

Delivering economic growth through exports

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Executive summary

The Government has outlined a vision for the UK's future commercial engagement on the global stage in the Export Strategy. This included the bold ambition for the UK to raise exports as a percentage of GDP from 30% to 35% in the coming years.

In partnership with Barclays, the Policy Institute at King's College London has investigated how public policy can support improved export performance by UK firms. Our first report looked at how to help UK exporters do more and do better, drawing on the output from a 'policy lab' in which experts drawn from academia, policy, business and Government discussed how the UK could develop a sustainable Export Strategy. In our second report, we narrowed our focus to the crucial role of 'superstar' exporters, firms that sell ten or more products in ten or more overseas markets. We found that export promotion and support works, both in terms of improving the export performance of firms accessing support and in strengthening their overall business performance.

In this report we present results from our research looking at the barriers to export growth faced by UK firms, and how these barriers might be reduced or removed. Our approach aligns with the Government's agenda, outlined in the Export Strategy, to develop a deeper understanding of the way in which export support impacts UK firms. Our overall aim is to strengthen trade policy development in the UK.

Our research can be distilled into six major findings:

1. The Government's overall approach to supporting exporters is well-founded.

We identified a number of barriers to export including weaknesses in export knowledge, limited access to contacts, customers and networks, and a lack of confidence that products or services were suitable for sale in international markets. Government recognises these issues in the Export Strategy and has committed to developing a deeper understanding of opportunities for and barriers to international trade.

Recommendation: Government is right to highlight the need to develop a clearer picture of the UK export landscape, particularly opportunities for and barriers to international trade. As a basis for developing the Export Strategy further, this work should be prioritised.

2. Finding the right way to communicate with UK firms about exporting remains a challenge.

Government has worked hard to promote exports through the 'Exporting is GREAT' campaign and other mechanisms. We found that national export aspirations, such as the ambition for the UK to raise exports as a percentage of GDP from 30% to 35%, are often disconnected from the day-to-day realities of running a business. Government efforts to reach out to non-exporting firms must be carefully calibrated and targeted. A one-size-fits-all message is unlikely to work.

Throughout this report, we present examples of and opportunities for a more tailored approach in the way Government communicates with UK firms about exporting. We discuss, for instance the strength of tailored sector- and region-specific approaches with examples drawn from across the UK's regions, including the devolved administrations. We also draw on different sectors, including high-end fashion and manufacturing. We emphasise firms' preference for face-to-face contact with export advisory and promotion services compared with self-service digital offerings, particularly for companies lacking the digital skills to engage fully with the 'Exporting is GREAT' website. These are some of the many opportunities for a more closely tailored message about the benefits of exporting and routes into appropriate export support.

Recommendation: Government should make greater efforts to tailor its communications with UK firms about exporting, avoiding a one-size-fits-all approach to messaging.

3. The export support landscape is too complicated.

The complexity of the export support landscape is a barrier for UK firms seeking to enter or grow their presence in international markets. We found that fragmentation and complexity are reflected right across the export support landscape, from the sources and delivery of funding through to national export policy right down to the organisations delivering export support services at a local level. This inhibits firms from accessing the support they need.

Recommendation: Government should seek to simplify the export support landscape as an urgent priority, reducing its complexity for the benefit of UK firms. Effective implementation of a 'no wrong door' policy at all levels will help UK firms to access the support they need.

4. Supply chains confer both export opportunities and challenges on UK firms.

The UK hosts many firms servicing domestic and international supply chains. However, the contribution to export activities made by non-exporting firms in the supply chain of exporting firms is not captured in export data. Involvement in a supply chain is also not unambiguously positive for supply chain SMEs: it can influence firms' attitudes and behaviours, disincentivising innovation and new ways of working, including initiating or expanding export activities. Understanding this nuanced picture will necessarily influence exporting policy in relation to supply chain development.

Recommendation: Government is right to highlight the need for policy makers to develop a deeper understanding of UK supply chains. This can help UK firms understand how involvement in a supply chain can create both opportunities and challenges for exporting, increasing their overall economic resilience.

5. Digital literacy affects the UK's export performance.

The Export Strategy commits to 'digital by design' export support. We found that the digital literacy of the UK export community cannot be assumed, an issue which connects with broader concerns about digital literacy throughout the UK as a whole. Government must ensure all firms can access export support services and that, while a 'digital by design' approach may appear attractive, there are benefits of other modes of engagement which should not be overlooked.

Recommendation: Digital literacy cannot be taken for granted across the UK business community. Government should consider more carefully the balance between digital and non-digital (particularly face-to-face) export support services to ensure all UK firms can access the support they need, irrespective of digital skills.

6. The most successful export support is delivered face-to-face.

Digital services are often self-service in nature: firms engage with support by contacting a generic email address or phone number, having identified an appropriate service using the 'Exporting is GREAT' or other support provider's website. We found that the most effective support is based on face-to-face relationships between advisors and firms. The Department's own International Trade Advisors were held in particularly high regard. The Export Strategy commits to ensuring that access to face-to-face services will be increasingly provided through digital channels. This may not align with firms' preferences and connects with digital literacy concerns more broadly.

Recommendation: Face-to-face export support is highly valued by UK business. Government should avoid over-dependence on digital, ensuring digital and non-digital export support services are properly resourced and mutually reinforcing to maximise benefits for UK firms.

Introduction

The Government has recently outlined a vision for the UK's future commercial engagement on the global stage. Recognising that the UK "is punching above our weight but below our potential," the Export Strategy offers a bold ambition for the UK to raise exports as a percentage of GDP from 30% to 35% in the coming years.¹

In partnership with Barclays, the Policy Institute at King's College London has engaged in a programme of research aimed at understanding how the UK can enhance its export performance through our 'Creating a culture of exporting' project.² Partly in response to the Export Strategy, and building on our earlier work in this project, this report investigates the barriers to export growth faced by UK firms. We focus on the differences between economic sectors and regions throughout the UK, including the devolved administrations. Our approach aligns with the Government's agenda, outlined in the Export Strategy, to develop a deeper understanding of the way in which export support impacts UK firms. Our overall aim is to strengthen trade policy development in the UK.

Earlier in this project we conducted a study to understand the complexion of the UK's export community, feeding this in to a 'policy lab' in which experts drawn from academia, policy, business and Government discussed how the UK could develop

a sustainable Export Strategy. These activities fed into our first report, 'Towards a culture of exporting: How to help UK exporters do more and do better.'³ In our second report, 'Developing “superstar” exporters in the UK: A review of the evidence' we narrowed our focus to the crucial role of 'superstar' exporters, firms that sell ten or more products in ten or more overseas markets.⁴ We found that export promotion and support works, both in terms of improving the export performance of firms accessing support and in strengthening their overall business performance.

In this report we consider the barriers to export growth faced by UK firms and the way in which policy can be used to increase the effectiveness of the UK's export support landscape. Our findings are based around desk-based research and a number of semi-structured interviews conducted with export support practitioners and recipients. We caution here that the number of interviews we were able to conduct was relatively small and, therefore, our findings are best treated as a basis for future research – they are indicative rather than conclusive. Throughout this report, we have sought to connect issues raised in interviews with established research from other sources including, in many cases, Government itself. We note here that most of our interviews concerned the export of goods rather than services, a situation which is reflected in our research findings.

¹Department for International Trade, “Export Strategy: supporting and connecting businesses to grow on the world stage,” HM Government (2018): 8

2 Available online: <https://www.kcl.ac.uk/sspp/policy-institute/research-analysis/creating-a-culture-of-exporting.aspx>

3 Hesketh, "Towards a culture of exporting: How to help UK exporters do more and do better," The Policy Institute at King's (2018)

4 Hesketh, Downes, Kleinman and Wilkinson, “Developing ‘superstar’ exporters in the UK: A review of the evidence,” The Policy Institute at King’s (2018)



Barriers to export growth

1. The benefits of exporting

A central plank of the UK's export strategy is to help firms better understand the benefits of exporting. Government aims to "encourage and inspire businesses that can export but have not started or are just beginning" through the targeted use of motivational messages and development of a network of UK Export Champions drawn from the business world.⁵ This builds on a longstanding approach to export support wherein informational asymmetries make it difficult for firms to accurately gauge the profitability (and other benefits) of export activity.⁶ Firms consequently under-value the benefits or overestimate the risks of exporting, leading to lower levels of overall engagement with international markets.

In 2015, Government introduced the multi-channel 'Exporting is GREAT' campaign, described as "an important component of the government's strategy and ambition to help UK businesses start exporting and win contracts across the world".⁷ The campaign aims explicitly to "make businesses aware of the opportunities available for them overseas and get them to take action" by visiting the programme's official website 'great.gov.uk', Government's central hub for international trade.⁸ The original scope of the website has been expanded, moving from a narrow focus on export opportunities to an augmented service including information on online exporting, access to finance and wider international business promotion advice. These services focus on firms with export potential who do not currently export.⁹ The campaign aims to encourage existing exporters to increase the value of their exports as a "secondary aim."¹⁰

Finding: the 'Exporting is GREAT' website is central to the UK's Export Strategy

Our research indicates that gaps in firms' understanding of the benefits of exporting are a critical issue, particularly for smaller firms, although there is a great deal of variation between sectors and regions that makes generalisation challenging. Interviewees agreed that Government has tried hard to send a strong message concerning the benefits of

exporting for individual businesses and the economy more broadly. This is evident in the recent Export and Industrial Strategies, and in the 'Exporting is GREAT' campaign. However, aspirations for national export growth are difficult to translate within specific sectors and regions; such messages are often disconnected from the day-to-day realities of business or are inaccessible for exporting firms.¹¹ In short, the "message from Government isn't couched in terms companies can understand," creating a situation akin to Government and the private sector speaking different languages.¹²

Finding: Government export aspirations don't always speak to UK firms

According to our interviewees, for the large numbers of non-exporting firms that are uninterested in or unwilling to engage in international trade, messages from Government can actually work to reinforce existing perceptions rather than to encourage a reassessment of views followed by a deliberate and positive move toward exporting.¹³

This finding aligns closely with recent research on the effectiveness of information provision that highlights the benefits of exporting. This found that the effectiveness of messages was closely tied to the export status of the firms considered and the underlying perceptions of business executives. Breinlich and his colleagues, for instance, found that decision makers from non-exporting firms typically held negative beliefs about the costs and benefits of exporting, whereas firms actively engaged in exporting held positive views.¹⁴ In a clear example of confirmation bias, the provision of information on the benefits of exporting entrenched pre-existing views.

Taken together, this feeds into the challenge identified by the Department for International Trade (DIT) in reaching out to firms that have never exported or see their product as unsuitable for export. Under 'Exporting is GREAT', for instance, "the campaign is reaching and informing [firms that have never exported or see their product as unsuitable for export] though it had the weakest impact" on this group compared with other UK firms.¹⁵ This highlights that firm-level perceptions play an important role

5 Department for International Trade, "Export Strategy," 10

6 Department for Business, Innovation and Skills, "Trade promotion," Trade and Investment Analytical Papers Topic 8 of 18, HM Government (2011): 4

7 Department for International Trade, "DIT national survey of registered businesses' exporting behaviours, attitudes and needs 2017: £500k+ small and medium businesses report," HM Government (2018): 10

8 Ibid.

9 Ibid., 11

10 Ibid.

11 This finding builds on previous work conducted by The Policy Institute at King's: White and Wilkinson, "Creating, not picking, winners: How to develop an industrial strategy which works for everyone," The Policy Institute at King's (2017). Available online: <https://www.kcl.ac.uk/sspp/policy-institute/publications/Creating-not-picking-winners.pdf>

12 Interview with local official based in the North West, 25 September 2018

13 Interview with local official based in the West Midlands, 24 September 2018

14 Breinlich, Donaldson, Nolen and Wright, "Information, perceptions and exporting: Evidence from a randomized control trial," Economics Discussion Papers, University of Essex (2017)

15 Department for International Trade, "DIT national survey of registered businesses' exporting behaviours, attitudes and needs 2017," 28

in decisions related to exports and that, as a result, Government efforts to reach out to non-exporting firms must be carefully calibrated. A one-size-fits-all message is unlikely to work.

2. Barriers to export reported by UK firms

Interviewees cited common issues affecting firms across multiple sectors and regions in relation to export engagement; some felt that “every small firm” faced a particular set of issues as a result of their diminutive size, particularly in relation to knowledge and costs.¹⁶ This supports recent findings in the ‘DIT national survey of registered businesses’ exporting behaviours, attitudes and needs’ report which found that larger businesses were, on average, more confident in their capacity and capability to export¹⁷ and earlier research conducted by UK Trade and Investment (UKTI).¹⁸

Interviewees identified a range of generic barriers including: fear of the unknown; uncertainty over routes into export markets; how export markets operate including local laws and regulation; the cost and expense associated with international trade such as travel, employment of salespeople and market expertise; access to finance and cashflow issues; cultural challenges, particularly differences in language and communication style; and differences in payment mechanisms and protection. While our sample size is small, which inhibits our ability to draw strong conclusions, these findings chime with recent research which has identified cost concerns, lack of knowledge and access to contacts, customers and networks as central issues self-reported by business.¹⁹ Lack of confidence that products or services were suitable for sale in international markets was also raised,²⁰ another finding that aligns with DIT’s own research.²¹

Interviewees also emphasised the psychological challenge small business owner-managers face in moving into international trade. The changes needed to transition from a successful domestically-oriented ‘lifestyle’ company to a firm engaged in overseas markets are often perceived as highly risky. The motivation of the owner-manager was identified as the single biggest factor affecting small firms’ propensity to export, connecting with the above points concerning

willingness to export.²² Discussions with firms actively engaged in export growth support this conclusion: while the recognition that exportable products are not limited to the UK market and exports can enable firms to diversify their risk profiles is important, the entrepreneurial drive to operate a “world-class” business on the global stage is central to the decision to move into or grow exports.²³ As one interviewee put it, many businesses ultimately find it “more rewarding to be dealing with Dubai than Dudley.”²⁴

Finding: our research reinforces previously reported business concerns over exporting

A persistent issue raised by interviewees was lack of confidence.²⁵ This aligns with the Export Strategy which recognises that “attitudinal barriers affect[] some businesses that may not believe they are suited to overseas sales, or lack the confidence to pursue them.”²⁶ We found this to be particularly acute across the manufacturing sector and in regions heavily dependent upon manufacturing industries. For some smaller manufacturing firms, there remains a strong sense that they “can’t or shouldn’t bother trying to compete” given perceived challenges emanating from competitors based overseas which enjoy a competitive advantage.²⁷

Further, Government’s role as a key partner in export growth is at times perceived to be at odds with the UK’s broader pivot away from manufacturing, a situation which has produced a “lack of trust [and a need to] rebuild credibility” with the sector, particularly smaller firms.²⁸ These issues perhaps reflect longstanding and widespread concerns about the ‘death’ of British manufacturing.²⁹ Nonetheless, the manufacturing industry enjoys a high export propensity and, as such, overcoming attitudinal barriers therein, perceived or otherwise, is essential for future export growth.³⁰

Finding: Attitudinal barriers to export may be more widespread in manufacturing than other sectors

16 Interview with trade association official based in London and the South East, 4 October 2018

17 Department for International Trade, “DIT national survey of registered businesses’ exporting behaviours, attitudes and needs 2017,” 6

18 Department for Business, Innovation and Skills, “Trade promotion,” 8

19 Department for International Trade, “DIT national survey of registered businesses’ exporting behaviours, attitudes and needs 2017,” 53

20 Interview with private International Trade Advisor based in the West Midlands, 26 September 2018; Interview with private company director based in the West Midlands, 8 October 2018

21 Department for International Trade, “DIT national survey of registered businesses’ exporting behaviours, attitudes and needs 2017,” 57

22 Interview with government official based in Northern Ireland, 4 October 2018

23 Interview with private company director based in the West Midlands, 8 October 2018

24 Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

25 Interview with private International Trade Advisor based in the West Midlands, 26 September 2018; Interview with private company director based in the West Midlands, 8 October 2018

26 Department for International Trade, “Export Strategy,” 8

27 Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

28 Ibid.

29 See, for instance: Clark, “The death of British manufacturing?” BBC (2002); PWC, “The future of UK manufacturing: Reports of its death are greatly exaggerated,” PricewaterhouseCoopers (2009)

30 Department for Business, Energy and Industrial Strategy, “Longitudinal small business survey year 2 (2016): SME employers cross-sectional report,” HM Government (2017): 7

3. Skills and qualifications

Access to a skilled workforce makes an important contribution to firms' ability to engage confidently in export markets and supports business growth more broadly. The Institute of Employment Studies has clearly articulated that there exists "strong evidence that a more highly skilled workforce is associated with greater productivity and also strong evidence that the provision of training and development is associated with a range of business benefits."³¹ A trained workforce also confers benefits nationally: the UK Commission for Employment and Skills has found that "the stock of skills, however measured... has a strong link with national economic performance, wealth and prosperity."³² The UK lags behind many of its international competitors in terms of the skills possessed by the workforce overall.³³ Furthermore, skills and qualifications are not evenly distributed throughout the country, a situation which can create challenges for firms that are experienced differently in different sectors and regions.³⁴

Thematically, homing in on skills as a key enabler of export growth aligns with DIT's own findings in national business surveys wherein 'staff skills' were strongly associated with firms possessing sufficient capacity and capability to focus on exporting.³⁵ Further, Government has committed to "developing [the UK's] skills base to support innovation and participation in global supply chains" in its Industrial Strategy.³⁶

Interviewees did not consistently identify skills as a major challenge for firms in export growth; rather, this issue was identified in specific geographic locations. As a result, limitations in the coverage of interview data hamper our ability to draw strong conclusions about the situation across the UK as a whole. However, our interviews do suggest that regional differences in firms' access to skilled labour in relation to export growth would benefit from further in-depth research in future, particularly given that the UK Commission for Employment and Skills has noted that "the pattern of skills attainment by [local area] has remained reasonably stable over time" and, therefore, this is a persistent and longstanding issue.³⁷

31 Tamkin, "Measuring the contribution of skills to business performance: A summary for employers," Institute for Employment Studies (2005): 11

32 Garrett, Campbell and Mascon, "The value of skills: An evidence review," Evidence Report 22, UK Commission for Employment and Skills (2010): 22

33 UKCES, "The labour market story: The state of UK skills," Briefing Paper, UK Commission for Employment and Skills (2014): 1-3

34 UKCES, "The labour market story," 7

35 Department for International Trade, "DIT national survey of registered businesses' exporting behaviours, attitudes and needs 2017," 58

36 Department for International Trade, "Export Strategy," 28

37 UKCES, "The labour market story," 7

Finding: longstanding skills issues are felt unevenly across the UK

As an example, firms in the Black Country can face significant difficulties in gaining employees with the skills necessary to support, *inter alia*, export growth. The West Midlands region possesses the second highest location quotient for manufacturing in the UK, and by far the highest for automotive manufacturing.³⁸ This creates a particular demand for technically skilled staff in the region. Recent analysis suggests that firms across the West Midlands face greater difficulties in filling skilled worker vacancies than the average UK employer. This is compounded by the West Midlands' dependence on skilled trades, which make up a high proportion of the regional economy as a result of the relative importance of manufacturing industries.³⁹ The Black Country faces particular challenges in this regard compared with other areas in the West Midlands against some metrics, for instance, the shortage of employees possessing a first or other degree, a Higher National Diploma or Higher National Certificate.⁴⁰ This is underscored by recent assessments of the internal movement of students and graduates throughout the UK which show regions like the West Midlands falling foul of the UK's internal "brain drain".⁴¹

38 ONS, "The spatial distribution of industries in Great Britain: 2015," Office for National Statistics (2017)

39 CPC, "A report on skills shortages in the West Midlands Combined Authority," Centre for Progressive Capitalism (2017): 4

40 Bryson, Green, Collinson and Sevinc, "England's qualifications gap and its solutions: Evidence from the West Midlands," London School of Economics British Politics and Policy blog (2018). Available online: <http://blogs.lse.ac.uk/politicsandpolicy/the-west-midlands-qualification-gap/>

41 Swinney and Williams, "The great British brain drain: Where graduates move and why," Centre for Cities (2016): 21



Anecdotally, while many smaller firms in the Black Country possess the technical skills required to operate effectively in the manufacturing sector, the ‘softer’ office-based skills needed to engage with export support programmes may be harder to come by.⁴² Engaging with export support “suits people who like to fill in forms,” that is, those firms possessing the resources, patience and time to follow the procedures required: completion of detailed application forms, locating and synthesising complex guideline documents, and the computer literacy necessary to use services increasingly provided through digital portals.⁴³ There may also be deeper cultural issues at play: for some firms, office-based work is a secondary issue (“for jobsworths”) while the principal commercial focus (the “real work”) takes place on the factory floor.⁴⁴ In this environment, trying to encourage firms to engage with complex digitally-driven export support products can be “like hitting a brick wall.”⁴⁵

Finding: local labour markets can influence firms’ ability to grow their exports

One potential implication of the national variance in skills distribution is the need to question strong assumptions about digital literacy in the UK business community in relation to export growth. The Export Strategy aims to be ‘digital by design’ in that Government will “build digital services that make it as easy as possible for businesses to find, access and successfully navigate all export advice, support and information provided by government.”⁴⁶ While based on a small interview sample, our research suggests that there may be a number of firms lacking the requisite skills needed to engage effectively with digital services. This includes the central focus of Government export promotion efforts, the ‘Exporting is GREAT’ digital portal. In consequence, an increasing emphasis on the provision of digital services may not be the best way to influence and support the business community.

Finding: ‘digital by design’ export promotion may not be appropriate for the UK business community as a whole

The relative importance of skills was contested by interviewees. One trade advisor with long experience across the UK emphasised that ‘soft’ skills are a necessary requirement for trading domestically and internationally, and that many firms “cut their teeth” on domestic markets before branching out overseas – ultimately, “selling is selling, wherever you’re doing

it.”⁴⁷ This was reinforced by a second interviewee who felt that firms with a suitable product should “sell it in the UK first, take it as an opportunity to learn about yourself” before moving into international markets.⁴⁸

Finding: domestic experience can help firms develop the skills needed for exporting

Other respondents provided a somewhat different perspective, linking the issue of skills to the pressures smaller businesses face in a competitive business environment. Given that smaller firms in particular take a “minute to minute” focus on their bottom line, employees often master a wide range of skills in different areas, ranging from technical skills used on the factory floor to proficiency in ‘softer’ office-based environments. This broad skill base isn’t based on any particular qualification – it’s centred instead on experience gained by doing. (Most interviewees offered a similar perspective.⁴⁹) Given this, aspects of export support engagement that do not offer a clear return on resource invested comparable with other activities that drive income are likely to be perceived as a relative waste of time.⁵⁰ This is indicative of a wider “culture clash” at the interface between export support providers and recipients, linked to the different languages spoken by Government and business.

Finding: Government and business often speak different languages

47 Interview with private International Trade Advisor based in London and the South East, 25 September 2018

48 Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

49 Ibid.

50 Interview with local official based in the North West, 25 September 2018



42 Interview with local official based in the West Midlands, 24 September 2018

43 Ibid.

44 Ibid.

45 Ibid.

46 Department for International Trade, “Export Strategy,” 12

4. Firm-level, sectoral and regional differences in barrier to export

As the discussion of the manufacturing sector and the uneven distribution of skills across the UK shows, there are significant differences between sectoral and regional needs in terms of overcoming perceived barriers to export. While a lack of knowledge about exports was felt to affect all firms to some extent, cutting across disparate regions and sectors, “all industries are different [and] idiosyncrasies really matter” in Government messaging.⁵¹ Coupled with emerging academic research on firm-level responses to export promotion, this suggests that efforts to grow exports should be tailored to account for differences between regions, sectors and firms and, further, that one-size-fits-all promotion policies are inappropriate.

Finding: Tailored approaches to messaging are likely to produce more favourable outcomes than ‘one-size-fits-all’ approaches

We note here that our discussions with interviewees focused quite narrowly on firms in the manufacturing sector. These companies generally export goods if they export at all. To some extent, this marries with the disproportionate role played by goods compared with services in UK exports reported in other research.⁵² It is also present in aggregate trade data. In 2016, while accounting for almost 80% of the UK’s economy by GDP, services represented only 45% of the value of exports: total UK goods exports were £302 billion versus £245 billion in services.⁵³ As the Export Strategy has noted, barriers to the global trade in goods have fallen more rapidly than barriers to trade in services.⁵⁴ As such, there is certainly a case for Government targeting export growth in services, possibly through tailored service export support. Furthermore, one interviewee emphasised that goods exports are a potentially useful route to service export growth through increased servitisation.⁵⁵ This may be an under-utilised growth mechanism for service exports that could leverage the substantial goods-based exporting experience that exists in the manufacturing sector, for instance.

Finding: Our report mirrors previous research in finding a bias towards goods compared with service exports, noting there may be relatively easy opportunities for service export growth

51 Interview with trade association official based in London and the South East, 4 October 2018

52 For instance, see: Chung, “Destination export: The small business export support landscape,” The Federation of Small Businesses (2016): 33

53 Ward, “UK trade: a deficit in goods but a surplus in services,” House of Commons Library blog (2017). Available online: <https://commonslibrary.parliament.uk/economy-business/economy-uk-trade-a-deficit-in-goods-but-a-surplus-in-services/>

54 Department for International Trade, “Export Strategy,” 18

55 Interview with local official based in the West Midlands, 24 September 2018

The role of the supply chain

The interconnected nature of global trade has reshaped the UK’s economy in recent decades. It is “increasingly the case that countries’ exports embody imports from abroad, whether in the form of imported raw materials, components or business services.”⁵⁶ Across a range of sectors, the UK plays host to firms servicing domestic and international supply chains. Components produced by British companies make their way into products fabricated in the UK and abroad. Often these components are, themselves, dependent upon input goods and services sourced overseas. In consequence, the complexity of cross-border trade in products and services within supply chains has grown dramatically.

There are many micro- and macro-benefits associated with involvement in a supply chain. Boosting the UK’s domestic manufacturing supply chain, for instance, could create “sustainable semi-skilled and skilled manufacturing jobs in the UK and reduce the industry’s reliance on international supply chains, helping balance out the UK trade deficit by reducing imports...As manufacturing jobs also tend to have higher productivity, reflected in incomes with average annual earnings in the manufacturing sector of £31,489 in 2015, almost £4,000 more than the UK average and £4,500 more than for services, investment in a major manufacturing supply chain could help boost the UK’s stagnant productivity levels.”⁵⁷ For firms, Government has noted that the benefits of strengthening domestic supply chains include increasing business resilience, avoiding the “hidden costs” of outsourcing through access to quality products and services, delivering product innovation by leveraging the UK’s research base, becoming more agile and responsive to changing customer demand and reducing lead times and logistic costs.⁵⁸

The important role played by supply chains is recognised in the Industrial Strategy which identifies policy interventions to address the “underdeveloped domestic supply chains” present in certain regions of the UK economy in particular.⁵⁹ The Export Strategy builds on these earlier intentions, setting out an ambition to “build the capability and capacity of supply chains in the UK to export by piloting new ways of working with large companies, to share

56 Levell, “Firms’ supply chains: What does this mean for future trade policy?” The UK in a Changing Europe blog (2018). Available online: <http://ukandeu.ac.uk/firms-supply-chains-form-an-important-part-of-uk-eu-trade-what-does-this-mean-for-future-trade-policy/>

57 Protts, “Supporting industry post-Brexit: Supply chains and the automotive industry,” Briefing Note, Civitas (2017): 3

58 Department for Business, Innovation and Skills, “Strengthening UK manufacturing supply chains: An action plan for government and industry,” HM Government (2015): 14

59 Department for Business, Energy and Industrial Strategy, “Industrial Strategy: Building a Britain fit for the future,” HM Government (2017): 171

best practice on how to grow the export footprint of others, including their supply chains.”⁶⁰ This will be achieved by harnessing “new resources, technology and knowledge [to increase] the productivity and competitiveness of UK firms and [] integrate the UK supply chain into large international projects, creating new export opportunities and high-quality jobs in the UK.”⁶¹

While interviewees expressed wide-ranging views on the relationship between supply chains and exports, a common thread was the difficulty associated with capturing the contribution made by supply chain firms to export activities. This has knock-on effects for understanding sectoral and regional supply chain contributions, and is an issue felt particularly keenly in the devolved administrations.⁶² In the Black Country, for instance, some firms are “adamant that they are exporters” despite the fact their activities are excluded from export statistics.⁶³ In Scotland, a similar situation obtains: it is difficult for Scottish firms to gain credit for their contributions to products that are ultimately exported. Interviewees were clear that methodological limitations underpinned this difficulty, particularly for service exports, and recognised that the Office for National Statistics (ONS) apportionment methodology represents a well-intended but developing tool with clear limitations. The ONS itself accepts that efforts to understand the relationship between supply chains within the UK itself are hampered by data availability issues.⁶⁴

Finding: UK firms’ contribution to exports through supply chains are hard to capture

This is partly driven by supply chain complexity, an issue that has been clearly articulated by the Federation of Small Businesses (FSB) in its recent ‘Destination Export’ report: 16% of surveyed firms identified as belonging to a supply chain for which the end product is exported (closely reflecting Government’s estimate that 15% of small UK firms belong to such a supply chain).⁶⁵ Of these firms, 38% are small businesses that actively export; the remaining 62% do not. Overall, 20% of supply chain firms would not consider exporting themselves despite adding value to a good that is exported. In the FSB’s view, this reflects the “increasingly interconnected nature of small businesses on the global stage, regardless of

whether they export.”⁶⁶ This reinforces the need for a deeper “understanding of sectoral and supply chain strengths in the UK,” to which DIT has committed in the Export Strategy.⁶⁷

Finding: DIT is right to seek a more detailed understanding of UK supply chains

Despite the benefits sketched out above, involvement in a supply chain is not unambiguously positive. Our interviewees were keen to emphasise the constraints imposed on firms as a result of their contribution, particularly constraints of an attitudinal nature. Those delivering export support felt firms often “have blinkers on, they’re not looking for opportunities to diversify” in both products and markets as a result of involvement in a supply chain.⁶⁸ In part, this can be the result of supply chain weaknesses: firms may work under contract to a single company which provides a high proportion of total business for the firm in question. From a practical perspective, contracts of this kind can appear to provide stability, particularly for smaller firms. In reality, however, the need to service such contracts can inadvertently “suck all the energy out of the supply chain” by capturing the majority of activities at firm-level; this can stymie innovative thinking about new products and markets.⁶⁹ In terms of attitude, “the grass is already green and lush” for many firms operating at capacity under a single contract and, as a result, there is often little appetite for the investment of time and resources in modifying a seemingly functional and lucrative business model.⁷⁰

This can leave firms unwilling to engage in new activities, such as exporting or export growth, at least during the supply chain contract period. In turn, this produces a lack of consistency amongst firms in terms of export engagement: many firms will only consider exporting during quieter periods, dropping their interest in favour of servicing supply chain contracts when they reappear. Recent FSB research may underscore this point: 22% of supply chain firms were found to be lapsed exporters.⁷¹ However, further research is required to determine the precise nature of the relationship between lapsed exporters and supply chain involvement.

The risks of overdependence on a small number of contracts are clear: by putting all their eggs in one basket, firms leave themselves vulnerable to economic headwinds that may emanate far beyond the UK.

60 Department for International Trade, “Export Strategy,” 44

61 Ibid., 49

62 Interview with government official based in Northern Ireland, 4 October 2018; Interview with three government officials based in Scotland, 2 October 2018

63 Interview with local official based in the West Midlands, 24 September 2018

64 ONS, “Patterns of Northern Ireland trade by destination, product and business characteristics: 2012 to 2016,” Office for National Statistics (2018)

65 Chung, “Destination export: The small business export support landscape,” The Federation of Small Businesses (2016): 14

66 Ibid.

67 Department for International Trade, “Export Strategy,” 59

68 Interview with government official based in the West Midlands, 2 October 2018

69 Interview with government official based in Northern Ireland, 4 October 2018

70 Interview with government official based in the West Midlands, 2 October 2018

71 Chung, “Destination export,” 14

In the view of one interviewee, this was writ large during the financial crisis.⁷² However, many firms do not appear to have learnt this essential lesson and, in general, supply chain decisions often appear “out of the hands of individual firms” which lack the capacity to address such complex issues.⁷³ Top-down moves to develop more responsible and resilient supply chains, such as those outlined in Ernst & Young’s recent report ‘The state of sustainable supply chains’ can go some distance to addressing these concerns.⁷⁴

Finding: involvement in supply chains can inhibit as well as enable export activity, particularly when firms rely on a small number of supply chain contracts

Beyond attitudinal factors, a range of issues seemingly unrelated to supply chains have the capacity to affect firms’ ability to enhance export activities. Our interviewees provided two such examples. First, the small and poorly equipped premises at older (‘legacy’) industrial estates can limit both the growth potential of budding firms and the attractiveness of such sites for larger companies.⁷⁵ In the Black Country, for example, this tends to bias the business population towards smaller Tier 3 and 4 firms at the expense of larger Tier 1 and 2 companies: the latter often require both larger and more modern facilities than those available. Second, the broader economic landscape can influence the complexion of supply chains. The structure of Northern Ireland’s economy, for instance, has produced a similar outcome in the aerospace supply chain, wherein there is a conspicuous absence of Tier 1 firms.⁷⁶

In both cases, smaller Tier 3 and 4 firms often service a broad customer base, producing manufactured products with low complexity and, consequently, low value, small fixtures and fastenings that move into the automotive and aerospace sectors, for instance. Such firms can often end up ‘locked-in’ to supply chains: the need to service supply chain contracts leaves little flexibility to pursue new opportunities, particularly in export markets. A product mix dominated by low-complexity outputs can produce limited profits while simultaneously weakening ties with larger firms which could procure widely produced low-complexity products from a variety of domestic and international sources. Overall, these issues are related to the wider business environment, underscoring DIT’s focus on region- and sector-specific knowledge as a means of

understanding how best to overcome supply chain fragility.

Finding: firms’ roles in supply chains can be determined by non-supply chain factors

Our interviewees agreed that involvement in supply chains therefore confers a combination of opportunities and challenges upon UK firms.

As one significant positive related to export growth, involvement in an international supply chain is a strong indicator that firms already produce products of high quality that are either themselves appropriate for export or embody the skills necessary to produce exportable products.⁷⁷ For such firms, encouraging export entry or growth connects with issues identified earlier in this report related to firm-level knowledge of and confidence in the export potential of certain products. For smaller supply chain firms, this is coupled with relationships with larger export-focused firms embodied in the supply chain itself. As a result, the supply chain can be a useful vector for the delivery of general business and export specific support, although this rests on the willingness of larger firms to invest in supply chain resilience and encourage smaller firms to diversify through export activity.

Finding: the supply chain is a route for delivering export support to small and medium-sized firms

72 Interview with government official based in the West Midlands, 2 October 2018

73 Interview with local official based in the West Midlands, 24 September 2018

74 EY, “The state of sustainable supply chains: Building responsible and resilient supply chains,” Ernst and Young (2016)

75 Interview with local official based in the West Midlands, 24 September 2018

76 Northern Ireland Partnering for Growth, “Northern Ireland partnering for growth: Together growing the Northern Ireland aerospace, defence, security and space industry,” Invest Northern Ireland (2014): 14

77 Interview with government official based in the West Midlands, 2 October 2018

Provision of export support

Export support ecosystem⁷⁸



Graphic taken from the UK's Export Strategy.

* Not included in the UK Export Strategy.

⁷⁸ Department for International Trade, "Export Strategy," 63

1. The UK's export support landscape

The UK possesses a complex export support landscape. Central actors at the national level include Government departments and agencies with responsibility for supporting the UK's international trade. The non-ministerial department UKTI was formed in 2003 and was a key national agency providing export support services. In 2016, following the UK's decision to withdraw from the European Union, UKTI was absorbed within the new DIT. The organisations with responsibility for providing international trade policy and coordinating export support have therefore recently passed through a period of substantial change, a situation complicated by preparations for Brexit.

As a new department, DIT has a broad remit centred around the development, coordination and delivery of UK trade policy with a particular focus on issues raised by the UK's withdrawal from the European Union.⁷⁹ Export support is one component of these wider responsibilities. DIT also sponsors UK Export Finance, the UK's export credit agency. As DIT has only recently assumed responsibility for export support policy there are no evaluative studies available on its performance, with most evaluative studies pertaining to UKTI.⁸⁰ We discussed the efficacy of a range of UKTI export support services in our recent report 'Developing "superstar" exporters in the UK: A review of the evidence.'⁸¹

Moving away from central government, the export support landscape becomes increasingly fragmented. Both devolved and local government are engaged in the delivery of export support services within defined geographic regions. Wales, Scotland and Northern Ireland possess dedicated business support and international trade promotion agencies which provide services that reflect the particular economic make up of each devolved region. These agencies are somewhat similar to DIT's Regional Offices; these provide blanket coverage of England based on the nine NUTS-1 regional divisions which they share in common with the now-disbanded statutory Regional Development Agencies (RDAs). DIT Regional Offices field teams of sector-specific International Trade Advisors (ITAs). In practice, while operating under

the DIT brand, these services are provided by various public and private sector delivery partners.⁸²

Local Authorities in England also play an important role at local and regional levels through their involvement in non-statutory Local Enterprise Partnerships (LEPs). These organisations provide a local business-oriented forum in which Local Authorities and firms from the area come together to steer economic growth at community-level in a strategic and deliberately tailored manner. They were introduced in 2011 as replacements for their forerunners, England's RDAs, although the responsibilities and funding mechanisms underpinning LEPs and RDAs are different. Following the merger of the Northamptonshire and South East Midlands LEPs, England is now populated by 38 LEPs which, in many cases, overlap.⁸³

Since 2016, a network of Growth Hubs has complemented the national LEP structure in England: each hub operates within and is led by a pre-existing LEP. These organisations are tasked with "co-ordinating local business support and connecting businesses to the right help for their needs" at a local level.⁸⁴ Growth Hubs are intended to work closely with "local and national, public and private sector partners" including Chambers of Commerce, other industrial bodies and partners, intermediaries and local government agencies.⁸⁵

Additional export support is delivered by Chambers of Commerce, private firms holding DIT and other contracts for trade support, sector-focused trade associations and similar bodies, professional membership bodies, and regional partnerships such as the Northern Powerhouse and the Midlands Engine. The funding sources underpinning these activities are varied and, in many cases, funding can pass between different organisations through numerous intermediaries before reaching the final service provider. National government and the European Union are key funders of business and export support services.

An illustration of the complexity of Government funding arrangements for LEPs can be found in a recent House of Commons Library Briefing Note.⁸⁶ In relation to European funding, the UK has elected to

79 NAO, "A short guide to the Department for International Trade," National Audit Office (2017): 5

80 See, for instance: Rincón-Aznar, Riley and Rosso, "Evaluating the impact of UKTI trade services on the performance of supported firms," UK Trade and Investment (2015); Breinlich, Mion, Nolen and Novy, "Intellectual Property, Overseas Sales, and the Impact of UKTI Assistance in Entering New Overseas Markets," UK Trade and Investment (2012); Rogers and Helmers, "Intellectual Property, Exporting, and UKTI support for Export Capability Building," UK Trade and Investment (2010)

81 Hesketh, Downes, Kleinman and Wilkinson, "Developing 'superstar' exporters in the UK: A review of the evidence," The Policy Institute at King's (2018)

82 In London and the South East, for instance, ITA services are delivered by Newable whereas, the West Midlands Chamber of Commerce LLP, a partnership of all six local Chambers, is the delivery partner for the West Midlands region.

83 Lichfields, "Review of LEP geographies," Lichfields UK (2018): 2

84 Department for Business, Innovation and Skills, "Full network of 39 growth hubs boost business support across the country," Press Release, HM Government (2016). Available online: <https://www.gov.uk/government/news/full-network-of-39-growth-hubs-boost-business-support-across-the-country>

85 Ibid.

86 Ward, "Local Enterprise Partnerships," Briefing Paper, House of Commons Library (2017)

deliver certain funds drawn from the European Union Structural and Investment Funds (combining the formerly separate European Social Fund and European Regional Development Fund) through LEPs during the period 2014-2020. The calculation underpinning budget allocations “took account of the greater development needs in the North and the Midlands compared to most of the South”.⁸⁷ Government’s view was that this represented “an important new source of finance to stimulate local growth and jobs.”⁸⁸ This adds to sources of public funding LEPs draw upon, *inter alia*, the Regional Growth Fund and the Growing Places Fund. Perhaps unsurprisingly, LEP funding has been referred to as “fragmented and over-complex” in recent years.⁸⁹

What is clear from our research is that this fragmentation and complexity is reflected right across the export support landscape, from the sources and delivery of funding through to national export policy right down to the organisations delivering export support services at a local level. As one interviewee put it, from national government down to local support providers, “the left hand does not know what the right hand is doing.”⁹⁰ These issues are explored in the following sections.

Finding: The effectiveness of export support service delivery and business outcomes are impacted negatively by the complexity and fragmentation of the export support landscape

2. Export support at national level

At a national level, DIT plays a critical role in setting UK policy on international trade. The UK’s newly released Export Strategy has received a “warm welcome” from the private sector, particularly in its commitment to work “hand-in-hand with business to unlock opportunities for UK firms all across the globe.”⁹¹ The Export Strategy codifies Government’s commitment to do what only governments can do, that is, leveraging “unique assets such as its international and UK network, government-to-government relationships, and [its] ability to ‘convene’ and ‘connect’ businesses.”⁹²

The provision of national export policy and overall approach to export support provided through DIT has

shifted in line with organisational changes in recent years; the progression from UKTI to DIT has been particularly influential in this regard. Assessments of the performance of export support products offered by UKTI have been largely positive.⁹³ Receipt of trade support through UKTI was associated with enhanced export activity across the board; supported firms were found to export a greater total volume of goods to more overseas markets than non-supported firms.

In our previous report, we noted that export growth “associated with UKTI support appears to arise mainly from access to more overseas markets, indicating that trade services facilitating access to new markets are particularly beneficial for UK firms...When controlling for a range of firm-level characteristics, supported firms are also found to export a greater range of products than their unsupported counterparts...use of UKTI services was associated with an increased likelihood of growth in international sales, growth in the proportion of overseas turnover as a share of total turnover, and the tendency to report positive turnover in the year following use of UKTI services [which] indicates that UKTI services facilitate entry into overseas markets.”⁹⁴ As there is much continuity in the types of services provided by UKTI and DIT, it is likely that these assessments apply to support packages available today. In consequence, DIT is able to build on a portfolio of export support products and services that performs effectively.

Despite these positive assessments, UKTI faced persistent profile issues. According to one interviewee, the organisation was “one of the world’s best kept secrets – companies hadn’t ever heard of them.”⁹⁵ Several interviewees suggested that DIT continues to struggle with business awareness.⁹⁶ This connects with two issues identified by recent business surveys: awareness of the ‘Exporting is GREAT’ digital portal and the ability to identify DIT as a source of support and advice. On the former, recent survey work has found that “awareness and usage of the services offered on the website was low.”⁹⁷

Understandably, low awareness affects usage statistics: for smaller businesses with a turnover of £500k to £2 million, only “8% had heard of the site and 4% had visited it.”⁹⁸ On the latter, DIT appears to face a similar profile issue as UKTI. For firms with a turnover

87 Department for Business, Innovation and Skills, “Methodology for calculating ERDF/ESF allocations to LEPs for 2014-2020,” HM Government (2013): 3

88 Ibid.

89 IPA, “Clarity of confusions? Local Enterprise Partnerships at the crossroads,” Insight Public Affairs (2013): 3

90 Interview with private International Trade Advisor based in London and the South East, 25 September 2018

91 Marshall, “BCC comments at the launch of HM Government’s new Export Strategy,” Press Release, British Chambers of Commerce (2018)

92 Department for International Trade, “Export Strategy,” 12

93 Rincón-Aznar, Riley and Rosso, “Evaluating the impact of UKTI trade services on the performance of supported firms”

94 Hesketh, Downes, Kleinman and Wilkinson, “Developing ‘superstar’ exporters in the UK,” 10

95 Interview with government official based in the West Midlands, 2 October 2018

96 Interview with private company director based in the West Midlands, 8 October 2018

97 Department for International Trade, “DIT national survey of registered businesses’ exporting behaviours, attitudes and needs 2017,” 60

98 Ibid.

over £500k looking for export advice and support, 25% expressed no knowledge of available resources, 16% would turn to self-driven online searching, 11% would consider a Government department or agency, while only 7% identified DIT as a likely source of advice.⁹⁹ Our interviewees underscored this point: for small firms in particular, “national policy can be very distant, all the way down there in Whitehall.”¹⁰⁰

Finding: our research reinforces existing concerns about DIT’s visibility as a source of export support

Some interviewees felt that the transition from UKTI to DIT represented a significant change in attitude towards export support. DIT is more inclined to provide “holistic support” rather than discrete support packages, a move underpinned by a narrower focus on the “nuts and bolts of what keeps the business owner awake at night.”¹⁰¹ In tandem, there has been a greater willingness to broker access to support beyond the narrow confines of DIT alongside a renewed focus on building the right support for business rather than selecting from a pre-determined menu of packages.¹⁰² This accords with Government’s wider aspirations laid out in the Export Strategy, whereby a ‘whole-of-government approach’ will be taken to support business and export growth. This shift was recognised by another interviewee who felt that DIT was increasingly focused on business outcomes rather than metrics related to advisor inputs.¹⁰³

Finding: DIT is moving towards a more business- and outcome-focused approach to export support

Despite these changes, the export support community expressed reservations about DIT’s overall approach. There is a strong sense that consistency has been lacking in national policy. What one interviewee called the “constant need to reinvent the wheel” has made it extremely challenging for export support agencies and the firms they support to follow developments in national policy, a concern that was voiced by many interviewees.¹⁰⁴ Rapid and repeated changes to policy at national level necessarily propagate through the landscape, leaving ITAs and local export support providers struggling to maintain a handle on the shifting sands of export policy.¹⁰⁵ Ultimately, this is to the detriment of British business. As one interviewee pithily stated: “Other countries capitalize on our lack

of consistency...our international presence is diluted and diminished.”¹⁰⁶

This situation appears to have been driven by a combination of factors including, according to one interviewee, Government’s inability to appreciate “when not to get involved... we’ve ended up with a strange market place in export support, driven by political expediency rather than what makes sense.”¹⁰⁷ According to one business owner, domestic politics can exert a powerful influence on export support which, in turn, can undermine the long-term consistency required to develop an understanding of what works: “Change of government, change of policy, everyone is made redundant, how do we know what worked?”¹⁰⁸

There is a widespread perception that decisions and support services provided by DIT are determined more by resource constraints than the need to provide functional and tailored support for new and existing exporters.¹⁰⁹ This, coupled with repeated policy changes, is widely believed to have contributed to the complex nature of national export support policy: “The Government strategy is not coherent — it is not joined up” despite the intentions laid out in the Export Strategy.¹¹⁰

Finding: DIT export support is highly valued by UK exporters but there is limited confidence in its ability to produce a coherent UK export policy

While perceptual challenges continue to persist, many interviewees were keen to praise the quality of the support services offered by DIT and the commitment of DIT’s in-house and contracted staff to helping business. One active exporter emphasised the critical role a DIT ITA had provided to his firm, emphasising that changes in national policy were “no failing of the ITAs — they can’t do everything after all!”¹¹¹ DIT ITAs were perceived as being particularly effective for firms already engaged in exporting which were seeking to gain access to new markets.

The power of DIT’s international network was recognised by a number of interviewees, and the quality of the technical advice offered (on tariffs, for instance) was widely reported.¹¹² Government

99 Ibid., 7

100 Interview with local official based in the North West, 25 September 2018

101 Interview with government official based in the West Midlands, 2 October 2018

102 Ibid

103 Interview with private International Trade Advisor based in London and the South East, 25 September 2018

104 Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

105 Ibid.

106 Ibid.

107 Interview with private International Trade Advisor based in London and the South East, 25 September 2018

108 Interview with private company director based in the West Midlands, 8 October 2018

109 Interview with local official based in the North West, 25 September 2018; Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

110 Interview with private International Trade Advisor based in London and the South East, 25 September 2018

111 Interview with private company director based in the West Midlands, 8 October 2018

112 Interview with local official based in the West Midlands, 24 September 2018

recognises its reach in the Export Strategy, noting that the UK business community, through DIT, can access “an extensive government support network, both overseas, in the form of trade specialists across 11 offices in 108 countries and HMG’s wider international network including 270 diplomatic posts in 168 countries, and in the UK, with both local and sectoral expertise available.”¹¹³ Given firms are clear that access to contacts and knowledge are the most significant barriers they face in export growth, it is apparent that, while DIT is seeking to respond to the central concerns of business, its international network is ripe for further exploitation in terms of export growth.¹¹⁴

Satisfaction with the quality of advice provided by DIT ITAs reportedly drew firms away from seeking other forms of support in a crowded export support marketplace. According to one interview, it was not uncommon for firms to report that “we already export and we use ITAs and that’s good enough for us.”¹¹⁵ While this is testament to the service provided, it highlights the importance of trusted relationships in the provision of export support.

Finding: DIT ITAs are seen as particularly effective at supporting exporters

Some interviewees sounded a more sceptical note, particularly in terms of resourcing and perceptions about the quality of certain services. Respondents noted that “if you’re not given enough in the first place...export growth won’t materialise” in relation to the number of ITAs working in the West Midlands.¹¹⁶ This was a view supported across England, particularly in light of the UK’s coming withdrawal from the EU.¹¹⁷

Interviewees also reported perceptual issues related to the quality of ITA advice, although there was a collective sense that this was driven more by firms’ perception of public sector-branded support than anything else. The feeling that both domestic and international business “is done in spite of governments not because of them” is widespread in the UK business community.¹¹⁸ In consequence, “private industry don’t think the ‘man from the ministry’ is there to help.”¹¹⁹ This manifests in a tendency for firms to assume

that trade advisors operating under DIT branding are ‘jobsworth’ civil servants lacking the experience needed to face the day-to-day realities of business.¹²⁰

On the ground, this struggle with trust can disrupt efforts to deliver support: “you can immediately see the barriers coming down...you have to talk to [the private sector] on their terms.”¹²¹ In reality, a large number of ITAs have “been there, done that, and wear the T-shirt” and, as mentioned above, the quality of advice delivered is widely praised by firms who have passed through the international trade advice process.¹²² The image of ITAs is therefore key to winning the buy-in of firms. This is an issue connected to the wider challenge faced in communication between the public and private sector.

3. Local support

LEPs are central organisations in the provision of export support at a local level, both as leading actors in Growth Hubs and operating in their own right. Interviewees were quick to recognise the essential role played by LEPs in supporting local economic growth, especially in relation to the provision of infrastructure to facilitate local commercial operations. Given that smaller firms can find national export policy somewhat distant, local engagement with firms on a range of business support matters can overcome barriers to engagement. As one interviewer stated: “Even if issues don’t originate locally, firms definitely experience them locally.”¹²³

Finding: LEPs have an important role to play in supporting exporters given their local knowledge and engagement

Interviewees were divided on both the rationale underpinning LEP involvement in export support and the quality of service provided locally and regionally. Both concerns have been a constant theme in the national discourse surrounding LEPs.¹²⁴ On the former, by their supporters, LEPs were seen as the only organisations truly operating at a local level able to connect with firms feeling detached from national or regional export support. There was a strong sense that national and regional bodies struggled to maintain business intelligence with sufficient resolution and granularity.¹²⁵ The need to “drill down” for a detailed understanding of the local economic situation is critical in building an image of local supply chains

¹¹³ Department for International Trade, “Export Strategy,” 67

¹¹⁴ Department for International Trade, “DIT national survey of registered businesses’ exporting behaviours, attitudes and needs 2017,” 52

¹¹⁵ Interview with local official based in the West Midlands, 24 September 2018

¹¹⁶ Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

¹¹⁷ Interview with private company director based in the West Midlands, 8 October 2018; Interview with trade association official based in London and the South East, 4 October 2018

¹¹⁸ Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

¹¹⁹ Ibid.

¹²⁰ Interview with local official based in the West Midlands, 24 September 2018

¹²¹ Interview with government official based in the West Midlands, 2 October 2018

¹²² Interview with local official based in the West Midlands, 24 September 2018

¹²³ Interview with local official based in the North West, 25 September 2018

¹²⁴ See, for instance: Business, Innovation and Skills Committee, “Government support for business,” House of Commons (2015): 28

¹²⁵ Interview with local official based in the North West, 25 September 2018

and networks of firms.¹²⁶ Local and sub-regional organisations are well-placed to undertake business intelligence work which in itself enables business support activities that are more closely tailored to business need and hence produce better firm-level outcomes.

In connection with the provision of face-to-face services, companies prefer to work with “somebody they know and [to be embedded in] a local network they can work with.”¹²⁷ In practice, firms operating in similar sectors often occupy similar geographic locations and, hence, provision of services based around geographic divisions can be beneficial.¹²⁸ Various examples were offered by interviewees that illustrate this geographic agglomeration, from the automotive sector in the Black Country to the rapidly expanding life sciences and other technical and scientific industries in the Cheshire and Warrington region to the concentration of high-end fashion designers and producers in London and the South East.¹²⁹

A counterpoint to this perspective suggested that, by moving into export support, LEPs were stepping somewhat beyond their intended remit while simultaneously adding complexity to the export

support landscape at a local level.¹³⁰ To some extent, this is likely a result of their relative age: compared to other business support agencies, “LEPs are very young still [and therefore] lots of businesses don’t know what they’re for.”¹³¹ However, others drew attention to organisational and accountability challenges that affect some organisations.¹³² In commenting on congestion in the export support landscape, one interviewer queried the changing role of long-established bodies, particularly the UK-wide network of Chambers of Commerce.¹³³

As to variation in service provision between LEPs, there is widespread concern about the “postcode lottery” firms play in accessing local support, a situation which makes it difficult to generalise when discussing provision. To a certain extent, variation between LEPs is a natural consequence of the relative freedom these organisations possess to determine their own path: “Each LEP has developed its own arrangements for decision-making which reflects its legal structure, the complexity and needs of the locality and compliance with requirements to ensure value for money, local engagement and democratic accountability.”¹³⁴ However, while this is perhaps the case, the situation on the ground remains fragmented.

LEPs’ geographic boundaries were judged to be confusing for firms, particularly in areas with overlapping jurisdictions. These comments reflect longstanding concerns over the interface between LEPs, the economies they service and challenges associated with decentralisation and accountability: “LEPs are much more fragmented and failed to match functional economic geography in any meaningful sense. There is a fear that what decentralisation is on offer will over time lead to widely different performances, depending on the strategic capabilities of local areas to manage their economic affairs, in large part related to past experience of doing so.”¹³⁵

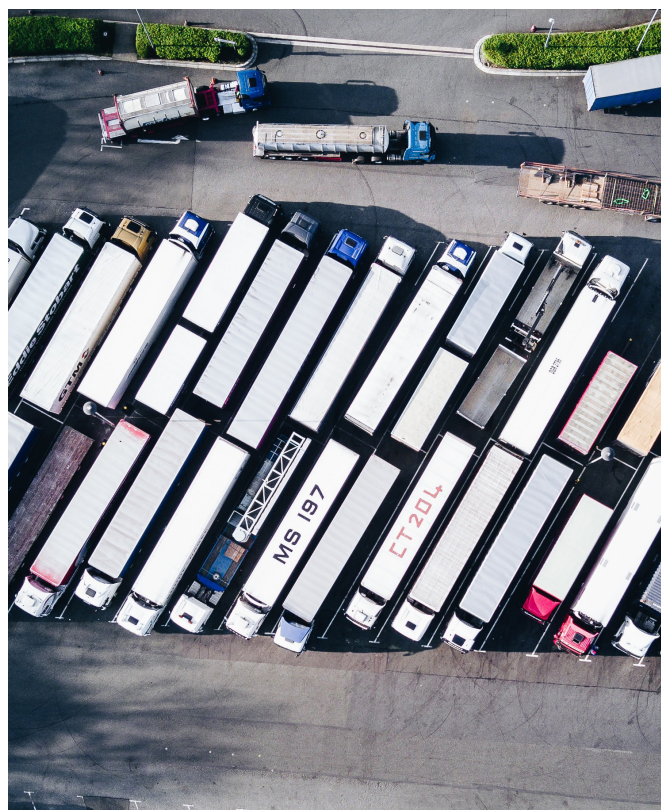
The ongoing ‘Strengthened Local Enterprise Partnerships’ review was felt to offer some prospects for change given the confusion inherent in the current situation, especially in providing an opportunity to “map and gap business support” and the inter-operation of LEPs and Growth Hubs.¹³⁶

¹²⁶ Ibid.

¹²⁷ Ibid.

¹²⁸ Ibid.

¹²⁹ Interview with local official based in the West Midlands, 24 September 2018; Interview with local official based in the North West, 25 September 2018; Interview with trade association official based in London and the South East, 4 October 2018



¹³⁰ Interview with private International Trade Advisor based in London and the South East, 25 September 2018

¹³¹ Interview with government official based in the West Midlands, 2 October 2018

¹³² See, for instance: Ney, “Review of Local Enterprise Partnership governance and transparency,” Department for Communities and Local Government (2017)

¹³³ Interview with trade association official based in London and the South East, 4 October 2018

¹³⁴ Ney, “Review of Local Enterprise Partnership governance and transparency,” 14

¹³⁵ Business, Innovation and Skills Committee, “Local Enterprise Partnerships,” House of Commons (2013): 18

¹³⁶ For further details on this consultation, see: Ministry of Housing, Communities and Local Government, “Strengthened Local Enterprise Partnerships,” HM Government (2018)

Finding: the role of LEPs in the provision of export support is highly contested

Despite these challenges, there is evidence that the local support environment is adapting to changing business need, although our interviews necessarily offer only a narrow window through which to observe changes that are likely occurring across the UK. National level activities coalescing around the Industrial and Export Strategies have encouraged a closer focus on issues related to exporting. As one LEP-based interviewee noted, “We didn’t have a basic understanding of our high performing SME exporters, what sectors they’re in, what sectors they export to... we’re developing this at the moment.”¹³⁷

At a regional level, the development of the Northern Powerhouse and Midlands Engine is an opportunity for LEPs to connect with neighbouring localities, in part a recognition that, as businesses don’t confine themselves to particular localities, business support must be able to respond more flexibly. This will avoid local delivery partners operating “in their own silo doing their own thing...they need to talk to other people operating in the same area.”¹³⁸

In Cheshire and Warrington, for instance, the LEP has determined to bring Growth Hub services in-house to ensure that support delivered locally will be connected with a deeper pool of local business intelligence, that services are provided under a single unified banner to assist firm entry, and that task duplication will end producing a greater return on investment.¹³⁹ Growth Hubs were viewed more broadly as offering a real opportunity to simplify business access to export support services.¹⁴⁰

Finding: LEPs are seeking ways to respond better to business need

Beyond LEPs, Government has recognised the complexity of the export support landscape at the local level. According to the Export Strategy, local “business support is delivered by Local Authorities, British Chambers of Commerce, LEPs, Growth Hubs, and bodies such as the Northern Powerhouse and the Midlands Engine...The private sector, exporting intermediaries, and business representative organisations also play a vital role in helping businesses to export. We want to join-up better with other providers of export support to ensure we are complementary and to signpost businesses to the right support at the right time.”¹⁴¹ Whether these

aspirations are likely to be fulfilled by actions following the ‘Strengthened Local Enterprise Partnerships’ review is as yet unclear. Nonetheless, recognition of the challenges at a local level is an essential first step in resolving the problem.

4. Sectoral support

The Export Strategy summarises the wide range of sector-specific support Government has, and is seeking to, put in place. This includes the Sector Deals, “long-term partnerships between industry and Government, backed by sizeable private sector co-investment” that seek to provide bespoke support arrangements for the artificial intelligence, automotive, construction, creative industries, life sciences and the nuclear sectors.¹⁴²

More broadly, DIT fields, *inter alia*, sector-specific trade specialists who “with industry and the international network to understand the exporting capabilities of their sector, tailor DIT’s services to the needs of the sector, co-ordinate government-to-government engagement, and represent exporters to improve the policy environment domestically and overseas.”¹⁴³ Recognising the importance of sector specificity, Government has committed to “improve the way we collaborate and share intelligence with the most significant exporters and trade associations, especially as we develop and negotiate new trade agreements, through better relationship management.”¹⁴⁴

Our research reinforces the view that sector organisations are important players in the national export support landscape. They provide a closely tailored sector-specific selection of support offerings, typically providing services through bodies with a sector-wide reach such as membership bodies and trade associations. Many of our interviewees presented sector-specific trade support as a counterpoint to the geographically-focused offerings emanating from LEPs and other local or regional bodies, although of course we recognise that sample size limitations inhibit our ability to present a comprehensive picture.

As one ITA put it, “the difference between sectors 100% outweighs geographical differences” and, in consequence, sector-specific expertise is critical to overcoming barriers and exploiting opportunities that are often sector-specific.¹⁴⁵ This was underscored by a sector representative who asked, in relation to support at the local level, “where’s the common thread? It

¹³⁷ Interview with local official based in the North West, 25 September 2018

¹³⁸ Ibid.

¹³⁹ Ibid.

¹⁴⁰ Interview with local official based in the West Midlands, 24 September 2018

¹⁴¹ Department for International Trade, “Export Strategy,” 62

¹⁴² Department for International Trade, “Export Strategy,” 24

¹⁴³ Department for International Trade, “Export Strategy,” 43

¹⁴⁴ Department for International Trade, “Export Strategy,” 51

¹⁴⁵ Interview with private International Trade Advisor based in London and the South East, 25 September 2018

depends on the products you're exporting, it's about the sector."¹⁴⁶ Concerns were raised about the capacity of locally-based export support providers passing on both detailed advice based on sector understanding and signposting firms to appropriate sector-specific advice, the latter being connected to the complexity of the export support landscape generally.

As an example, we interviewed a representative of the UK's high-end fashion industry, a sector largely based in London (creating a situation in which a particular sector aligns closely with a defined geographic region) and born to export in the sense that the UK market for high-end fashion is small. As an industry, despite some larger brands, the overwhelming majority of firms are micro SMEs. Fashion export activities are closely pegged to the international fashion industry's calendar year which produces particular sector issues related to cashflow. Further, while the sector has long experience engaging with US markets, engaging in South East Asia is proving more challenging due, *inter alia*, to IP and contract size issues. Given the range of sector-specific issues at play, concerns have been raised about the efficacy of 'generic' export support packages delivered through local or regional bodies: export activities need "more than just an information pack... you need a network, connections, and a detailed knowledge of the industry...a lot of DIT's offering just doesn't give what the industry and businesses need" in the fashion sector.¹⁴⁷

Finding: sector-specific issues often require sector-specific responses

Despite these concerns, there was widespread acceptance that local bodies, in particular LEPs and their Growth Hubs, would continue to play an important role in the provision of export support in the future. Given this, interviewees felt that a clearer division of labour between different export support providers would be beneficial, in line with our findings concerning rationalisation of the export support environment more broadly. Given that, to some extent, "exporting 101 is exactly the same"¹⁴⁸ for all firms operating in all sectors, local bodies are perhaps well-placed to provide cross-sector advice while operating as a gateway to DIT sector expertise or other sector-specific support providers.

In tandem, there is a greater opportunity to leverage the expertise and networks of firms in specific sectors through trade associations and other sector organisations. Many trade associations already possess

significant expertise in the delivery of trade support, having conducted such activities under Government or European funding for many years. One possible benefit would be to ameliorate business concerns over public sector expertise by placing a greater distance between public and private sector export support provision.¹⁴⁹ This could help to overcome the 'culture clash' between public and private sectors given that interviewees uniformly accepted that "businesses will always listen to other businesses."¹⁵⁰ Irrespective of these issues, however, all interviewees emphasised the need for service provision to dovetail more effectively, whether delivered by public and private sector providers, or within- or cross-sector. At the moment, opined one interviewee, "it just isn't fit for purpose."¹⁵¹

Finding: more support could be delivered through trade associations and sector bodies

Finding: cross- and within-sector export support should dovetail more effectively

5. Perspective from the devolved administrations

Firms in the devolved administrations operate in different economic, political and social landscapes compared with their counterparts in England. This necessarily influences both the make-up of current and potential exporters and the export support landscape, both of which demonstrate various differences compared with other parts of the United Kingdom.

The devolved administrations and the Government "have concurrent powers to promote international trade and investment [and therefore] face-to-face support is provided in England by DIT through a network of International Trade Advisors while similar services are operated by Scottish Development International, Welsh Government and Invest Northern Ireland in the devolved nations."¹⁵² Furthermore, as noted in the Export Strategy, the devolved administrations' "trade and investment agencies are also responsible for devising and implementing programmes to meet the particular needs of companies in those nations, and for promoting those nations to foreign investors."¹⁵³ This implicitly recognises that the business environment in Wales, Northern Ireland and Scotland demonstrates different needs compared with England, a view that aligns with the increasing provision of export support services at a local (and hence more responsive) level.

¹⁴⁶ Interview with trade association official based in London and the South East, 4 October 2018

¹⁴⁷ Ibid.

¹⁴⁸ Interview with private International Trade Advisor based in London and the South East, 25 September 2018

¹⁴⁹ Ibid.

¹⁵⁰ Interview with local official based in the North West, 25 September 2018

¹⁵¹ Interview with trade association official based in London and the South East, 4 October 2018

¹⁵² Department for International Trade, "Export Strategy," 66

¹⁵³ Ibid.

The sectoral mix in the devolved administrations differs compared with other regions of the UK. In Scotland, for instance, the economy is “boosted by the high value-added oil sector in North Eastern Scotland, while high value-added financial services – and a burgeoning Fintech sector – dominate the economy of Eastern Scotland. Food and beverages production activities are primarily based in the Highlands and Islands area.”¹⁵⁴ This is reflected in the region’s export activities which centre on the energy (extending beyond oil and gas to include renewables) and food and drink sectors. A similar sectoral disparity between Northern Ireland and the rest of the UK can be identified, which influences international trading patterns. In Northern Ireland, businesses operating in the mining and quarrying, manufacturing and wholesale and retail are the most likely to engage in international trade.¹⁵⁵ In the remainder of the UK, manufacturing, mining and quarrying and electricity, gas and steam, and water supply, sewerage and waste collection were most likely to declare trade transactions. This disparity is driven mainly by differences in the firm population composition between Northern Ireland and the UK.¹⁵⁶

Our interviewees felt that macro-level or structural factors played an important role in current and future export possibilities. In Scotland, for instance, there is some evidence to suggest there may be fewer growth companies compared with other areas of the UK.¹⁵⁷ While company creation rates and one-off growth are a sign of economic strength, growth has proven hard to sustain over the long-term. This is reflected in export statistics, with “[o]nly 6% of the region’s non-financial companies are exporters, which places the region just above Wales and the North East.”¹⁵⁸ Scotland is second only to the North East for the lowest number of businesses per capita across the UK, particularly in the 0-49 employee category.¹⁵⁹ As a result, there may exist a lower level of in-market competition enabling firms to self-sustain with lower growth rates.¹⁶⁰ This aligns with data concerning Scotland’s longstanding albeit decreasing productivity gap compared with the rest of the UK.¹⁶¹

A somewhat similar situation exists in Northern Ireland, the “only region in the UK to have lower labour productivity than the national average in each

of the 13 sectors” analysed in a recent report by KPMG, which found that the sectoral mix to be “less conducive for high labour productivity as – like Wales – it has a high share of public sector jobs, which often tend to have less scope for productivity improvement. It also has a lower share than the national average of all higher value services such as financial and information and communication, while its manufacturing sector is dominated by food and beverages.”¹⁶² Additional issues include supply chain integration with the Republic of Ireland, which can produce misleading trade statistics, the additional logistical costs associated with the sea crossing between Northern Ireland and mainland UK, and the reliance on a small number of large firms producing exports beyond the food and live animals sector, particularly in aerospace, which can leave firms in Northern Ireland vulnerable to global economic headwinds.¹⁶³

Finding: structural differences in the economies of the devolved administrations are partial drivers of differences in export performance compared with other parts of the UK

Overall, similar firm-level micro-issues were felt to influence exporting behaviour as in other areas of the UK. However, the combination of region-specific macro-factors and generic firm-level micro-factors was perceived as creating a particular set of challenges for export growth in the devolved administrations. Nonetheless, our interviewees warned generalisation was difficult: the particular factors affecting exporting “can’t [be] pin[ned] down to a small number of discrete issues” in the devolved administrations or across the UK generally.¹⁶⁴

In terms of export support, Government “work[s] closely with [devolved] agencies and administrations by collaborating on joint events and activities to maximise the benefit to UK businesses, sharing information, avoiding duplication and directing companies to the most relevant support. Government resources are also directly available to firms, trade associations and representative bodies in Scotland, Wales and Northern Ireland as well as England, to ensure firms from across the UK are able to join UK-led missions, events, access HMG’s overseas network, and benefit from all the support available, including that of HMTCs, Ambassadors, High Commissioners and their teams.”¹⁶⁵

Nonetheless, the devolved administrations have developed a distinctive approach to export support that differs compared with other regions of the UK,

154 KPMG, “Improving UK regional productivity performance,” KPMG (2017): 40

155 ONS, “Patterns of Northern Ireland trade by destination, product and business characteristics: 2012 to 2016”

156 Ibid.

157 Three SE people.

158 KPMG, “Improving UK regional productivity performance,” 41

159 MacFarlane, Mawdsley and Payne, “State of Scotland’s economy,” Reform Scotland (2017): 14. <https://reformscotland.com/wp-content/uploads/2017/06/State-of-Scotlands-economy-report.pdf#page=16>

160 Interview with three government officials based in Scotland, 2 October 2018

161 The Scottish Government, “Scotland’s economic strategy,” The Scottish Government (2015): 17

162 KPMG, “Improving UK regional productivity performance,” 42

163 Interview with government official based in Northern Ireland, 4 October 2018

164 Interview with three government officials based in Scotland, 2 October 2018

165 Department for International Trade, “Export Strategy,” 66

partly in response to social and political differences. In Northern Ireland, for instance, the efficacy of the UK-focused ‘Exporting is GREAT’ campaign is limited by longstanding political issues, particularly for smaller rather than larger firms.¹⁶⁶ This offers a strong incentive for export support agencies to develop a distinctive Northern Ireland brand, which offers a range of opportunities for export growth.¹⁶⁷

Finding: social and political factors can affect the utility of national export promotion campaigns in the devolved administrations

Scottish export support agencies offer an ‘enhanced’ service compared with the remainder of the UK, with a close emphasis on the provision of face-to-face advice. This is founded on the SDI international business growth framework (commonly known as the ‘ACE model’) which comprises an integrated set of services geared towards raising awareness and ambition, building capacity and capability, and expanding international engagement and exploiting export opportunities.¹⁶⁸ While different export support products are offered under each strand of the ACE framework, this is underpinned by a holistic approach geared towards supporting firms throughout the whole internationalisation process. For instance, while “the quantity and quality of one to one support available is important” this is “felt to be most beneficial when it evolves as the company develops...for example, the content of that close relationship at the ‘A’ stage, needs to change as the company progresses to ‘C’ and again as its international sales deepen and broaden.”¹⁶⁹ The complexity of the export support landscape is a long-recognised concern, and export support services seek to offer a similar ‘no wrong door’ approach as is enshrined in the Export Strategy. As one example drawn from Scotland, Scottish Enterprise offers cross-sectoral market awareness events in conjunction with Chambers of Commerce which are explicitly intended to rationalize service provision. Interviewees felt that the emphasis on face-to-face advice in particular produced export support services with “a very different feel” compared with other parts of the UK, an offering partly enabled by the smaller size of Scotland’s economy.¹⁷⁰

6. Export support: firm-level experiences

Our research has identified three firm-level issues of particular salience to export growth: the complexity of the export support landscape, the challenge of

communicating effectively with firms, and the increasing importance of digital literacy. While we have touched on these in other places in this report, here we present a detailed consideration of export support from the perspective of the end-user community, UK firms. While this draws together some issues discussed elsewhere in our report, we explore here how these issues connect with the day-to-day realities of business in relation to export decision making and receipt of export support.

First, the complexity of the export support landscape is a barrier in itself for UK firms seeking to enter or grow their presence in international markets. As we have identified above, the export support environment is complicated by various offerings at national, regional, local and sectoral levels and the particular format of provision varies significantly between different areas of the UK. While it is difficult to generalise about firm-level experiences throughout Britain, our interviewees were clear that the complexity of the export support landscape inhibits firms from accessing the support they need.

The current landscape is characterised, according to one interviewee, by a variety of organisations operating “in their own silo...doing their own thing.”¹⁷¹ Indeed, it is the sheer number of public and private support providers that make it difficult for firms to identify who they contact for export support in the first instance.¹⁷² “At the end of the day,” noted one interviewee, “there are just too many routes in – it can be really confusing for businesses.”¹⁷³ As a result, Government should seek to “reduce the noise around business and export support products” wherever possible. This emphasises that simplification of the export support landscape is an emerging priority.¹⁷⁴

Finding: simplification of the export support landscape will help more firms to access the support they need and, hence, to export more

An issue related to the fragmentation of the export support landscape is the extent to which different services mutually reinforce through a holistic mode of operation or, conversely, potentially counteract each other. A number of interviewees emphasised that many service providers are themselves revenue-raising entities with business models centred on winning contracts from organisations including DIT. Careful service calibration is required to ensure such services are focused on the ultimate end-user. There is some evidence that this delicate balance is not being

¹⁶⁶ Interview with government official based in Northern Ireland, 4 October 2018

¹⁶⁷ Ibid.

¹⁶⁸ Wilson, “Wilson review into Scottish exporting,” HM Government (2014): 18

¹⁶⁹ Slow and Fletcher, “Increasing the number of Scottish exporters: The ACE framework and its application by Scottish Enterprise”.

¹⁷⁰ Interview with three government officials based in Scotland, 2 October 2018

¹⁷¹ Interview with local official based in the North West, 25 September 2018

¹⁷² Interview with private International Trade Advisor based in the West Midlands, 26 September 2018

¹⁷³ Interview with local official based in the North West, 25 September 2018

¹⁷⁴ Interview with local official based in the West Midlands, 24 September 2018

achieved.¹⁷⁵ While competition between providers may drive down costs, it is not clear whether the resultant services are delivered in a way that meets the needs of business.¹⁷⁶ Several interviewees noted the role of European funding in driving competition and fragmentation in particular, leading to “competing projects within the same geography vying for the same outputs from the same companies.”¹⁷⁷ A by-product of competition is diminished information sharing between service providers, thus limiting the depth of local intelligence available to export supporters.¹⁷⁸

From a firm-level perspective, “simplicity is the key.”¹⁷⁹ A single overarching export support service would likely be the preferred option for the business community.¹⁸⁰ (Several interviewees suggested that Growth Hubs are best placed in the current landscape to provide a single point of entry into export support.¹⁸¹) However, the large number of organisations at national, regional, local and sectoral levels make this possibility appear somewhat remote even if the landscape is simplified. A more realistic option is to enhance the extent to which export services are joined up, an ambition that is perhaps best encapsulated in the ‘no wrong door’ policy placed at the heart of the Export Strategy.¹⁸² Under such an approach, organisations providing export support services also ensure they effectively signpost firms towards other support offerings that may be more appropriate for firms’ needs, brokering access to other sources of support provided by different organisations when necessary.¹⁸³ The extent to which a ‘no wrong door’ policy aligns with competition in export support provision is unclear, and such considerations should be part of the longer-term commitment to export support that is partially enshrined in the Export Strategy itself.¹⁸⁴

Finding: DIT’s commitment to long-term thinking on exports, enshrined in the Export Strategy, has the potential to put export support on a consistent, sustainable and joined-up footing

Second, Government and other providers must seek to communicate with firms on their own terms to maximise the benefits of export support provision for firms and, by extension, the UK economy as a whole. While it is certainly the case that simplifying access

to export support in the manner laid out above will help firms access the support they need, the format of this access is a critical consideration. This returns to the point made earlier in this report, in sympathy with DIT’s commitment in the Export Strategy, that a deeper understanding of business perspectives and needs throughout the UK is required as a basis for effectively tailoring export support services. Part of this includes a better appreciation of the challenges facing firms, particularly SMEs, in engaging with export support products, challenges related to attitudinal and skills issues identified above.¹⁸⁵ One ITA noted that organisations providing export support are “guilty of devising products and services tailored to what we think business needs and then convincing them that’s what they need.”¹⁸⁶ Several interviewees suggested that, while DIT’s move towards a single online portal represents a clear understanding of the problem, there is a danger that self-service support will be perceived as being driven by resource management concerns rather than finding the right sort of support for business.¹⁸⁷

Finding: DIT is right to commit to developing a deeper understanding of opportunities and barriers to international trade – finding more effective means of communicating with firms should be at the heart of this effort

Third, and relatedly, the digital literacy of UK firms cannot be assumed. As one interviewee notes, “many businesses don’t have websites; they carry out their work in a more traditional way. You can’t flick a switch and bring them into the digital revolution overnight.”¹⁸⁸ While this report focuses principally on exporting, digital literacy is a wider concern that has received significant attention from Government and beyond. The 2016 report ‘Digital Skills for the UK Economy’ commissioned by the then-Department for Business, Innovation and Skills and the Department for Culture, Media and Sport highlighted that 20% of UK adults lack the most basic online skills, despite the increasing digitisation of business procedures in many workplaces.¹⁸⁹ Somewhat concerningly, these figures remained static compared with figures produced two years earlier, highlighting the need to consider digital skills as a mid- to long-term issue. This is underscored by FSB research carried out in 2015 which showed that more than 40% of older members of the workforce, those over 50, demonstrated weaknesses in technology, computing and digital skills.¹⁹⁰ This

175 Interview with local official based in the North West, 25 September 2018

176 Ibid.

177 Interview with government official based in the West Midlands, 2 October 2018

178 Ibid.

179 Interview with private International Trade Advisor based in London and the South East, 25 September 2018

180 Ibid.

181 Interview with local official based in the West Midlands, 24 September 2018

182 Department for International Trade, “Export Strategy,” 12

183 Interview with three government officials based in Scotland, 2 October 2018

184 Ibid.

185 Interview with local official based in the North West, 25 September 2018

186 Interview with government official based in the West Midlands, 2 October 2018

187 Interview with local official based in the North West, 25 September 2018

188 Interview with government official based in the West Midlands, 2 October 2018

189 Ecorys UK, “Digital skills for the UK economy,” Department for Business, Innovation and Skills and Department for Culture, Media and Sport (2016): 25

190 Ibid., 26



situation has led some, including the House of Commons Science and Technology Committee, to suggest that the UK is facing a ‘digital skills crisis’ which found that digital skills weaknesses were “costing the UK economy an estimated £63 billion a year in lost GDP.”¹⁹¹

A stakeholder consultation undertaken in support of ‘Digital Skills for the UK Economy’ revealed a widespread perception that digital literacy issues were, like many skills issues, spread unevenly throughout the UK economy: “the older workforce who lacked digital skills were likely to be in occupations which have traditionally been ‘non-digital’ but have since adopted the use of digital technologies.”¹⁹² In relation to exports, our interviewees have suggested that the manufacturing sector is particularly affected by digital literacy concerns, although generalisation is difficult and weaknesses in digital skills are widespread.

Finding: across the UK export community, digital literacy cannot be taken for granted

While Government is seeking to address these concerns through initiatives including the ‘UK Digital Strategy’ this work has yet to be connected to exporting. Indeed, as one of five principles underpinning the Export Strategy, Government has committed to being ‘digital by design’ so as to maximise “the potential of digital services and data science...to provide both effective and scalable export support and a better customer experience for UK businesses. [Government] will build digital services that make it as easy as possible for businesses to find, access and successfully navigate all export advice,

support and information provided by government.”¹⁹³ This is heavily reflected in three of the four major workstreams present in the Export Strategy. Under both the Encourage and Inform strand, the ‘Exporting is GREAT’ website takes centre stage, while under the Connect workstream Government will “develop a digital service to enable business and trade associations to report non-tariff barriers.”¹⁹⁴

Our interviewees raised the increasing role of digital services as a critical issue in the developing export support landscape, with many expressing the view that “digital has its place but we are increasingly over-dependent on it.”¹⁹⁵ While digital services can deliver widespread benefits, they should be “complementary, not instead of” in the sense that an effective blend of digital and non-digital services is likely to produce the best outcomes for business.¹⁹⁶ In short, Government must ensure that all firms are able to access export support services and that, while a ‘digital by design’ approach may appear attractive for a variety of reasons, the benefits of other modes of engagement should not be underestimated.

Finding: Government should carefully consider the balance between digital and non-digital export support services to ensure all UK firms can access the support they need

In tandem with expressing concerns about over-dependence on digital services, our interviewees were keen to draw attention to what works in terms of export support provision. A major worry associated with digital services is their self-service nature: firms are often encouraged to engage with export support

¹⁹¹ White, “Digital skills in the United Kingdom,” Library Briefing, House of Lords (2017): 1

¹⁹² Ecorys UK, “Digital skills for the UK economy,” 26

¹⁹³ Department for International Trade, “Export Strategy,” 12

¹⁹⁴ Ibid., 11

¹⁹⁵ Interview with government official based in Northern Ireland, 4 October 2018

¹⁹⁶ Interview with three government officials based in Scotland, 2 October 2018

services by contacting a generic email address or phone number, having identified an appropriate contact using the 'Exporting is GREAT' website, for instance.¹⁹⁷ Our interviewees were sceptical about the efficacy of such an approach. Export support ultimately “comes down to having face-to-face relationships” between advisors and firms.¹⁹⁸ While UK firms would clearly value a single point of contact for export (and other business) support services, there is significant value in this contact being “somebody they know [embedded within a] network they can work with.”¹⁹⁹ Such a network could be local, based around LEPs and Growth Hubs, or sectoral, operating through trade associations, dependent upon the support being delivered.

The role played by advisors is critical. In reality, export support advisors often act as “a good sounding board and a critical friend” for firms in the export domain.²⁰⁰ The most effective advisors are able to avoid adopting preconceived ideas about business need when dealing with firms.²⁰¹ This ensures that the whole process is customer-led, thus achieving high levels of trust and commitment: by “sitting round and talking to them [you can really] find[] out what’s going on – the only way to do this is face-to-face, it helps you to build trust and relationships.”²⁰² An advisor should “listen first, understand the business, and then (and only then), suggest options that business should consider – either directly or provided by a third party” based around a detailed understanding of available and appropriate export support products.²⁰³ Furthermore, the advisor-firm relationship should ideally extend beyond the one-time provision of support, with aftercare being a routine part of advisory activity.²⁰⁴ Face-to-face discussions over the long-term can enable advisors to move away from the delivery of specific products and services to a mentor- or account manager-style role; in turn, this can help businesses adapt to the changing economic environment by embedding firms in a support network over the long-term. In all cases, interviewees endorsed the view that proactive face-to-face support would produce better outcomes in terms of export engagement.

Finding: face-to-face contact is highly valued by UK firms and should stand alongside digital services as an essential component of export support services

¹⁹⁷ Interview with local official based in the North West, 25 September 2018

¹⁹⁸ Interview with government official based in the West Midlands, 2 October 2018

¹⁹⁹ Interview with local official based in the North West, 25 September 2018

²⁰⁰ Interview with government official based in the West Midlands, 2 October 2018

²⁰¹ Ibid.

²⁰² Interview with local official based in the North West, 25 September 2018

²⁰³ Interview with government official based in the West Midlands, 2 October 2018

²⁰⁴ Interview with local official based in the North West, 25 September 2018

Appendix A: Methodology

The central method utilised in this report is the semi-structured interview, a qualitative data collection technique that is commonly deployed for policy analysis purposes. Interviews are discussions conducted between interviewer(s) and interviewee(s) that are intended to collect data on particular topics. In this case, the subject matter pertained to export performance of UK firms and the interviews themselves were conducted in person or over the phone.

Semi-structured interviews contrast with structured interviews in that discussions held under the former are less constrained and more free-ranging than the latter. We felt this was an appropriate approach to take for this project for several reasons, including the following:

- The semi-structured interview technique allowed us to investigate the export performance of UK firms without administering a survey. Given the wealth of surveys already utilised in this area, we felt it unlikely that we would be able to collect original data and, further, believed it would be challenging to identify relevant respondents.
- Semi-structured interviews are well-suited to exploring attitudes and beliefs or, to put it another way, they work well for exploring the ‘why’ rather than the ‘what’ in a particular issue area. Given the relative dearth of evaluative studies dealing with UK export support, we felt this would produce a useful addition to extant understanding.
- This approach is associated with a higher response rate compared with other methods, in particular, surveys. Furthermore, unlike the relatively ‘static’ survey or the more rigid structured interview, semi-structured interviews allow the interviewer(s) to ask the interviewee(s) detailed follow-up questions dependent upon the response given.
- Finally, given the commercial sensitivity of the subject matter, focus groups were not felt to be an appropriate data capture method. As part of our research, we had intended to discuss export support with UK firms engaged in export activities – asking such firms to discuss their perspective on exporting and other commercial activities with their competitors would be both ethically questionable and unlikely to elicit reliable views.

As interviewees for this project, we sought to reach out to UK firms engaged in export activities and representatives of organisations providing export support to UK firms. In practice, it proved challenging

to recruit firms and, as a result, export support practitioners comprise the bulk of our interviews. Recognising this may bias our results, we have sought to connect our findings to previous research on export performance where possible and highlight the limitations of our approach throughout.

During each interview, the interviewer used the following list of questions as a rough interview protocol, although discussions were allowed to range dependent upon the interviewee.

- Opening: discussion of the project’s scope, ethics and the reason for data collection
- What is your professional background?
- What does your role at [*interviewee’s organisation*] entail?
- What are the key enabling factors and barriers/risks for firms growing exports?
- What distinguishes successful from unsuccessful firms in growing exports?
- What issues are particularly salient in your [*sector/region*] in terms of export performance?
- How does participation in domestic and international supply chains impact export growth?
- How do firms in your [*sector/region*] use export support?
- What role is played by [*sector/local bodies or devolved agencies*] in your [*sector/region*]?
- What support should be available to your [*sector/region*] but isn’t currently available?
- What can Government do differently in terms of export support?
- Is there anything we haven’t asked you about that you would like to discuss?

For further information on semi-structured interviews, we direct the reader to:

- RAND Corporation, “Data collection methods: Semi-structured interviews and focus groups,” RAND Corporation (2009)
- Fylan, “Semi-structured interviewing,” in Miles and Gilbert (Eds), “A Handbook of Research Methods for Clinical and Health Psychology,” Oxford (2005): 65-78
- Barriball and While, “Collecting Data using a semi-structured interview: a discussion paper,” Journal of advanced nursing (1994): 328-335

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