Key changes between 2012 and 2015

- Increased expectations of future growth; In 2012, 50% predicted a growth in turnover over the next 12 months, compared to 82% in 2015. In 2012, 31% planned to grow their number of employees over the next year, compared to 65% in 2015.
- Largely positive changes to investment plans; Whereas in 2012, 20% were investing in exports (today it is 31%), 49% in new products/processes (today it is 47%), 38% in plant and machinery (45% today), 22% in new buildings (32% today), 76% in training (today it is 71%).
- Skills has become the largest obstacle to growth in contrast to three years ago. In the last survey, skills was not one of the top three obstacles (it came fourth, cited by 12%), but today it is the number one issue, identified by 44%. This is reflected by 45% of companies stating they have a skills shortage, compared to 28% three years ago.
- The top three obstacles to growth have changed from domestic demand (50%), cashflow (33%) and government policy (30%) three years ago to skilled people (44%), cashflow (37%) and domestic market demand (29%) in 2015.
- Increase in graduate and apprenticeship take-up by employers: 17% of companies took on a graduate three years ago, compared to 26% today, while 23% had taken on an apprentice compared to 42% today.
- While the same proportion (78%) in both surveys considered Tees Valley as a positive place to do business, with quality of life the highest ranked indicator in both, there was a slight fall in satisfaction for business accommodation and large falls for the two areas rated the weakest elements of Tees Valley today. Transport and communications infrastructure were rated as positive by 69% and 64% respectively in 2012, compared to 45% for both in 2015.

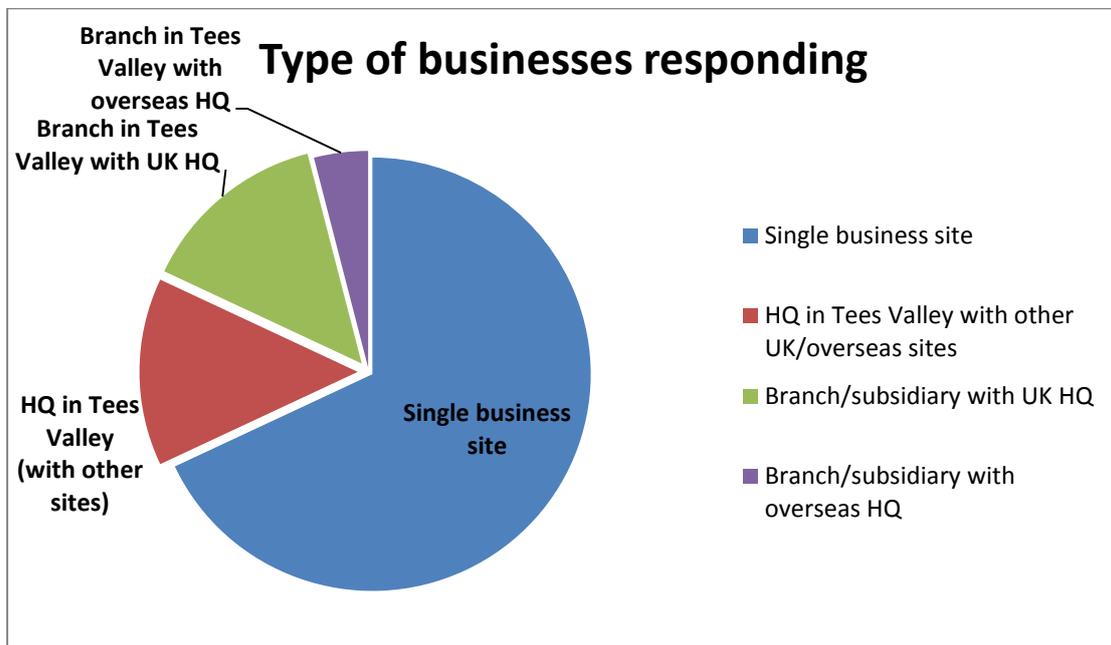
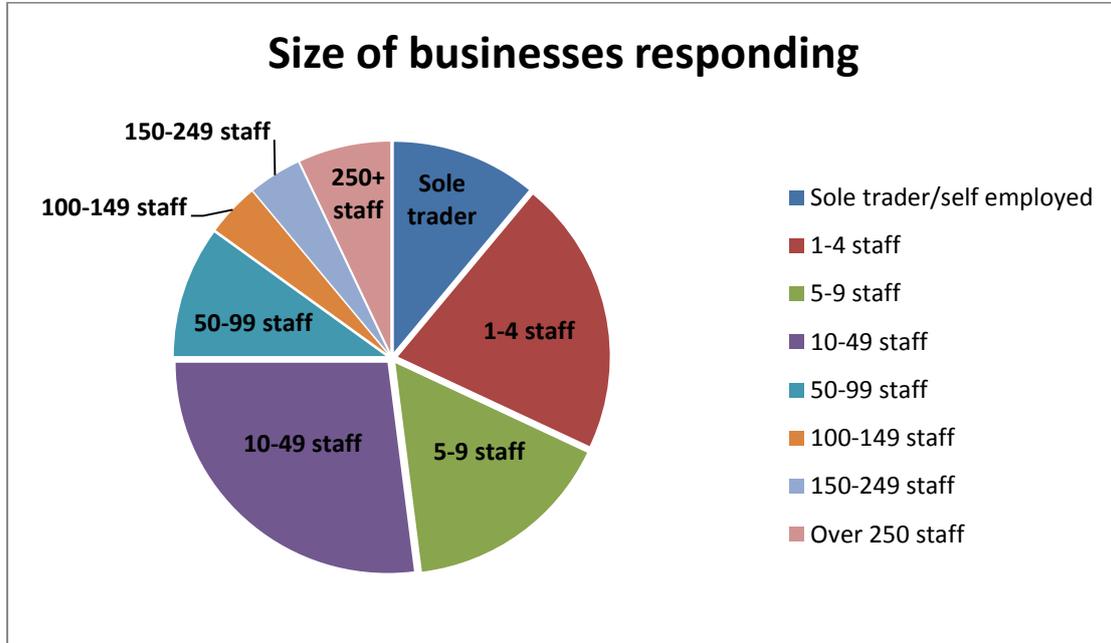
4. Actions as a result of this report

As a result of the Business Survey we will:

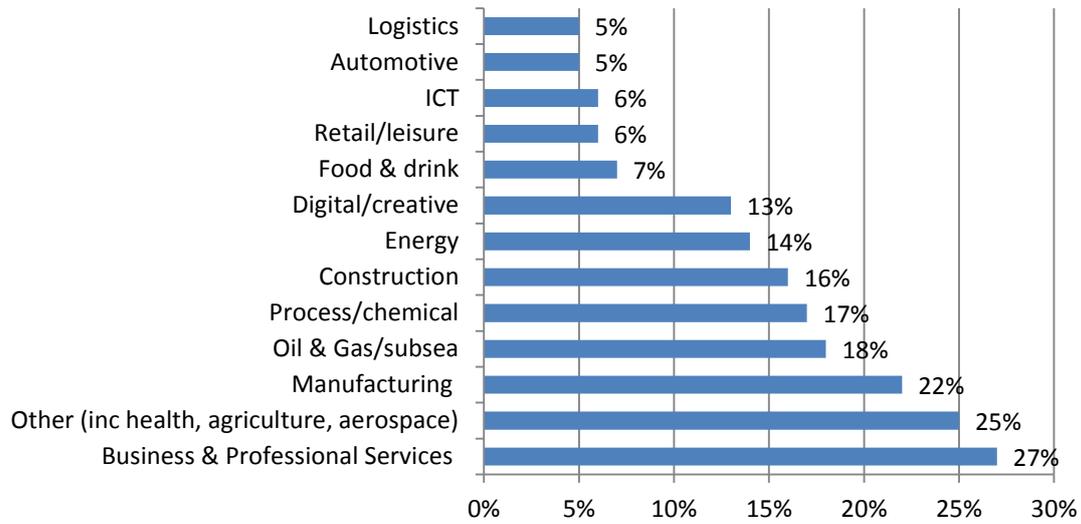
- Publish the summarised results on the TVU website and send a copy to every business who responded
- Ensure that responses from businesses who wished to remain anonymous or did not want to have their details shared are kept confidential
- Add those companies who wanted to be to TVU and Local Authority publication mailing lists
- Pass the details of those who wanted to be contacted by Advisors to the Tees Valley Business Compass Team.
- Pass details of companies that wanted more information on business accommodation, skills, exports, grant assistance and innovation to relevant TVU staff to follow up.
- Look at further analysis of sectors and companies operating across sectors to inform the supply chain mapping activity of the Tees Valley Business Compass

5. Who responded

There were 332 responses to the Business Survey from businesses across Tees Valley with a good mix of different sizes, types of businesses, industry sectors and locations:

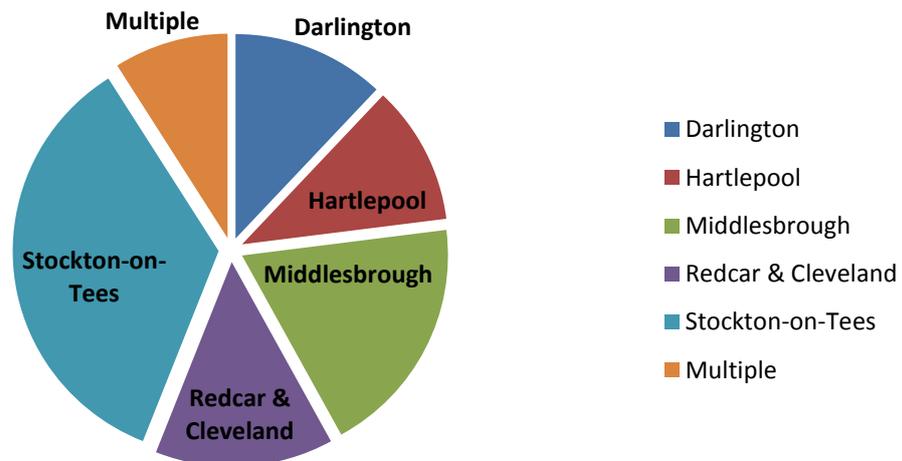


Sector of businesses responding



NB: Companies had the ability to pick more than one sector.

Location of businesses responding



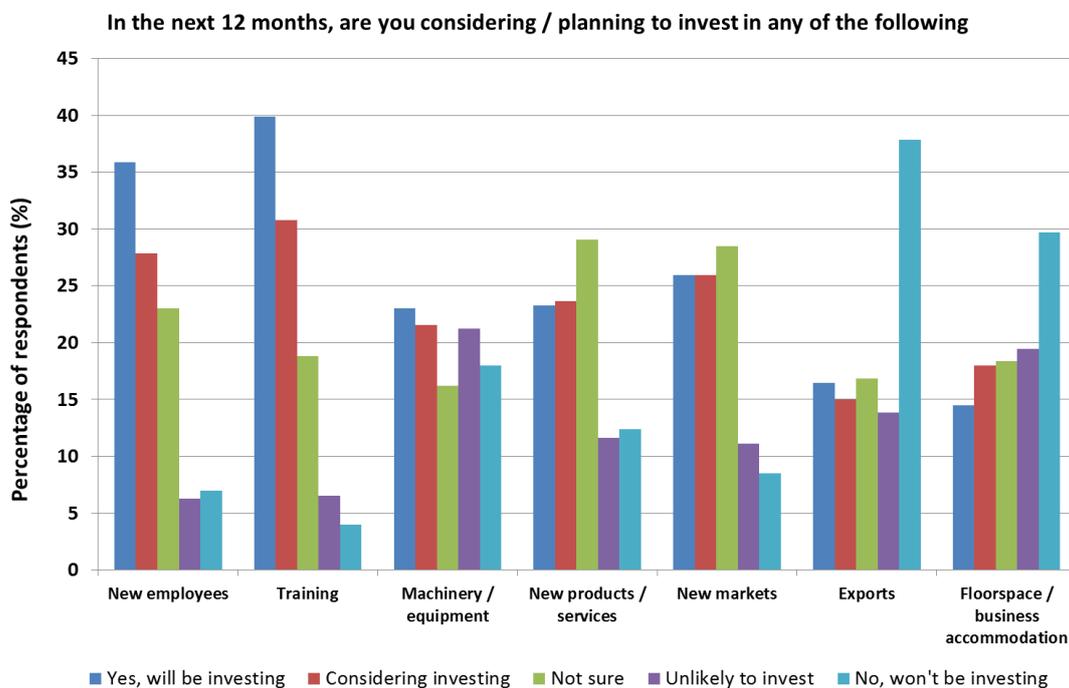
NB: A number of companies had multiple locations

6. Business Growth

We have analysed the key trends which have emerged from questions related to business growth and set these out below.

Plans for growth

- New employees – 36% of respondents plan to take on new staff over the coming year and almost two-thirds of firms will either invest in new employees or will consider doing so.
- Training – Over 7 in 10 Tees Valley businesses will either invest in training or will consider doing so over the coming year. Just 11 respondents will definitely not be investing
- Machinery / equipment – 45% will or will consider investing in machinery / equipment in the next 12 months
- New products / services / markets – Less than one in four of firms are neither planning to invest nor are likely to invest in new products / services and similarly less than one in five are not planning / unlikely to invest in new markets over the coming year
- Exports – 38% of respondent businesses will not be investing in exporting in the next 12 months. However, over 3 in 10 of firms will either be investing or considering investing.
- Floorspace / business accommodation – 30% of firms are not planning to invest in the next year but 14% will be investing with a further 18% considering investing

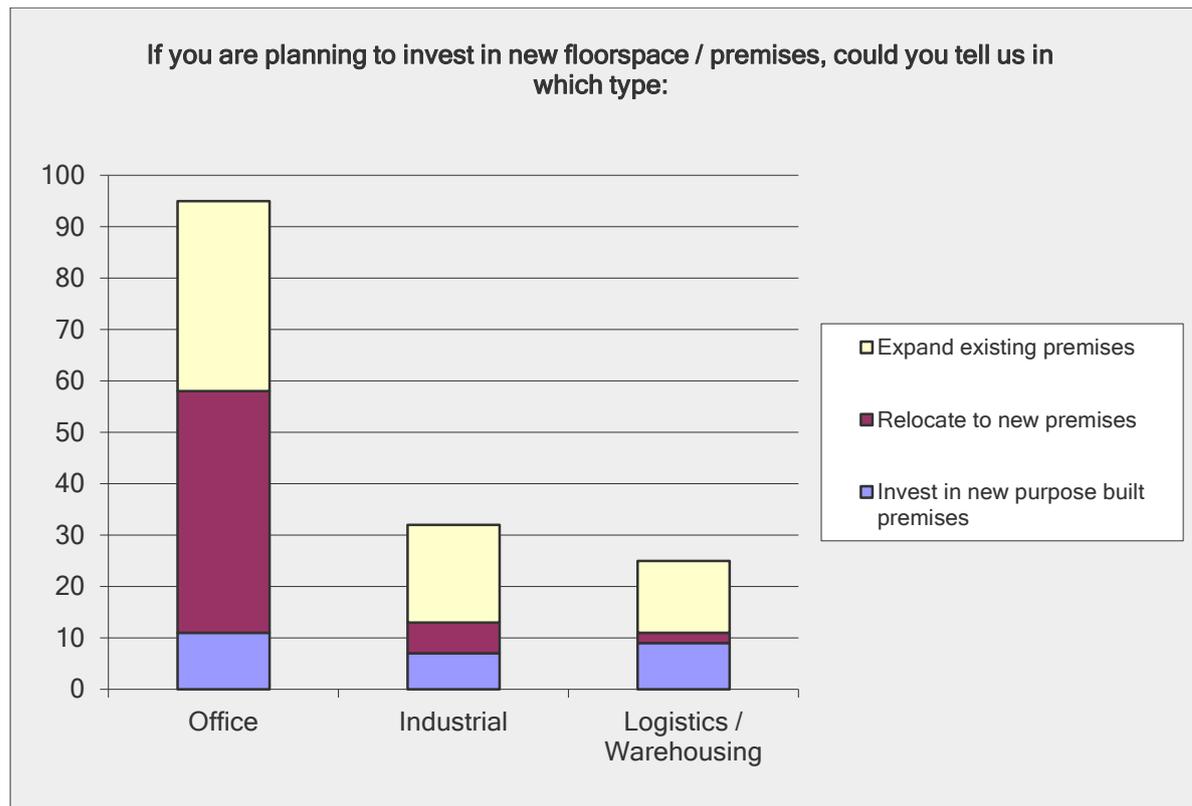


NB: Companies had the ability to select more than one option

When asked an open question about the kind of support that would help the business to grow, a number of responses were received, with the main being access to finance and grants. Other issues, including broadband, were also raised.

Investment in floorspace / business accommodation

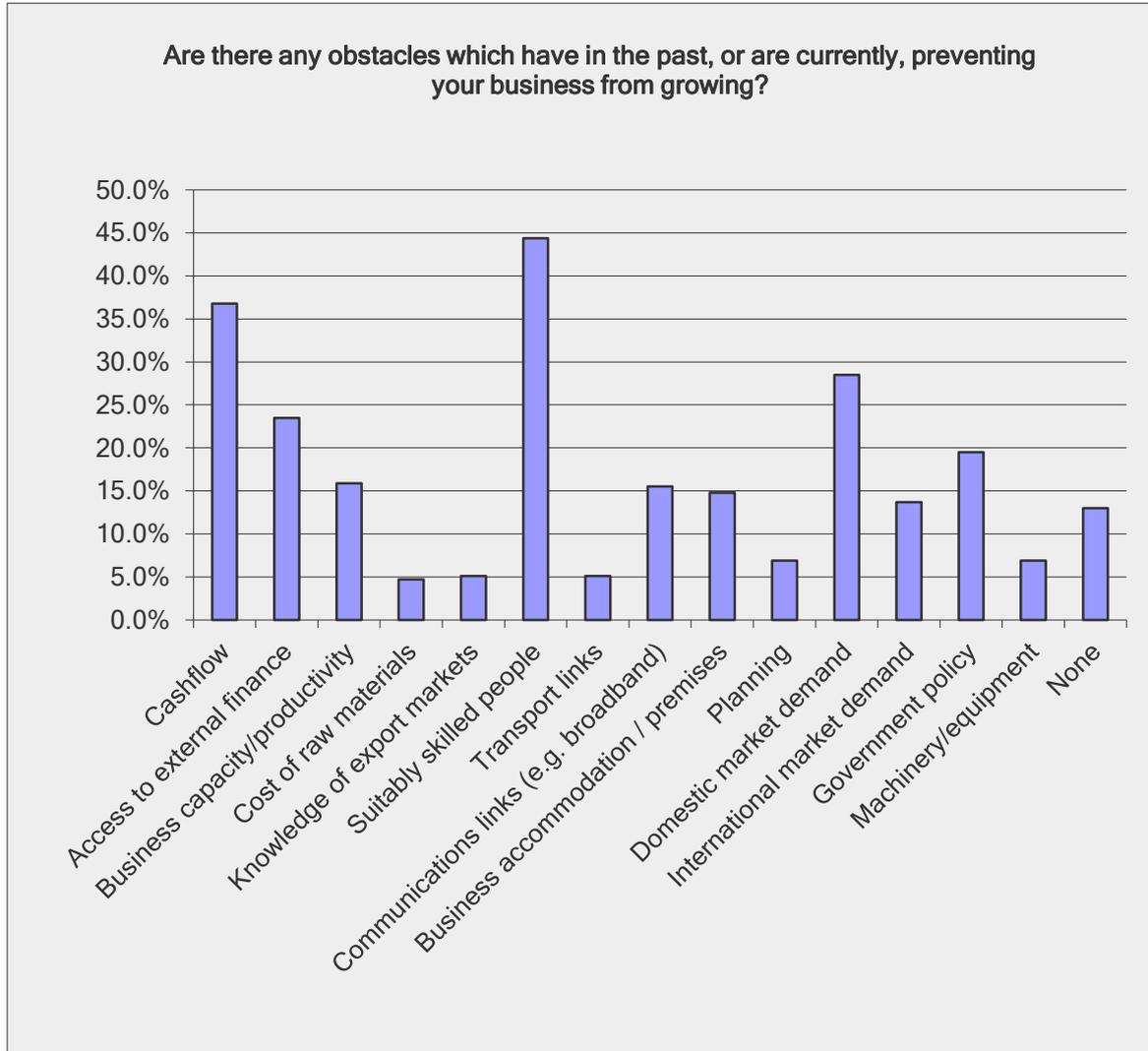
- The majority of respondents who were planning to invest in floorspace / business accommodation were interested in office accommodation and were either looking to expand existing premises or else move into new premises
- Those firms planning to invest in industrial and logistics/warehousing were more likely to be expanding their existing premises rather than relocating
- A small but significant number of businesses were planning to invest in new purpose built premises across all types of floorspace and premises



NB: Companies had the ability to select more than one option

Obstacles to growth

- 44% of businesses report that a lack of suitably skilled people is acting as an obstacle to growth. This is the most common obstacle reported
- Other high scorers included 37% of firms identifying 'cashflow' as an obstacle, with 29% reporting domestic demand and 24% pointing to access to finance as obstacles to growth.
- One in five companies identified government policy as an obstacle

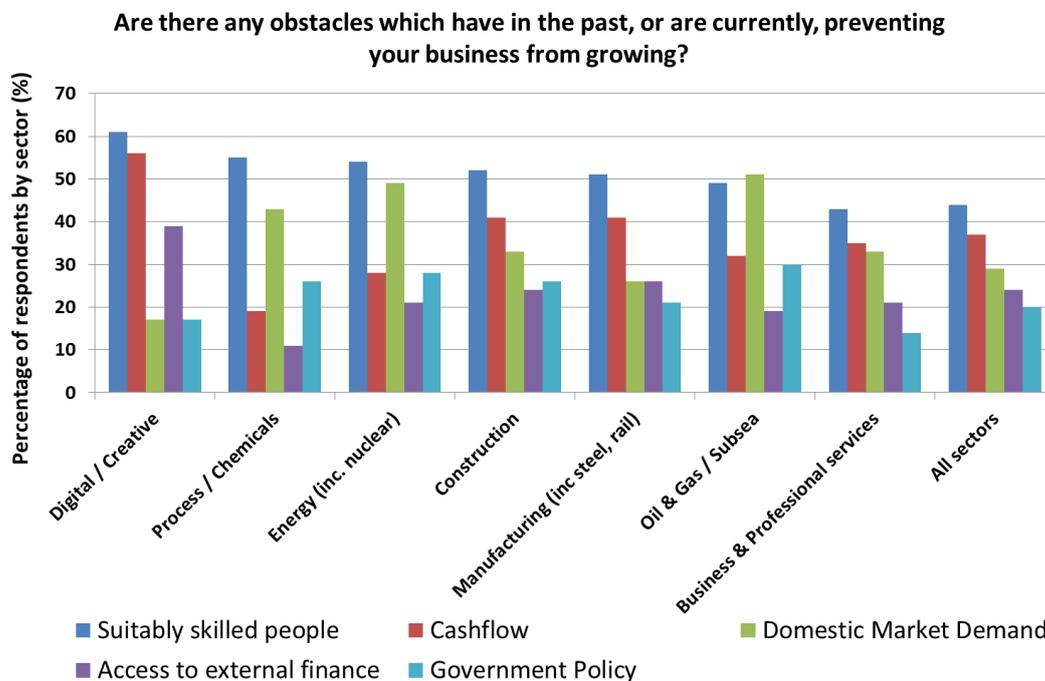


NB: Companies had the ability to select more than one option

Further sectoral analysis of the top 5 obstacles identified above is made below. This analysis examines only those sectors that at least 10% of respondents identified as one within which they operated.

- Digital / Creative businesses were the most likely to identify 'suitably skilled people' as an obstacle with over 6 in 10 firms operating in this sector highlighting this concern.
- Over half of businesses operating in the Process / Chemicals, Energy, Construction, and Manufacturing sectors highlighted suitably skilled people as an obstacle with Oil & Gas / Subsea firms close behind on 49%

- Cashflow was a particular issue in Digital / Creative with 56% of firms reporting this obstacle as a drag on growth. Manufacturing and Construction also scored above the all sector average for this obstacle (both with 41% of firms)
- Domestic market demand was seen as an issue in Oil & Gas / Subsea and Energy (identified by around half of businesses) and Process / Chemicals (43%). Only 17% of Digital / Creative firms highlighted this problem
- Similarly to cashflow, access to external finance was a particular problem in the Digital sector. Almost four in ten Digital / Creative businesses identified access to finance as an issue, well above the all sector average for this issue (24%)
- Government policy was seen as an obstacle to growth in production and construction. Three in ten Oil & Gas / Subsea businesses identified this as a problem with Energy (28%), Process / Chemicals and Construction (both 26%) and Manufacturing (21%) above the all sector average of 20%



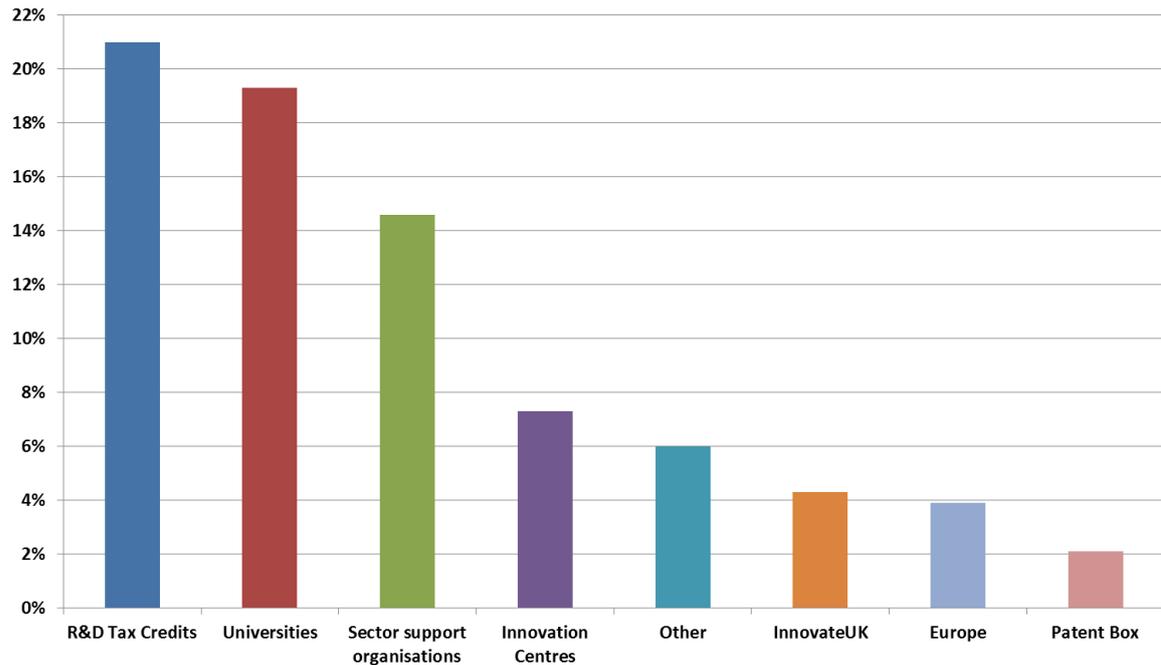
NB: Companies had the ability to select more than one option

When asked an open question about factors influencing market demand, a number of answers were submitted, with two key themes emerging; the influence of both the oil price and government policy (particularly on energy) upon the health of the Tees Valley economy.

Innovation

- 64% of Tees Valley businesses had not / were not planning to access innovation / R&D support
- Of the firms that were innovating, 21% had/were accessing R&D credits, 19% Universities and 15% sector support organisations
- Patent Box was identified by just 2% of firms

Have you accessed innovation/R&D support over the past 12 months (or do you plan to over the next 12 months) from any of the following:

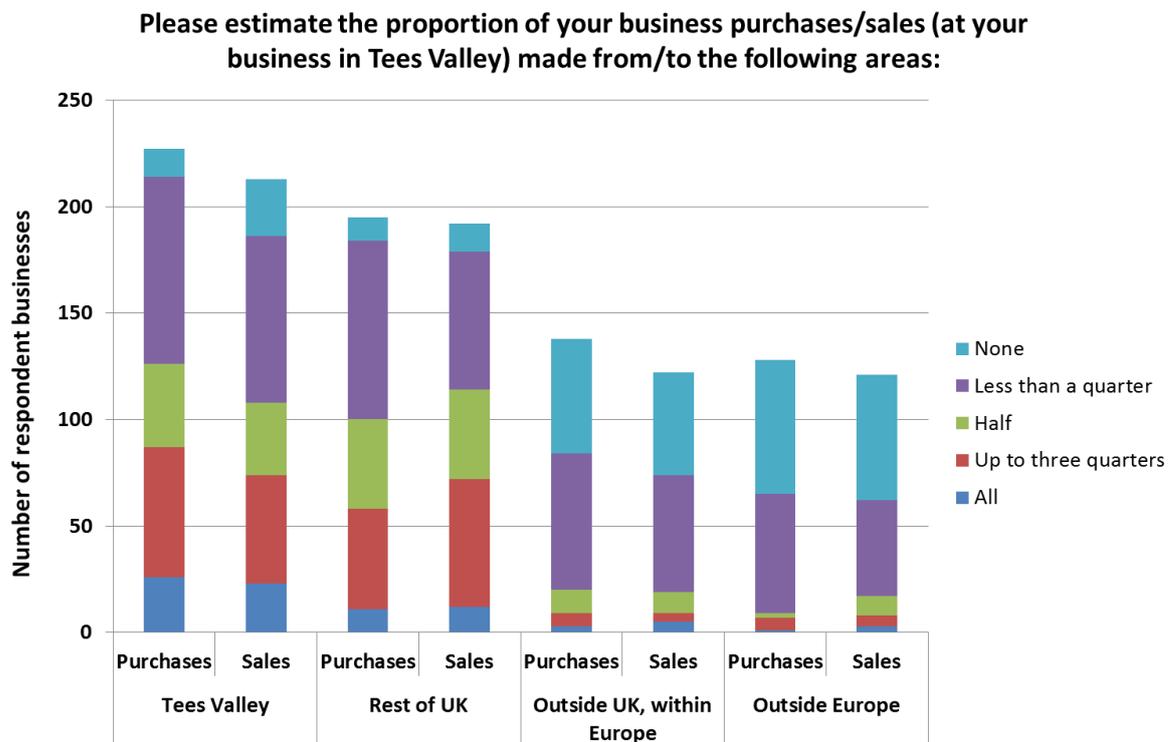


NB: Companies had the ability to select more than one option

When asked an open question about what support would help to assist companies to innovate or access more supply chain opportunities, the response was limited. However, the main theme was better and more networking opportunities, with initiatives such as procurement events, marketing and exporting support also mentioned.

Supply Chain and Exports

- Tees Valley businesses have broadly similar sales and purchases geographic profiles
- 94% of Tees Valley businesses purchased from suppliers within the area. A similar proportion of firms purchased from businesses located in other parts of the UK
- Importing businesses generally rely on foreign firms for less than one quarter of their purchases
- 87% of firms sell within Tees Valley whilst 93% of businesses sell to other parts of the UK
- 74 business exported at least some of their sales to Europe whilst 62 firms exported outside of Europe to some degree



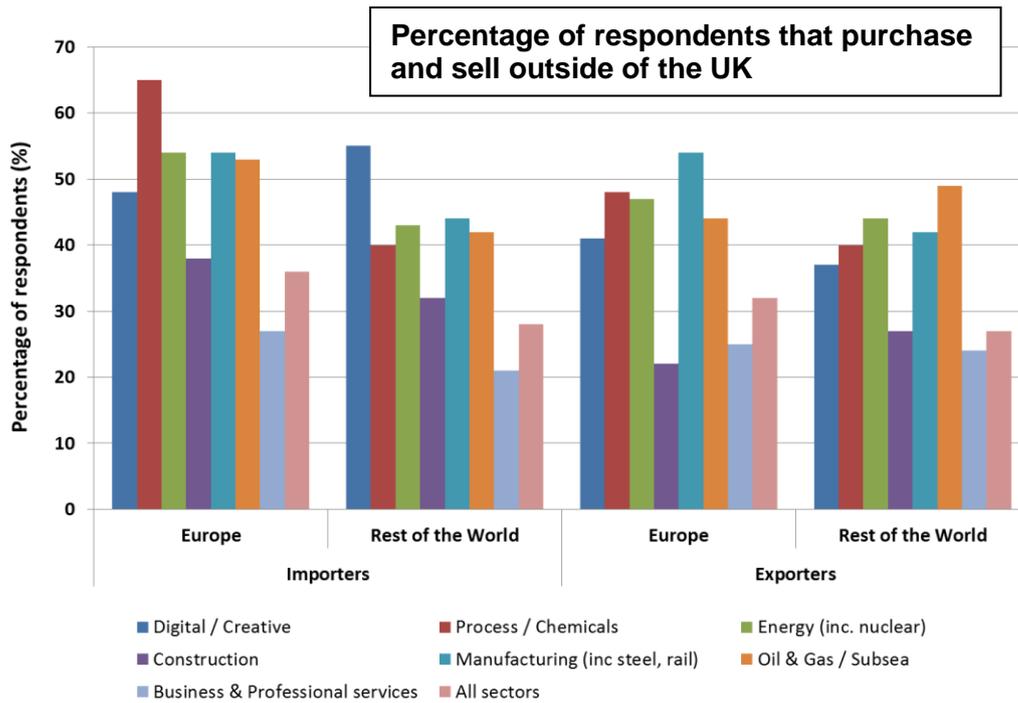
NB: Companies had the ability to select more than one option

Further sectoral analysis of the supply chain and exports is made below. This analysis examines only those sectors that at least 10% of respondents identified as one within which they operated. It is particularly important to note here that respondents could choose multiple options e.g. export to both Europe and the Rest of the World

- The sector with the highest proportion of businesses that imported from Europe was the Process / Chemicals sector at 65% of firms. Other productive sectors also scored highly with over half of Energy, Manufacturing and Oil & Gas / Subsea importing from Europe
- In terms of importing from the Rest of the World, 55% of Digital / Creative businesses purchased from outside of Europe. Business and Professional

services scored the lowest here with just 21% of firms purchasing from the Rest of the World

- Manufacturing sector businesses are the most likely to be exporting to Europe. 54% of manufacturing firms export to Europe, the same proportion that import. Again it is production sector businesses that are more likely to export than the all sector average but also over four in ten Digital / Creative respondent firms export to Europe
- Almost half of Oil & Gas / Subsea businesses export to outside of Europe. This is the highest rate of any sector and well above the all sector average of 27%



NB: Companies had the ability to select more than one option

7. Skills

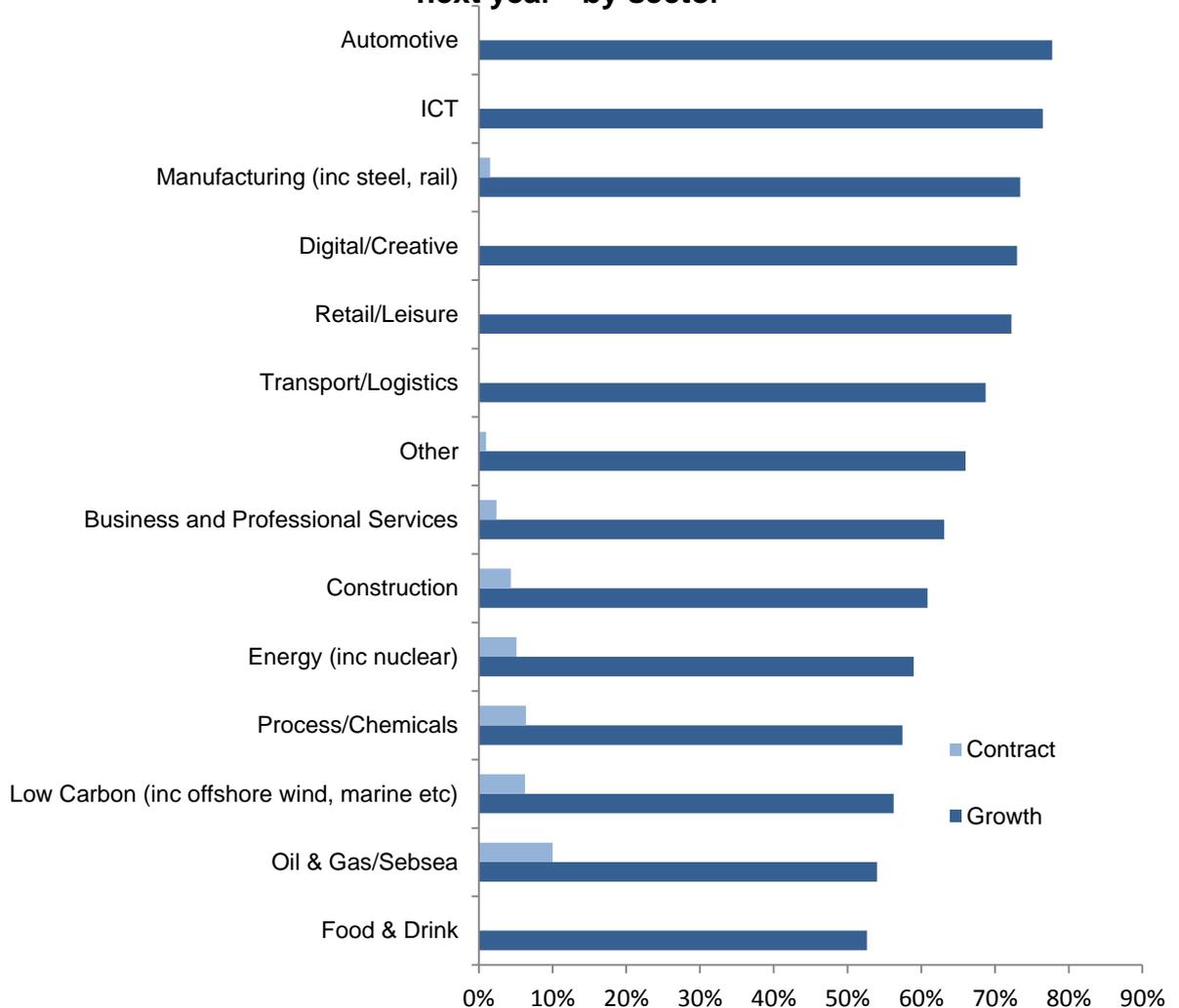
We have analysed the key trends which have emerged from questions related to skills.

Number of Employees

65% of Tees Valley businesses expect the number of employees employed within their business to either grow significantly or grow slightly over the next year.

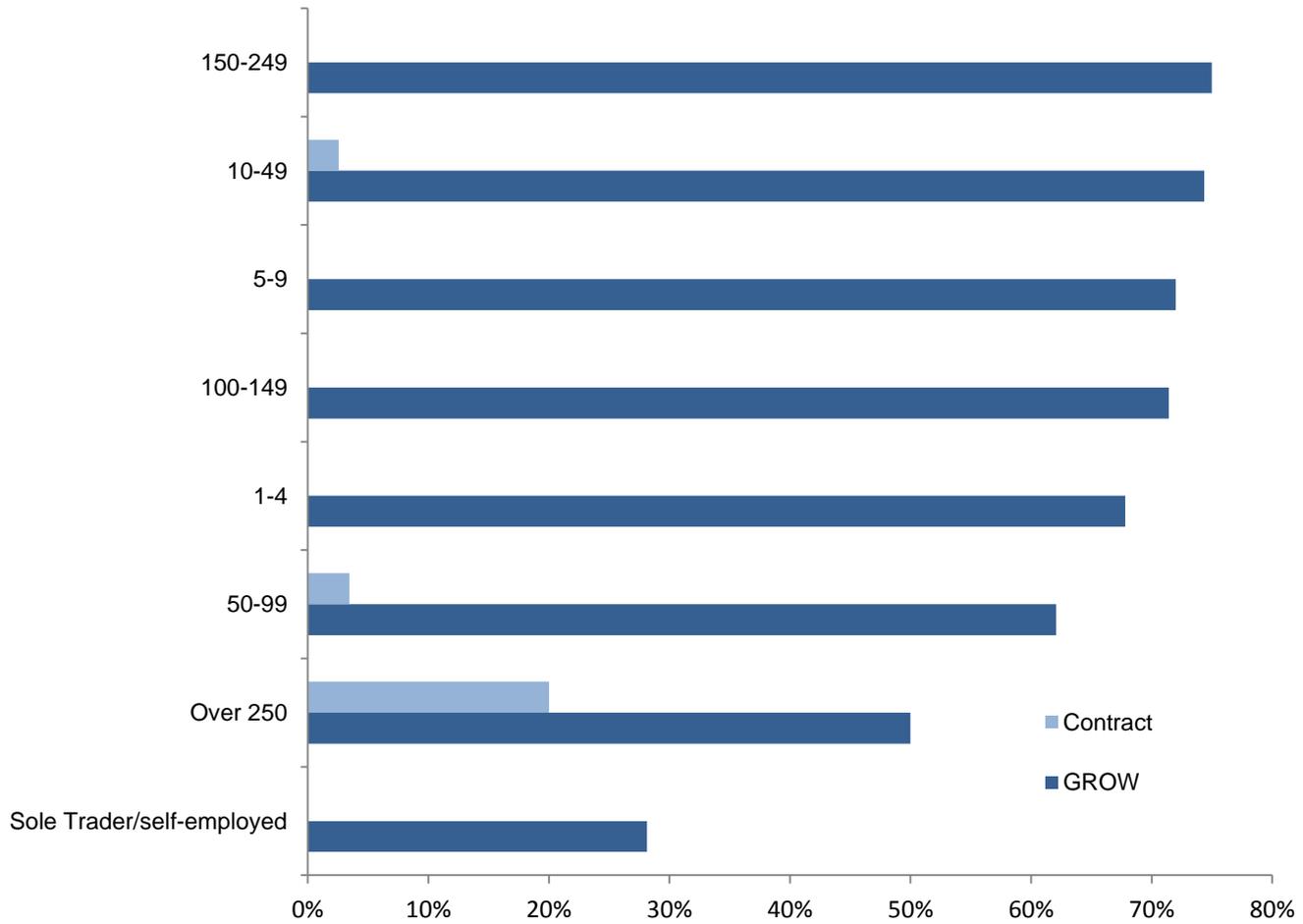
If we break this down by sector we can see that businesses in the Automotive sector expect the largest growth in employees, with 78% of businesses in this sector expecting a growth. The Oil & Gas/Subsea sector are expecting the largest loss of employees, with 10% of business expecting their number of employees to contract, most likely due to the fall in oil price.

Percentage of businesses expecting employee growth over next year - by sector



If we break this down by size of business we can see that SME's are more likely to take on more staff over the next year than large employers, with over 75% of businesses that employ 150-249 expecting a growth in employees. In contract 20% of large employers are expecting their number of employees to contract.

Percentage of businesses expecting employee growth over next year - by size of company

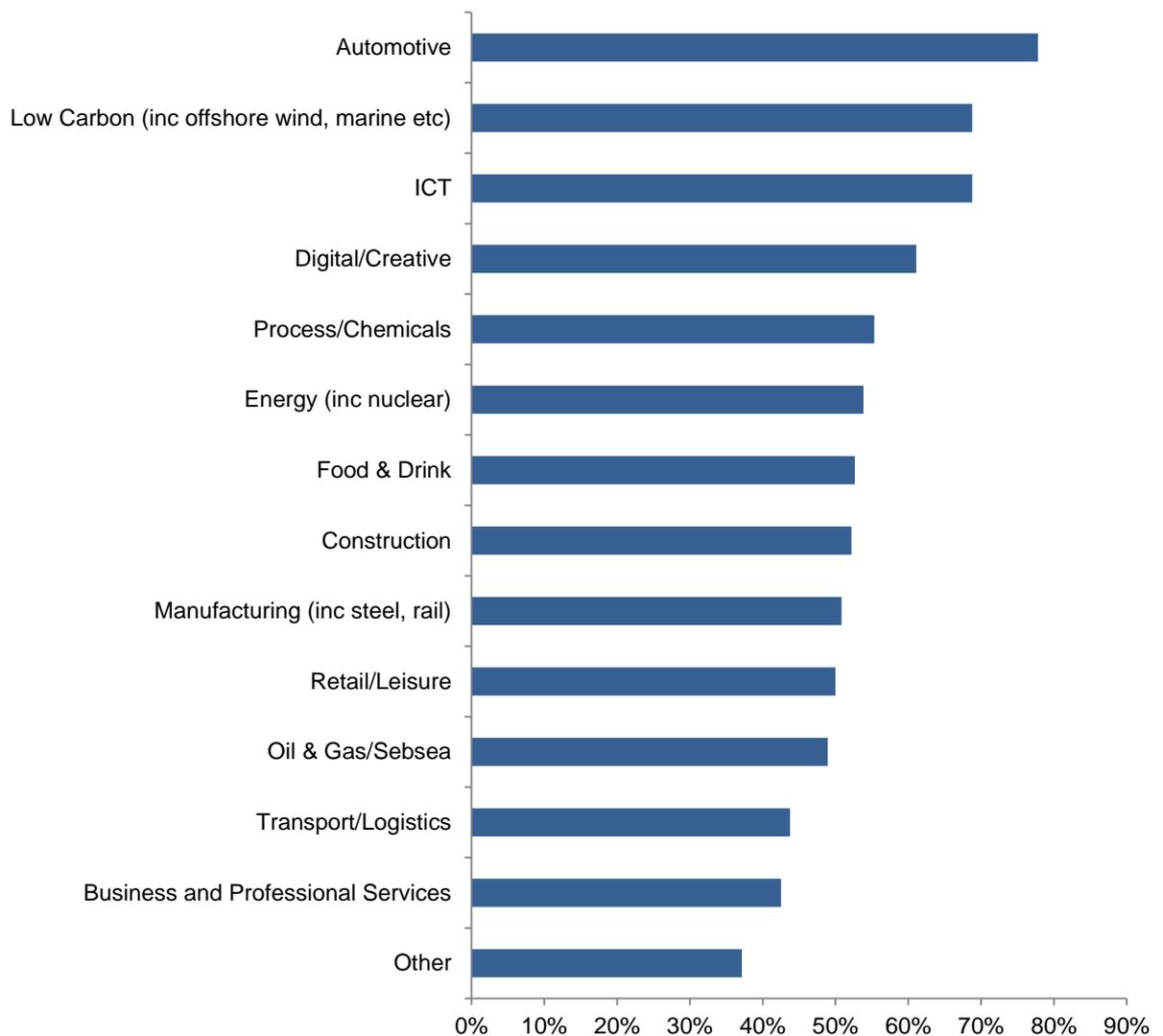


Obstacles to growth – suitably skilled people

44% of Tees Valley businesses state that finding suitable skilled people is an obstacle that is preventing (or has prevented) their business from growing.

If we break this down by sector we can see that employers in the Automotive sector (78%) followed by Low Carbon and ICT (69%) are more likely to state that finding suitable skilled people is (or has been in the past) an obstacle to growth.

Percentage of businesses who say finding suitably skilled people is an obstacle to growth - by sector

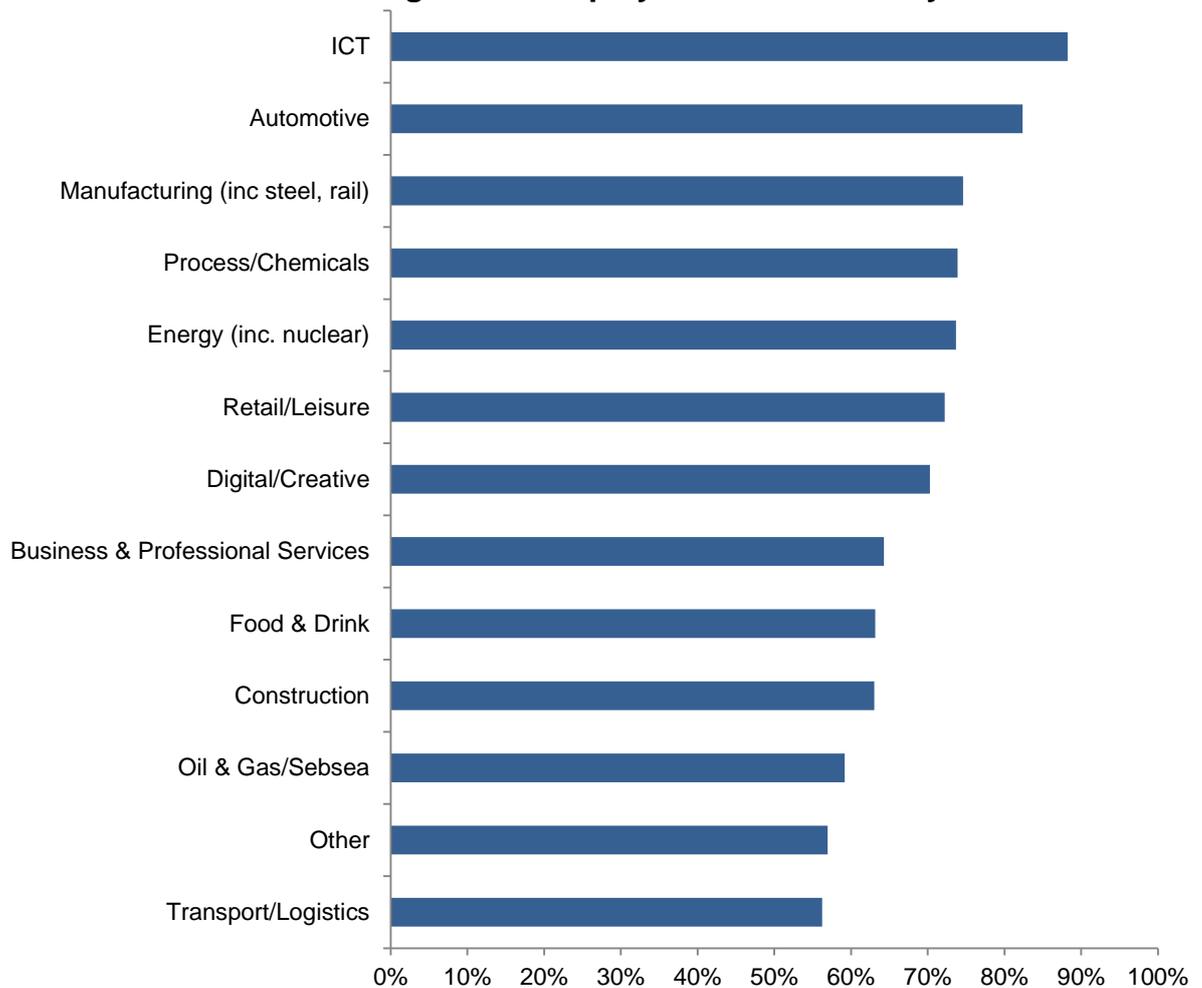


Investing in Employees

64% of Tees Valley businesses say that they will be investing or will consider investing in new employees over the next year.

If we break this down by sector we can see that businesses in the ICT sector are most likely to be investing in new employees over the next year with 88% of employers considering investing, followed by Automotive at 82%.

Percentage of businesses that will be investing or will consider investing in new employees over the next year



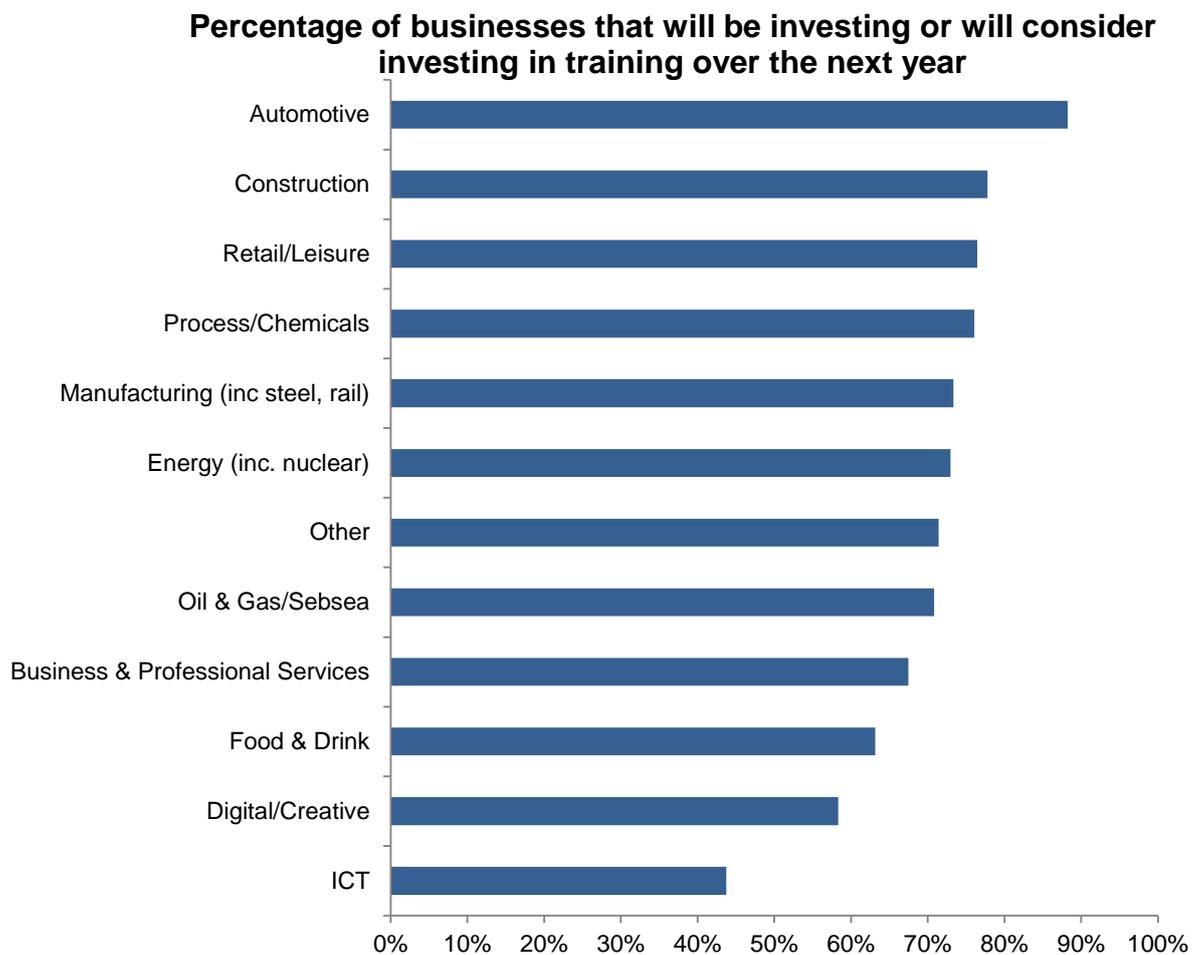
If we break this down by size of business we can see that not surprisingly large businesses are most likely invest in new employees over the next year with 84% considering investing. However 76% of those employing between 10-49 people are also likely to invest along with 69% of those employing between 5-9 people.

Investing in Training

71% of Tees Valley businesses say that they will be investing or will consider investing in training over the next year.

If we break this down by sector we can see that businesses in Automotive sector are most likely to invest in training over the next year with 88% of employers considering investing, this is followed by Construction at 78%. Interestingly employers in the ICT sector are least likely to invest in training over the next year, however are most likely to be investing in new employees.

This supports the view that ICT employers are looking to recruit fully trained employees, most likely at graduate level.

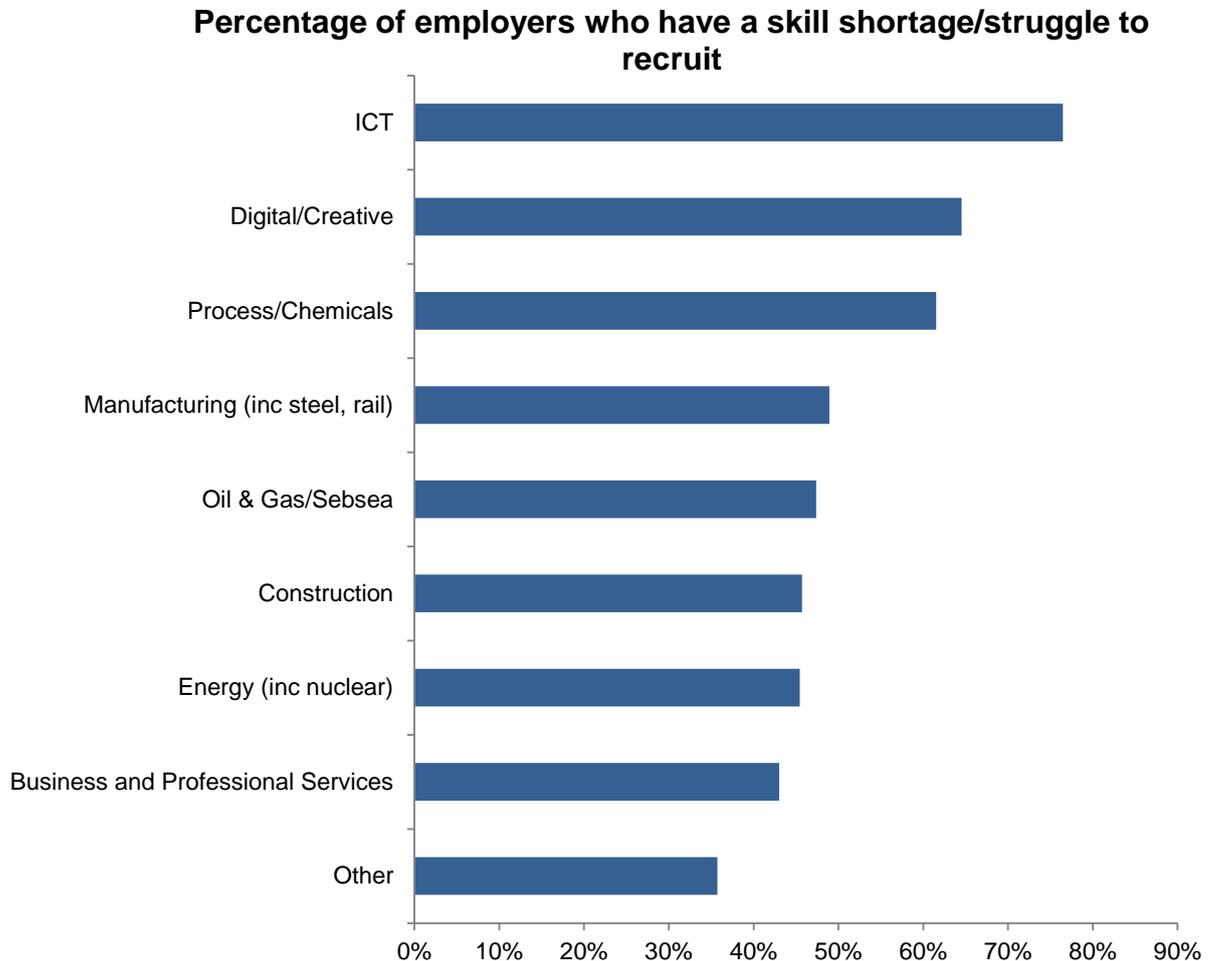


If we break this down by size of business we can see that not surprisingly large businesses are most likely invest in training for employees over the next year with all the business we surveyed who employed over 150 people considering investing.

Businesses were asked what support (which is not currently available) their business needed to help it grow, with 10% of businesses claiming they need support with skills issues such as training and finding skilled staff.

Skills Shortages

45% of Tees Valley businesses report having a skill shortage/struggle to recruit. If we break this down by sector we can see that businesses in the ICT sector are most likely to report a skills shortage with 76% of employers stating they struggle to recruit skilled workers. This is followed by Digital/Creative at 65% and Process/Chemicals at 62%.



If we break this down by size of business we can see that large employers are most likely to have a skills shortage with 76% of large employers saying they have struggled to recruit.

Skills Shortage Roles

The 45% of Tees Valley employers who identified a skills shortage were asked to identify the roles they have been struggling to fill. Over half, 51%, said they were struggling to find skilled workers in the manufacturing field, with a massive 89% of these being skilled engineers and the remaining skilled workers such as joiners, machine operatives, welders etc.

23% of employers stated that they have been struggling to find skilled workers in the business and admin field, particularly experienced sales team members, administrative positions and accountants.

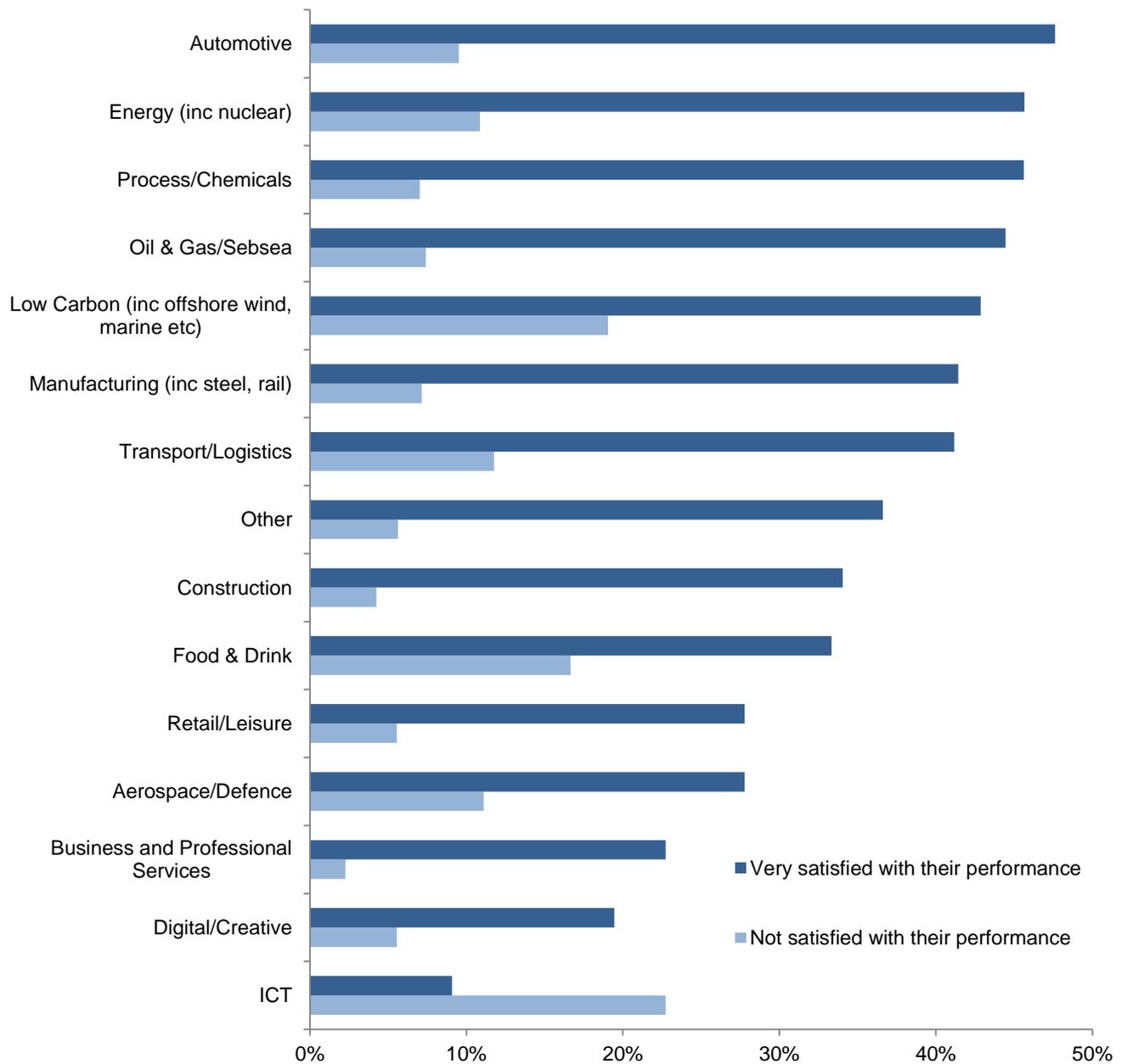
18% of employers are struggling to find experienced computer programmers, software developers and designers and other IT related skills.

Apprentices

42% have taken on an apprentice over the past 12 months and are very satisfied with their performance. 5% have not been satisfied with their performance.

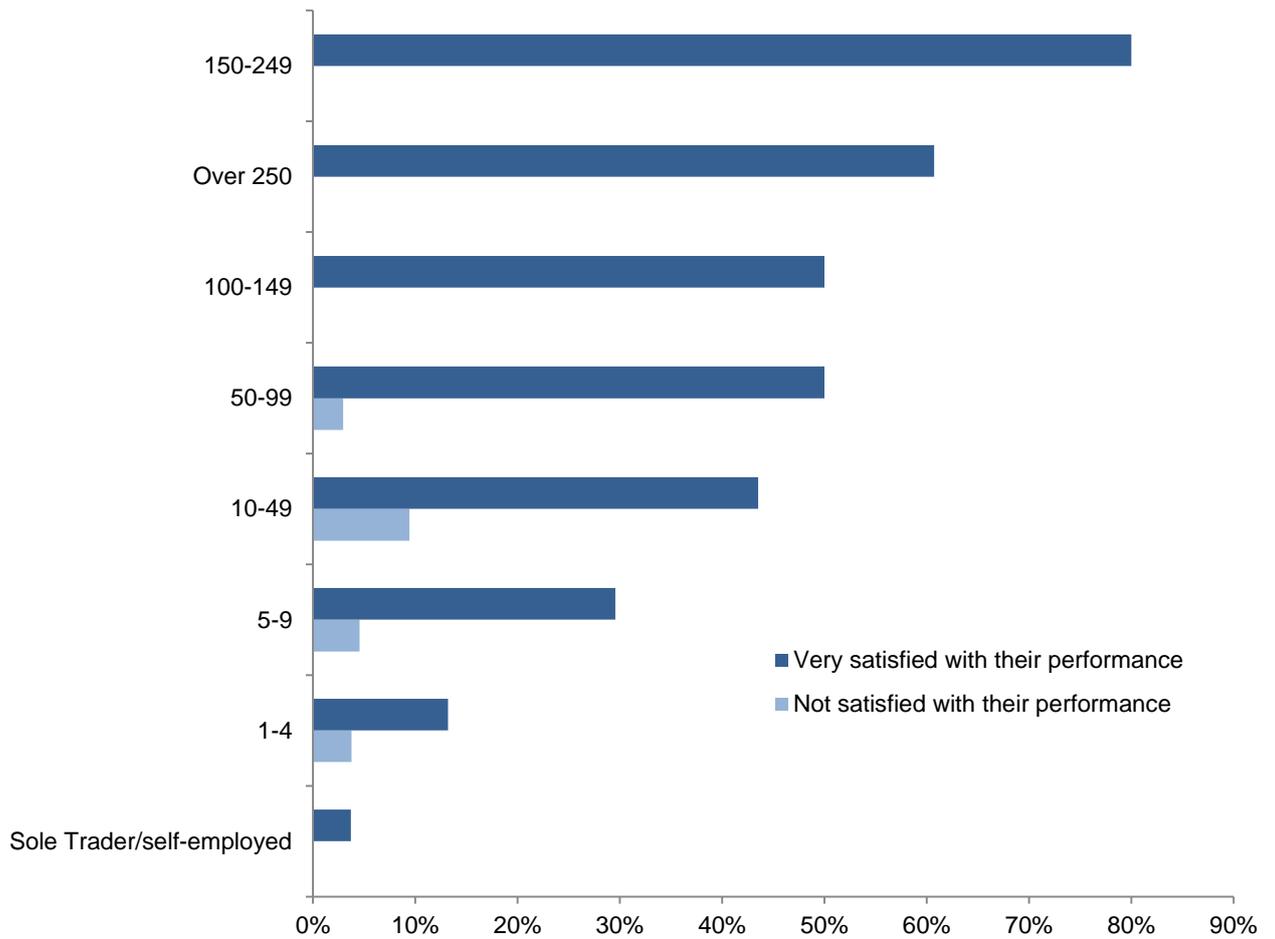
If we break this down by sector we can see that employers in the Automotive (48%), Energy and Process/Chemical sectors (46%) are most likely to have taken on an apprentice over the last year and been satisfied with their performance. Employers in the ICT and Low Carbon sectors are most likely to be not satisfied with the performance of their apprentices.

Percentage of employers who have taken on an apprentice over the past 12 months - Very satisfied vs not satisfied with performance



If we break this down by size of employer we can see that large employers are more likely to take on an apprentice with 80% of employers who employ between 150-249 people taking on an apprentice, followed by 61% of those who employ over 250 people. The smaller the business the less likely they are to have taken on an apprentice, this is most likely due to small business having less capacity to train an apprentice. Small business are more likely to be dissatisfied with their apprentices.

Percentage of employers who have taken on an apprentice over the past 12 months - Very satisfied vs not satisfied with performance

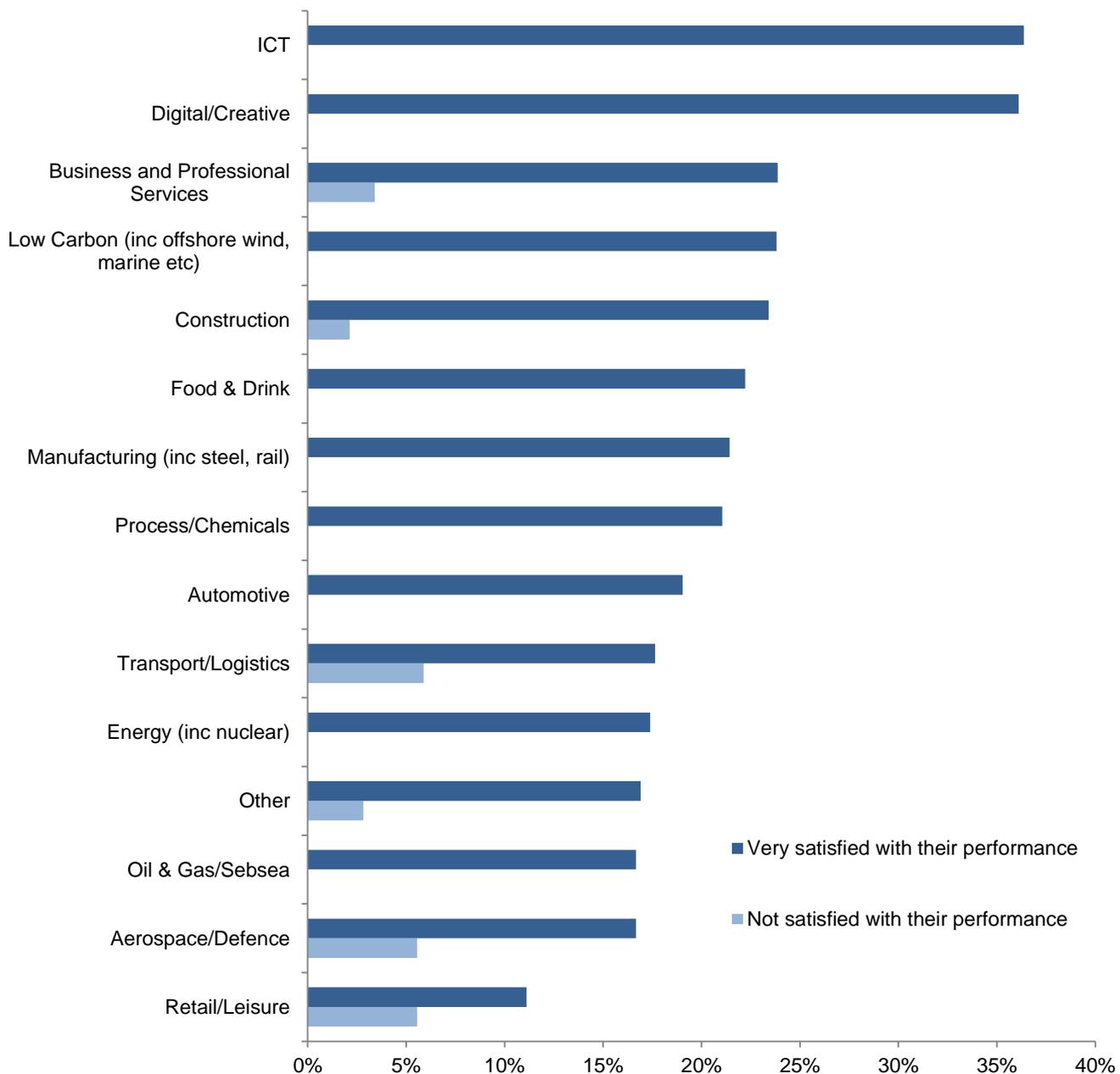


Graduates

26% have taken on a graduate in the past 12 months and are very satisfied with their performance. 3% have not been satisfied with their performance.

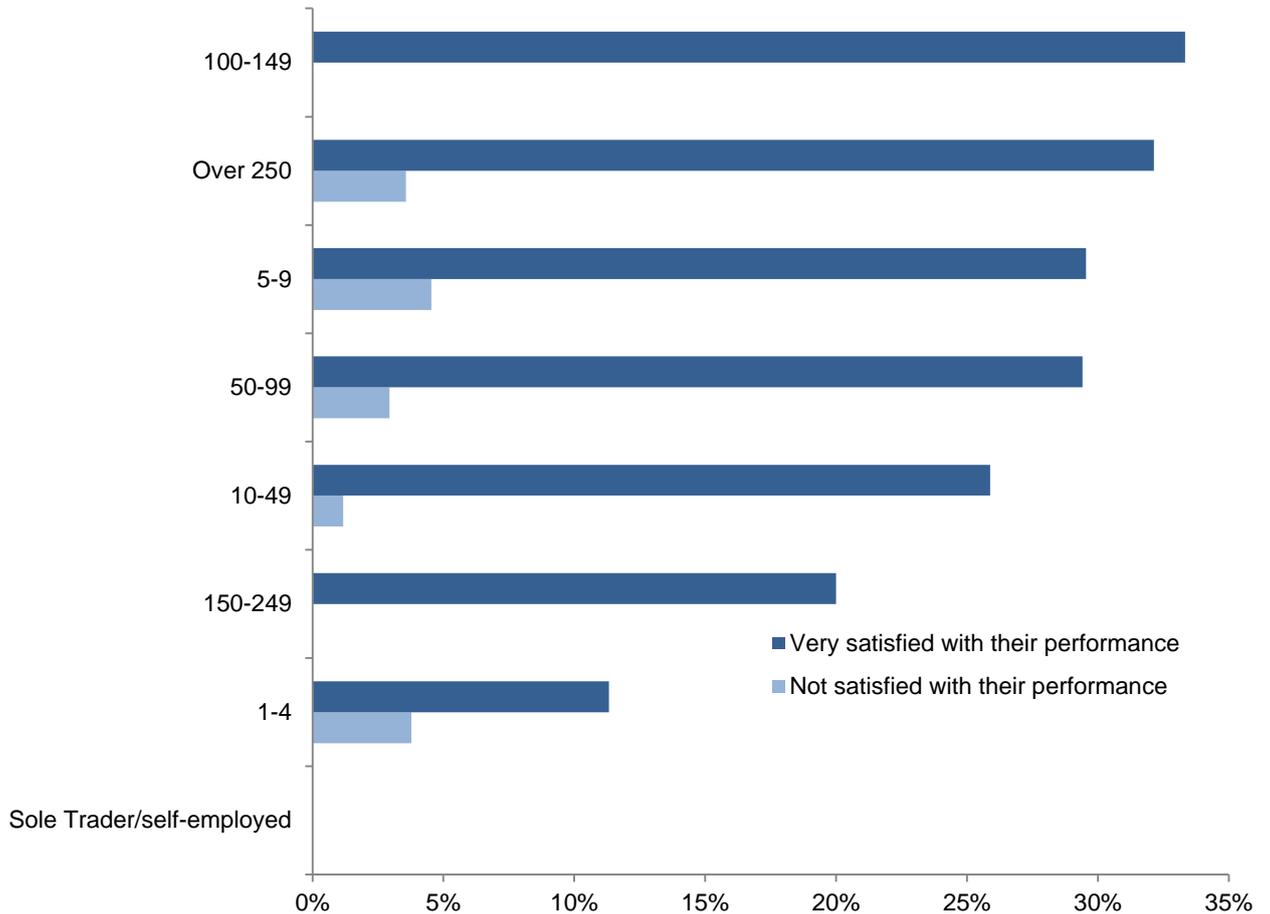
If we break this down by sector we can see that employers in the ICT and Digital/Creative sector are most likely to employ a graduate with 36% of employers in these sectors taking on a graduate in the past 12 months. Employers in the Aerospace/Defence, Transport/Logistics and Retail/Leisure sectors are most likely to be dissatisfied with graduates at 6%.

Percentage of employers who have taken on a graduate over the past 12 months - Very satisfied vs not satisfied with performance



If we break this down by size of employer we can see that businesses employing between 100-149 employees are most likely to take on a graduate with 33% taking on a graduate in the past 12 months, followed by 32% of large businesses.

Percentage of employers who have taken on an a graduate over the past 12 months - Very satisfied vs not satisfied with performance



40% of businesses surveyed said they had not taken on an apprentice or graduate in the past 12 months.

When asked why not 23% stated they had no need for an apprentice or graduate. 16% said they didn't have enough work, 15% said that due to the small size of the business they had no capacity to train an apprentice. 14% have recruited apprentices or graduates in the past and been disappointed in the behaviour and attitude of the apprentice/graduate. 8% stated they were not suitable for business and 7% are not recruiting due to the cost.

11% of employers in the Tees Valley who do not currently employ an apprentice or graduate are considering doing so in the future.

Engagement with Schools

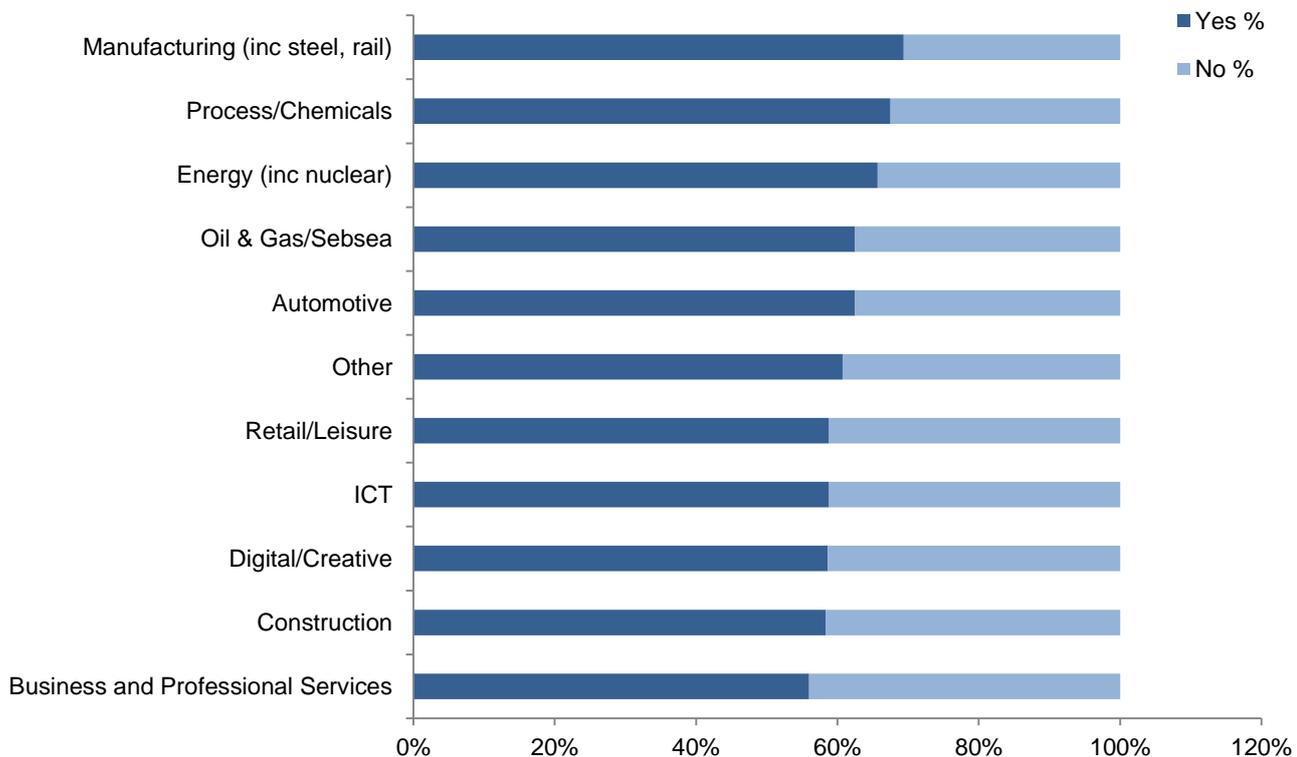
60% of Tees Valley employers have engaged with schools/colleges over the past 12 months.

The 60% who have engaged with schools over the previous year were asked how. 26% have provided work experience placements for young people. 24% have engaged with Teesside University including providing placements and internships. 23% have engaged with Tees Valley schools, including going into schools to give talks. 17% have links with local colleges. 7% have attended skills events in the area and 7% are part of a direct programme such as High Tide or Trust 4 learning.

The 40% who said they had not engaged with schools/colleges were asked why not with 33% claiming it was due to a lack of time or resources and 26% saying they had no requirement to engage with schools/colleges. 13% would be willing to but are unsure how to go about it. 5% have a shortage of work and 5% have had a previous bad experience with taking on a work experience student.

If we break this down by sector we can see that the manufacturing sector have had the most engagement with schools/colleges over the past year with 69% claiming some form of engagement. This is followed by Process/Chemicals at 68% and the Energy sector (including nuclear) at 66%.

Percentage of businesses who have engaged with schools/colleges over the last year



Employers were asked what support their business requires to ensure they have the skilled workforce they need (which is not currently available). 31% of employers who undertook the survey answered the question with 33% of these employers stating they needed no support.

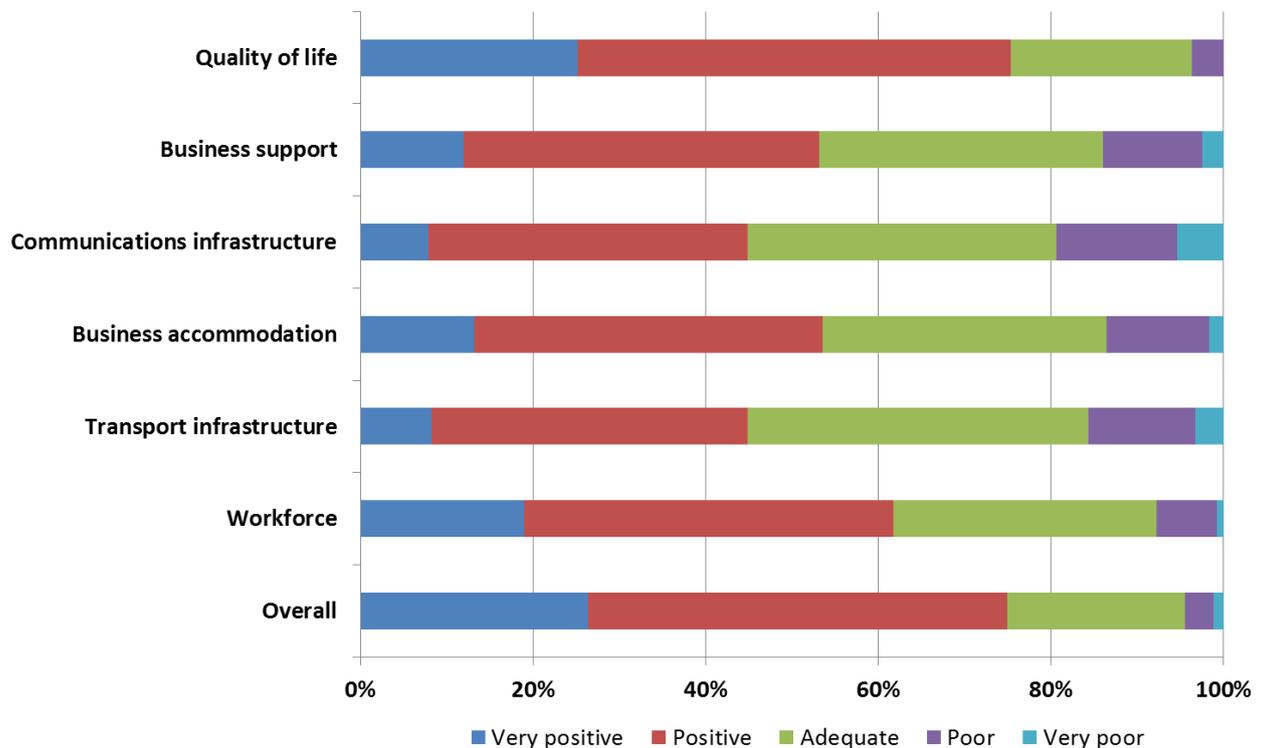
26% said that they needed some form of financial support – either help with paying wages whilst training or advice on finance. 11% believed that the quality of apprentices and graduates needs improving – with more hands on experience needed. 7% said that communications between learning provider and local employers need to improve to ensure education provider are running courses that are needed by local employers.

8. Views of Tees Valley as a place to do business

The final section of the Survey asked businesses about their views of Tees Valley as a place to do business:

- Overall, three quarters of respondents considered the Tees Valley either a positive or a very positive place to do business with an additional one in five firms rating Tees Valley as an adequate business location
- Of the indicator choices available 'Quality of Life' scored highest with 96% (234 out of 243) of firms responding very positive, positive or adequate. Only 9 out of the 243 respondents rated the area 'poor' and no businesses indicated that the Tees Valley has a 'very poor' quality of life
- Tees Valley infrastructure was the lowest rated indicator with both 'Communications infrastructure' and 'Transport infrastructure' scoring less positively than other indicators. Only 45% of respondents rated these indicators as positive or very positive
- Business support and business accommodation were rated similarly by respondents with 53% considering these indicators either positive or very positive in the Tees Valley
- Workforce was rated second most positive indicator behind quality of life. Over 6 in 10 firms rated the Tees Valley workforce positive or very positive with 92% considering the area at least adequate on this indicator

How would you rate Tees Valley as a place to do business?



When asked for any other comments at the end of the survey, a number of views were expressed, including the need for the 5 local authorities to continue to work together and for Tees Valley to further promote itself. In addition, a number of respondents expressed a desire for a vibrant local airport and that further transport and broadband infrastructure improvements were needed.