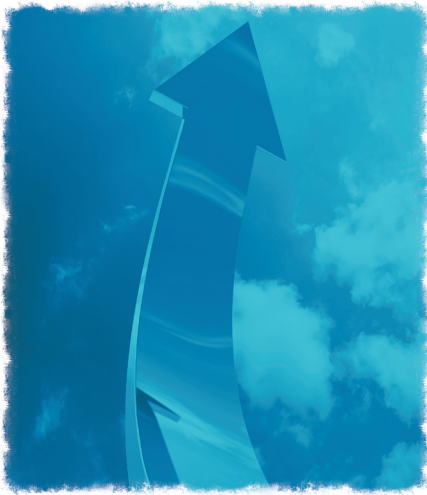




# YORKSHIRE: STATE OF THE REGION 2011

A joint survey by [TheBusinessDesk.com](http://TheBusinessDesk.com) and DLA Piper UK LLP





## BACKGROUND

At the close of 2010 businesses across the UK were reeling from a year of major political and economic change. The new Coalition Government, a tough emergency budget and the biggest public sector spending cuts in a century, are set to transform the political and economic landscape in which businesses operate over the year to come.

Firms with a significant presence in the regions face additional challenges on a local level. With the eradication of regional development agencies, key business figures fear a black hole in funding and business support unless the fledgling LEPs that replace them secure sufficient powers and financial backing to function efficiently.

As the new Government emphasises the importance of individuals playing a more active role in management of their local economy, DLA Piper has joined forces with TheBusinessDesk.com to launch the 'State of the Region' survey.

The purpose of the survey is to gauge the attitudes and confidence of regional business leaders, across companies of all sizes and sectors, to the important issues that will shape 2011 and to highlight on their behalf the changes they wish to see in the future.

"There is no doubt that we are operating within a challenging climate but businesses do not see 2011 as a year for standing still. Instead, firms are scrutinising their strategies, their strengths and weaknesses more than ever before and as a result they are taking innovative steps to create a more robust and sustainable business model to take them forward in the future."

## Neil McLean, Office Managing Partner for DLA Piper in Leeds

Three regions took part in the survey; the West Midlands, Yorkshire and the North West. In total, almost 1000 business leaders took the opportunity to respond to the survey, giving invaluable insight into the challenges and opportunities they expect to face in 2011 and their views on how the local economy compares to the rest of the UK.

## REGIONAL OVERVIEW

Yorkshire folk are renowned for fervent loyalty to their region. No surprise then, that the majority of business leaders here (67%) said they thought Yorkshire remains a good place to do business. But the recession has coloured their view. Last year the figure was a whopping 96%. This year, 30% of businesses in Yorkshire and 29% of businesses in the North West believe that other regions are thriving above their own, whilst an overwhelming 97% of businesses in the West Midlands believe their region is still a good place to do business.

It is not surprising that businesses across all three regions identified the biggest challenge in the next twelve months as being the impact of public sector spending cuts, followed by a lack of private investment and a lack of skilled labour. Yorkshire businesses, along with those from the North West have also expressed concern about an increase in the north/south divide.

Undoubtedly one of the key issues for the Yorkshire economy over the past few months has been the formation of the Local Enterprise Partnerships (LEPs). Yorkshire has been successful in achieving approval for two of the five proposed by the region for the major city regions of Leeds and Sheffield - the former being one of the biggest in the UK. However, the results of the survey show prevailing confusion and a clear call for clarity.

Only 3% of respondents feel they have a clear understanding of the future of Local Economic Partnerships in Yorkshire. A third have some level of understanding but believe that there is still a lot of detail to be filled in, whilst 53% say they have a very limited understanding of the new bodies.

New funding structures, such as the regional growth fund, fared little better in the survey. Only 5% of businesses understand them clearly, while 44% have 'some idea' and 51% have little or no clarity.

Moving on to the private sector, most respondents do not expect to see a marked improvement in bank lending or a rise in the property market. 65% believe that bank lending will remain at similar levels to 2010. Meanwhile, 41% expect to see very little activity in the property sector, while 27% predict that business owners will try to dispose of existing assets to recoup funds.

To drive growth in Yorkshire, respondents from the region stated that the focus should be on transport and infrastructure, followed by improved access to finance and inward investment. Meanwhile, they believe that the business culture could be improved by longer term strategic planning, regional cities working corroboratively and the sharing of ideas amongst business leaders.

## THE ECONOMY

With the recession behind us, there is a consensus of confidence about economic stability in the 12 months ahead. A third are more confident about the economy in 2011 than they were 12 months ago and 43% said they thought the Coalition Government would have a positive impact on the UK economy. But, we've had our fingers burnt so confidence is somewhat guarded. The majority (48%) claim their confidence in the state of the UK economy is about the same as 12 months ago, whilst 51% said they thought conditions would remain the same and 45% said it was too early to tell if the Coalition Government would have a positive impact on the economy.

Almost two thirds of respondents in Yorkshire expect their organisation to be directly effected by cuts to the public sector, but the prevailing sentiment towards these measures is one of stoicism and realism. More than half of business leaders believe that although the reduction in public spending is painful, it is necessary to stabilise the national economy.

“The Leeds and Sheffield City Regions offer a strong and dynamic environment in which businesses can flourish and which have some exceptional commercial talent which must be accessed if the LEPs are to succeed. There exists a real opportunity for business to take the initiative in shaping how the public sector delivers the right support to facilitate jobs growth in the private sector.”

**Stephen Sly, Office Managing Partner for DLA Piper in Sheffield**

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## OPPORTUNITIES AND BARRIERS TO GROWTH

While only 28% of businesses expect an upturn in the economy in 2011, an entrepreneurial spirit is still very much alive in the region. 56% of Yorkshire businesses say they have objectives for the next 12 months relating to targeting new UK markets and 39% plan to develop new products or services for existing markets. Only 22% aim only to maintain the status quo.

When asked which markets will provide the best opportunity for growth, 50% stated regional or local markets, 34% stated national markets and 16% believe there best chances lie in international markets.

A relatively small number of businesses believe that they will need to make redundancies in 2011 (16%), indeed 41% expect to see staff numbers grow. However, almost half of employers anticipate that they will face problems with salaries, following a difficult period in which many industries have found it necessary to impose pay freezes and even pay cuts.

In our mature economy, alongside cuts to public spending, pressure on pricing and greater competition are perceived as the greatest challenge to business growth.

## CONCLUSIONS

The survey has provided an insightful and useful sample of our region's confidence in the local economy. But is the forecast for blissful blue, cloudless skies?

There are those of course who feel the outlook is pretty foggy - that it's too early to tell.

On the other hand, businesses on the whole have demonstrated a positive outlook for 2011. Most are breathing a huge sigh of relief as they expect economic stability and consolidation of 2010's recovery - at the very least. Many businesses in our region have growth agendas. So the future's looking brighter.

However, maintaining stability and bringing growth plans to fruition in 2011, won't be without the odd thundercloud. The impact of the cuts to public spending, pricing pressure, increased competition and of course the big question about the performance of the LEPs, remain to be seen.

A combination of optimism and a desire to succeed, coupled with the acceptance and preparedness for the challenges ahead, makes for an interesting year in 2011.

## **'STATE OF THE REGION' SURVEY METHODOLOGY**

The survey was run online by [www.TheBusinessDesk.com](http://www.TheBusinessDesk.com) throughout December 2010. A link to the survey was mailed to all registered users of TheBusinessDesk.com and responses were encouraged via regular editorial features.

The survey focused on business confidence and covered questions about the UK economy, the region and businesses. Questions were primarily multiple choice with some opportunities to expand using free text to give a balance of quantitative and qualitative data.

- Approximately 500 business leaders completed the Yorkshire survey
- 52% of respondents in Yorkshire were either a business owner, chairman, chief executive, managing director or director
- The majority of responses (67%) came from organisations with a turnover of <£25m
- Professional services firms were the most prolific respondents (35%)
- Other responses were from those in other sectors including; Financial services (13%), Manufacturing (6%), Property (10%), Public Sector (4%), Technology (6%) and other industries including creative, recruitment, leisure, tourism, education and logistics (26%)

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