



ANY people say that we don't make things in the UK anymore. Clearly they would be surprised to learn from Dr Vince Cable MP, Secretary of State for Business, Innovation and Skills (BIS), speaking at the recent UK Manufacturing Summit, that the nation is still the world's sixth biggest manufacturer. Despite the recession, Dr Cable said that the industry had defied other sectors' poor performance by growing 1.4 per cent in the fourth quarter, generating around £140bn a year for the economy.

Dr Cable pointed out that manufacturing, like other businesses, was being held back by a number of barriers that were hampering growth; in particular, access to finance and investment in innovation, closely followed by over-complicated red tape and regulation.

Innovation clearly drives economic growth; it has accounted for 63 per cent of annual labour productivity growth since 2000. The Annual Innovation Report, published last year by BIS, reported that turnover for UK businesses from innovation products increased from less than 8.5 per cent in 2006 to 10.5 per cent in 2008. However, it also said that venture capital investment was in decline.

So with massive cuts in public expenditure imminent, the expectation from government is that the private sector will soak up the spare capacity. Deputy Prime Minister Nick Clegg stated that "we must help growing companies and entrepreneurs thrive, bringing jobs and prosperity to their communities". But what is Dr Cable doing to implement this call to action?

THE business secretary appears to be heeding the words of business guru Peter Drucker – "innovation is the specific instrument of entrepreneurship" – because he has set up an Entrepreneurs' Forum designed to provide him with advice on business and enterprise issues. The group contains an impressive line-up of names, including TV 'Dragon' James Caan, founder of Coffee Republic Sahar Hashemi, and Dawn Gibbins, 'philanthropreneur' and multi-millionaire.

PHOTO: JEFF MITCHELL/GETTY IMAGES EUROPE

the Business Secretary is doing to help business and promote innovation

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At the Entrepreneurs’ Forum’s inception, Dr Cable commented: “People with the courage to start up a business will be crucial to driving the growth of the economy. Start-ups create jobs, stimulate innovation and provide a competitive spur to existing businesses to encourage them to increase their productivity. I am delighted with the quality of the membership of my new forum and look forward to bouncing ideas off them and hearing their views.”

Dr Cable has also announced a new 40,000-strong network of business mentors to help start-ups, growing companies and businesses seeking financial mentoring. “The best people to advise new entrepreneurs and existing businesses are those who have already started and run successful companies,” he said. He also wants to encourage more businesses to sign up and offer their support and guidance. “We need as many successful mentors as possible to guide the next generation of entrepreneurs and businesses.”

Britain’s economy has been heavily reliant on the financial sector in the past and Dr Cable is keen to promote the need to diversify in order to create sustainable growth. At the launch in January this year of a £200m initiative to form technology and innovation centres focused on the area of high value manufacturing (see page 4), Dr Cable said he was strongly committed to rolling out a network of centres dedicated to world-class research in frontier technology.

“It is crucial that we support UK industry to turn the discoveries of our world-leading researchers into world-beating products and services,” he said. “The new technology innovation centres will help to equip UK industry with the ability to capitalise on the future global market opportunities by drawing

on leading-edge research. They form a key part of the government’s work to rebalance the UK economy and create new high-value private sector jobs.”

The Department for Business, Innovation and Skills is also in the process of phasing out the Regional Development Agencies in England, replacing them with Local Enterprise Partnerships (LEP) by the end of March 2012. These are intended to put the local economy in the hands of local councils and business. The business sector has voiced concerns about the transition, although Dr Cable said his department was “working with them” and was “confident” that they had the capacity to handle it. He said there was a “lot of emphasis on regional development, and institutions like the Regional Growth Fund (RGF) are there precisely to provide counterpart funding”.

The RGF is a three-year, £1.4bn initiative that will operate across the country to stimulate private sector-led sustainable economic growth and employment. A minimum bidding threshold of £1m assistance will apply, ensuring the Fund is accessible to SMEs, which should encourage a wide diversity of bids, harnessing innovation from all sectors. “This is about incentivising the growth of private sector-led local economies and mobilising private sector investment,” said Dr Cable. “The Regional Growth Fund demonstrates that England is open for business.”

In the meantime, there will be an extension to 2015 of the Enterprise Finance Guarantee, unlocking up to £2bn of additional lending over the next four years. “We are also increasing the Enterprise Capital Funds by £200m over the next four years, enabling more than £300m of venture capital investment.”

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## Vince Cable continued

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An area of future interest is the revival of the Enterprise Zones championed by Margaret Thatcher, and first launched in 1981 by Michael (now Lord) Heseltine, designed to attract local investment and innovative behaviour. The original initiative was certainly successful in terms of attracting private sector development, bringing about considerable regeneration in a number of more deprived areas. George Osborne recently announced the go-ahead for the creation of the first new zones in over 20 years.

However, a research paper written in 1988, “Have Enterprise Zones encouraged enterprise?” by Jonathan Talbot, concluded that it was larger companies rather than the new and very small that were the main beneficiaries. Talbot suggested that the zones did “not result in more innovative behaviour, but rather inhibit it. Firms outside the zone appear significantly more innovative.”

Although creation of the new Enterprise Zones have been given the green light in the Treasury announcement, whether they will reflect the outcomes of the original scheme, is something we will all watch with keen interest.

Unfortunately, even these measures will not solve all the problems. The “inaccurate observation that we don’t make things in the UK anymore” has a “deeply corrosive effect in discouraging a younger generation,” says Dr Cable. He said he was shocked to hear that nearly half of all 7-11 year-olds would rather aspire to being pop stars than become “boring” engineers. The imagination of youngsters needs to be captured if they are to become the innovators of the future, and the UK is in danger of losing momentum because of a lack of talented, skilled new blood.

One idea Dr Cable is working on is to encourage manufacturers to open their doors and show young people that jobs in their sector can be “challenging, exciting and well paid”. With shows like “X Factor” and “Britain’s Got Talent” constantly on our screens, he has a battle on his hands. ©

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