PIN - Productivity Projects Fund

Small Project Report

# Inclusive innovation: Sustaining productivity and socio-economic inclusion through innnovation centres, hubs and districts

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**About PIN**

The Productivity Insights Network was established in January 2018 and is funded by the Economic and Social Research Council. As a multi-disciplinary network of social science researchers engaged with public, private, and third sector partners, our aim is to change the tone of the productivity debate in theory and practice. It is led by the University of Sheffield, with co-investigators at Cambridge Econometrics, Cardiff University, Durham University, University of Sunderland, SQW, University of Cambridge, University of Glasgow, University of Leeds and University of Stirling. The support of the funder is acknowledged. The views expressed in this report are those of the authors and do not necessarily represent those of the funders.

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## Introduction

The 2008-9 financial crisis has increased income inequalities and unequal distribution of economic growth across regions and people in the UK (McSorley, 2018). According to recent evidence from Innovate UK and NWBLT, such rise in inequalities can be addressed by focusing on innovation as a resource for productivity and inclusive economic development (Hatch Regeneris, 2018).

Regional productivity variations can be explained in part by uneven engagement in entrepreneurial activity. Especially, non-inclusivity in entrepreneurial activity means lost opportunities for innovation and, therefore, productivity improvements. Innovation hubs play a key role in enabling inclusive economic development, by encouraging start-up activity, knowledge transfers and sharing, and offering groups, such as women and ethnic minorities, access to resources and networks for business success.

To address the productivity gap, this report focuses on the link between inclusivity, social cohesion and policies supporting regional entrepreneurship activities through innovation hubs. The project addresses the question: how are public and private sector organizations working together in innovation hubs to build inclusion in urban contexts and broader regions? Based on the analysis of findings from a study conducted across the North West of the UK, the report provides a clearer picture on the impact of inclusion on regional growth and productivity.

## Methodological note

The study involves 24 qualitative, semi-structured interviews conducted with entrepreneurs, senior managers of hubs and policy makers mostly across Liverpool City Region, Lancashire, Cumbria, and Greater Manchester. The interviews were designed to understand:

(a) managers' perspectives on how the hubs enable innovators' creative work, how resources in the center are secured through collaborations with government agencies and the role of local/national regulations in enabling the centers' work and providing direction.
(b) individual experiences of women's, minorities' and other entrepreneurs' access to resources, how requirements for access to resources and the selection practices and processes in place are perceived and patterns of inclusion in the ecosystem.
(c) existing policy perspectives on inclusive innovation across the North West (NW), Policy Managers' role in inclusivity and their views on policy changes that can foster inclusivity.

We analyzed the data focusing on the needs and challenges of entrepreneurs and hub managers, and matched them with policy perspectives to identify the gaps in inclusivity and the resultant loss in opportunities for improved productivity across the region.

**Inclusion and productivity in innovation hubs**

## Lack of promising inclusion of women and BME entrepreneurs

Our findings suggest that women and BME entrepreneurs across the NW generally find the entrepreneurial landscape to be challenging in terms of diversity and inclusion. For example, some hubs[1] are open for applications, but only those that adhere to their interests on policy seem to get access. There is a perceived lack of inclusivity of voices on what is relevant for entrepreneurial groups or individuals. In this context, entrepreneurs interviewed feel that the disadvantaged and the disabled are often left behind because of scarce financial resources or not being connected to influential groups.

Additionally, in times when jobs become scarcer, women seem to be more negatively affected than men are. Women entrepreneurs mentioned feelings of lack of respect (of opinions) from the larger business community and funders. These were much more subtle than other direct gender discrimination practices, yet their existence dampens women's confidence. In more technology-intensive sectors, these perceptions are different. For example, in the IT domain, gender discrimination is framed as less of a problem, overshadowed by the loss of talent to London.

In general, competition with the South is perceived as a hindrance to business development and growth in the NW. In contrast, in live-streaming industry gender stereotyping stops more women from going into this field. Ethnic diversity in some of the NW sub-regions, such as Liverpool and Cumbria, is deemed scarce in the context of business. In these areas, digital and creative media are, according to the interviewees, populated mainly by people from white ethnic backgrounds and men. This might also refer to the general population composition of the area. Thus, in terms of diversity in ethnic backgrounds and mental/physical abilities, the data reveals a perceived lack of a promising inclusion.

## What works in innovation hubs: access to space and immaterial resources

In general, innovation hubs across the NW provide a variety of programmes and services for start-ups and small growing businesses. These range from helping start-ups through connecting entrepreneurs with professional service providers to offering surgery sessions and hot-desking facilities (e.g. in Liverpool) that facilitate networking and connectivity. In building local networks between businesses, and between businesses and university, they also create apprenticeships for students. For example, in an incubator in Liverpool, lab spaces are offered to young companies at flexible terms of access. Equipment is also accessible at reasonable rates, for entrepreneurs to rent, as are accesses to markets, finances, and people. The aim is to work to develop and provide local talent.

Other support activities include 'investment-readiness' programmes for start-up businesses, to help them find routes to investors and financial resources. The focus on client's needs is evidenced by annual surveys aiming at improving the services and programmes. Other supporting activities in the NW include: referring and sign-posting clients to relevant partners for help with developing products; programmes that include training in the core business area, from digital marketing, to developing business confidence and practical skills (e.g. bookkeeping and

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[1] For anonymity purposes, real names of people and organisations are not disclosed.

understanding tax and national insurance); flexible mentoring to tenants through on-site advice teams. Examples of partnerships between hubs and organisations in the region include those with universities, governmental bodies, and companies that provide software apprenticeship programmes (to address skills development).

The data reveals that what attracts entrepreneurs to innovation sites is the intensity of support that is provided to businesses, whether they are a start-up or a scale-up type business, in different stages of maturity.

## Women-focused innovation hubs' holistic approach

While all of the programmes mentioned above are open to anybody starting-up or growing a business, the ones specifically addressing women's needs as entrepreneurs were spearheaded by specific organisations (one in Liverpool and two in Lancashire). These organisations provide services to help with anything between personal development through to confidence building for women at all stages of business and entrepreneurship. They help women with business plans and setting up business and facilitate provision of one-to-one advice from a personal business advisor. Their training programmes are client-led and developed out of bespoke conversations. The hubs provide their own networking events, where women can get impartial advice, help and feedback.

These services and connections are perceived by their users to empower and build confidence in themselves. The organisations have consultancy services for the third sector and gender-based issues. Through consultancy they bring other enterprises and the third sector to help them form a collaborative partnership. Enterprise, health and wellbeing are strong foci in their work, and they refer clients to various kinds of programmes: funding, enterprise allowance, domestic abuse help, creative programmes and mentorship programmes.

Their programmes are holistic in their approach, adding real value to women's lives, beyond their entrepreneurial needs. On-site networking groups for female-led businesses are also central to the offer of these organisations. For example, tenants and clients of the programmes can engage in monthly events to meet with likeminded businesswomen, meet new clients and hear from a range of expert and inspirational speakers. Other effective activities from these organisations are the weekly drop-ins and the monthly skills workshops. There are programmes designed specifically for refugee women.

## Productivity remains an issue when it comes to scaling up

Our research revealed that women-focused organisations are an excellent place for women entrepreneurs to find help to begin their enterprise. Their programmes offer significant help in mentoring and networking at the start-up phase. However, the real problem is in helping these new businesses develop and grow, to help them find the means for productivity. Overall, these organisations are supportive and effective for women entrepreneurs at different stages of their business. All three organisations are spearheaded by women who have excellent leadership and understanding of different women's challenges and needs. These hubs have good mentoring services, and there are ample networking opportunities to learn, develop one's business and find collaborators or clients. Our interviewees felt that these courses and events also immensely help build confidence which is typically lacking in women entrepreneurs. Courses are mostly built around time commitments for women who juggle multiple roles at home

and outside. However, a BME entrepreneur feels that networking events are often quite ruthless against entrepreneurs who are very new to business and marginalize the latter. While mostly happy with the services provided by the hubs, one of the criticisms voiced involved lack of information about or communication and signposting to the right programmes. Especially with respect to mentoring around issues of funding, management of finances, tax and accounts, entrepreneurs voiced a need for programmes or business courses, and where relevant, need for clearer instructions about available funding and the processes of application. Crafts-based entrepreneurs with little business sense would also like to have more advice and training around selling their products.

## Inclusion is marginal in the management of innovation hubs

The number of women in the hubs in leadership positions is marginal. As women-led organizations for women in business doing exemplary work, hub managers seldom feel listened to at the government or council level. They also find it difficult in managing the absence of steady and reliable funding, as well as the lack of affordable space hubs can provide for women to begin setting up their businesses. As a result, the existence of women-focused organizations remains uncertain and depends on short-term funds or grants. Funding also limits their capacity to hire skilled staff and their valuable time is distributed in writing grants. Additionally, being located in the NW hinders their access to networking facilities that proximity to London provides.

## Lack of funding to hubs limits the fulfillment of their potential

Lack of funding has been a common concern for most of the hubs we interviewed. There remains a serious dearth of public funding that can support investment for promising innovative businesses and help them grow. There is a general perception that for funding and networking purposes hubs should look outwards to build connections with businesses and funders in London. Otherwise even with a good talent pool, businesses lose out on people and opportunities.

**Policy Elements for Facilitation of Inclusiveness in Innovation Hubs**

## Different sub-regions require different approaches

The policy managers we interviewed are responsible for a variety of areas as far as developing the business scenario in their respective regions is concerned. In Liverpool, focus is around health and life sciences, and the key activities are to support investments, run business growth programs, skills development, and create jobs in accordance with the local industrial strategy. In Cumbria and Greater Manchester, hubs focus on skills development of the youth and unemployed population (additionally BME, women and under-represented groups in Greater Manchester) and regeneration of growth. In Greater Manchester, focusing on the energy, health and digital media sectors, the aim is also to foster innovation in terms of creating new markets. As an element of the local industrial strategy of the Combined Authority, this is an agreement with the government—**the actions (innovations) are aimed at improving productivity** and making the city/region economically prosperous. The services of Lancashire County Council aim to help businesses develop, grow, and scale up by providing business mentoring services and working with organizations to deliver relevant services.

## Policy Managers' Role in Fostering Inclusivity

In Liverpool, our research shows how policy managers voice concern for access and support to poor communities and their entrepreneurial needs. Unfortunately, the bias towards the very definition of innovation and the importance of technical over social innovation from broader policy perspectives moves funding away from social innovation projects. Although community enterprises provide employment and on-the-job training, the funding picture for these enterprises remain thin in the NW. Greater Manchester seems to be an exception. Harnessing university research partnerships and visionary initiatives, funding has been targeted to populations under-represented in the labor market. Inclusivity requirements of training and skill development for BME and people with disabilities are built into these funding programs.

## Policy making: What changes can increase inclusiveness and productivity?

Some policy managers (notably in Liverpool and Greater Manchester) emphasize the need for recognition of social innovation and inclusion at a national policy making level. They argue that datasets focusing on health and productivity, measured around access to transport, housing etc. show that much of economic benefit comes from developing the social side of entrepreneurial activities. With the ingrained notion of innovation as something strongly technical at the political and funders' level, the benefits of training, employing and harnessing the abilities of a significant part of the under-represented population as social innovation remain untapped. Fostering and funding social innovation can create avenues for inspiring the youth; help develop local talent and retain them in local jobs thereby **reducing unemployment, increasing social cohesion and contributing to increased productivity** in the NW.

Research conducted in partnership with universities has provided evidence to our interviewees that in Greater Manchester and Liverpool, issues of confidence, stress, and mental and physical health for women, BME and under-represented parts of the population categorized through post-codes **limit productivity to a considerable extent**. More attention to these issues would be beneficial towards more successful business set-ups, **increased economic activity, closing the productivity gap**[2] and a more **equal society**. In remote regions in Cumbria several industries have been successful and created spin-off companies. Even in traditional industries such as farming, innovation has been successful. In these regions it is important to promote jobs and opportunities to the local youth, make them aware of what is available, inspire them and provide avenues of skill development locally. The skills training, however, needs to keep up with innovations in the various industries. This will address the unemployment and other related social problems of the region.

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[2] For example, in Liverpool our interviews revealed that ill health reduces regional productivity by about £3.2 billion every year. This represents a 34% of productivity gap.

**Talking Points**

We now highlight what hub managers (Table 1) and entrepreneurs (Table 2) feel needs to be considered from a policy perspective to facilitate a more inclusive and productive ecosystem in the NW.

## Table 1: What do hub managers need?

Policy makers and funders might consider involving hubs in discussions around the entrepreneurial landscape and **communities and their health and welfare**. In reaching out to the communities, **it is extremely important for policy makers to work closely with hubs** who are in direct contact with local entrepreneurs.

Help with **advertising and providing signposting** to companies enabling them to come to the hubs.

Help **fund more gender-focused services.**

Help foster and **strengthen university partnerships** with hubs. This will promote evidence-based policymaking and identification of strengths and weaknesses of an entrepreneurial landscape in the region.

For partners to **collaborate** on a shared agenda (e.g. for provision of skills training) to create concerted objectives and aims.

## Table 2: What do entrepreneurs need?

Receive a **less directive support** and feel involved and listened to by the hub.

Provide **more funding to disadvantaged groups**. Awareness on aware of opportunities and options for choosing to start a new business.

Help **advertise** hub programmes and support newcomers

**Facilitate provision** of more programmes; training and networking in local areas that are easily accessible by women and disadvantaged groups who might often not have a car to drive.

Improve mind-sets around and **provision of maternity pay and childcare**. This would make a different to women entrepreneurs with little support outside that of their partner.

Have more **courses specifically tailored for women, BME and refugees**.

**Conclusion**

Conceptualizations of "inclusive innovations" focus on "the means by which new goods and services are developed for and/or by the billions living on lowest income", generally in developing economies (Foster and Hicks, 2013: 333). This project has extended such conceptualization to analyze the wider socio-political aspects of innovation in developed, post-industrial economies, to understand how systems of innovation contribute to maintaining social inequalities, even in mature democratic economies, and how that can halt regional productivity.

Our research shows that there is a very strong technical bias around the concept of innovation itself. This marginalizes community enterprises and ecosystems that actually provide employment, training and address social issues in the community. Lack of recognition of these types of innovative enterprises moves away funding to other more tangible technical areas and hasten the demise of potentially socially cohesive and productive activities.

This project has explored the role of innovation hubs in relation to the social and regional environment within which they operate. The findings indicate that innovation hubs play a key role in advancing innovations and have clear potential to support social and economic development for different social groups. They provide various resources, and disseminate knowledge, and regulate innovation networks (Stewart and Hyysalo 2008; Bakici et al., 2013).

Research has shown that for women entrepreneurs, these organizations do not provide the same benefits as for their male counterparts (Özkazanç-Pan and Clark Muntean, 2018). Despite growing literature on the relationships between organizations and inequality (Bapuji, 2015; Riaz, 2015), the domain of innovation and entrepreneurship has not been studied in relation to this issue and the role innovation hubs can play to support economic and social inclusion is still under-researched and under-conceptualized.

The research findings of this project address this gap by having explored how innovation centers and hubs may be affecting the emergence of inclusive innovation and economic development within the NW of the UK. In the NW, innovation hubs have been instrumental in helping women, BME and refugees set-up their businesses. They help building confidence, skills, networks and clients and often provide a safe place to begin operating from. Unfortunately, lack of funding towards these small businesses often means that the companies cannot grow. Hubs in the NW try to influence policy, but often fail because of regional disparity in funding schemes, the conflicted notion of innovation itself, subtle gender discrimination faced by women hub managers in discussions around policy and issues of transport and communication that often deprives them of opportunities to lobby in London.

London remains the hotspot of available funding and skilled grant applicants. Our research shows the potential and will of hubs in the NW to be inclusive where entrepreneurs aspire to set-up businesses and grow. With more useful dialogues between hubs and policy makers, partnerships between hubs and universities, relevant and deserving funding could be made the basis of future policy development around innovation in the NW. This can potentially improve significantly the entrepreneurial ecosystem in the NW; it can become more inclusive and productive.

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