

# THE GREATER MANCHESTER BUSINESS GROWTH REPORT

Opportunities to unlock SME growth in 2021

## INTRODUCTION

**Unprecedented. A word so chronically overused in the last 12 months, but one that remains the most apt. It is unlikely that there will be another situation like this for generations, disrupting our national and local economy at a level that far exceeds that seen during the 2008 financial crisis.**

Our first annual report into Greater Manchester's business ecosystem is designed to help SMEs and business owners as they continue to adapt, highlighting some of the key trends seen over the last 12 months and offering learnings. Alongside this, we have identified significant areas of opportunity for entrepreneurs to unlock growth as we continue to recover.

As is in our DNA, Greater Manchester has adapted and shown resilience in responding to the challenges of the last 12 months. From innovating product ranges to transforming the foundations of their businesses, entrepreneurs across the region have identified opportunities and implemented enormous change. It is this agility and forward-thinking nature that provides hope for a strong economic recovery.

This is also being supplemented by strong local government leadership. Even before the pandemic Greater Manchester's Combined Authority had put ambitious strategies to drive inclusive growth across the region's businesses. This includes the June 2019 Local Industrial Strategy and the February Digital Blueprint to enhance stronghold sectors, as well as the Zero Carbon Framework designed to create a more sustainable working and living environment.

During the pandemic, the GMCA has taken an active role in providing support. In November, the GMCA became the first local authority to directly offer funding to support the distribution of Bounce Back Loans, pledging £10m to help the region's businesses. Likewise, the organisation provided valuable guidance on approaching international trade through a revised One Year International Strategy.

Building on this outstanding leadership, it is now our responsibility to ensure that the region's companies have the support they require to build on their successes. For those that have seen an uptick in demand, we need to help them manage their growth sustainably, creating the next generation of global business leaders. With the barriers to entry lowered, the world is now more accessible to SMEs than ever before.

Likewise, it is crucial that we provide a safety net to those businesses and individuals that have struggled during this period. From accessing finance to mental health concerns, the last 12 months has taken a toll on many industries, and we need to help them rebuild.

I hope you find our report an interesting and informative read, and I look forward to working more closely with you over the coming year.

Kind regards,



**Janine Smith**  
Head of Specialist Services  
at Business Growth Hub

## SUSTAINABILITY

Environmental considerations have been a growing factor in recent years at both a local and national level. Businesses and individuals are becoming increasingly aware of the environmental impact of their decisions, and are recognising the opportunities that this presents to drive value for both the economy and the environment.

### Driving the zero-carbon agenda

As a city region, Greater Manchester has been at the forefront of driving the zero carbon agenda, setting an ambitious target to be carbon neutral in 2038 – a full 12 years ahead of the national deadline. GMCA's Five Year Plan sets out aims to generate an additional 24 megawatts of power and 10.4 terrawatt hours of low carbon heat, enabling Greater Manchester to take the lion's share of the estimated £230bn market and two million jobs that the low carbon sector will create in the UK by 2030.

According to our 2018 report on the potential of the low carbon sector, Greater Manchester currently generates £6.8bn in sales. This is only second to London, and when considered in proportion to GDP, sees the region outperform European counterparts like Barcelona, Milan and Copenhagen.

Perhaps most surprisingly, the region's low carbon sector is larger than the traditional powerhouses of advanced manufacturing, digital, life sciences and textiles combined.

The 2038 target also presents a considerable opportunity for the sector to flourish for the foreseeable future. To achieve it, at least 61,000 homes will need to be retrofitted with energy efficient technology every year, providing the potential to support over 13,000 additional jobs in the city region (GMCA). As well as upgrading existing buildings, focusing on zero carbon, modular construction methods for new housing could create thousands more.



#### A VIEW FROM THE MARKET

**Mark Atherton**  
Environment Director at GMCA

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By achieving our 2038 carbon neutral deadline, we see an enormous opportunity for Greater Manchester to take the national lead when it comes to the low carbon sector, which we hope will result in financial prosperity and job creation across the region.

However, to deliver this, we recognise that existing technologies and business models are insufficient. We need to rethink how we operate across all sectors, and give businesses the confidence to invest in developing and upskilling their workforce, as well as innovate their products and services.

We want our public sector to adopt a leadership role in the low carbon transition, to help stimulate the local market and give that confidence to our firms – particularly in these uncertain times.

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**GM's low carbon sector is larger than Advanced Manufacturing, Digital, Life Sciences and Textiles combined**

(GC Business Growth Hub Report 2018)

#### 2018 GC BUSINESS GROWTH HUB REPORT



**2,400**  
LOW CARBON SECTOR COMPANIES IN GM



**45,100**  
PEOPLE EMPLOYED

## A chance to Build Back Better

While there are few positives that can be taken from the COVID-19 pandemic, the environmental benefits seen as a result of government restrictions cannot be ignored. In the first month of lockdown, research from the BBC Shared Data Unit revealed a 40% reduction in air pollution. With a similar impact on the quality of water in the region, maintaining this must be a priority. This is a view shared by the general public, with a 2020 YouGov survey showing that just 9% of Brits wanted to return to life as it was before COVID-19.

This has also changed the mindset of many entrepreneurs. We have all had to recognise the fact that climate change and global pandemics present a real and recurring threat to our way of life, and so, business decisions should be made that not only have a positive impact on the economy, but on the environment as well.

For those in the low carbon sector already, this presents a huge and obvious opportunity to drive growth as eco-adoption increases, but we also expect to see the emergence of innovative companies looking to capitalise on this rising trend.

## Myth busting

Despite momentum building around the low carbon agenda, there remains a misunderstanding around the value of implementing initiatives, which has seen them become de-prioritised in the boardroom. This is especially true for SME business owners, who often find themselves focused primarily on day-to-day operations and are therefore unable to consider structural changes.

When it comes to making these changes, a common myth is that sustainability is expensive to implement, and costly to maintain. This is simply not true. For most initiatives, the initial financial or time investment will reduce operating costs and continue to deliver year-on-year savings, providing a more efficient structure.

Even when a company recognises the value, they often adopt an incoherent and inconsistent sustainability strategy, with ownership of energy or materials

often sitting with multiple people. And with no set timeframe to implement these changes, they simply get buried by the urgent jobs that come in each day.

However, the setting of the 2038 zero carbon deadline by the Greater Manchester Combined Authority should be taken seriously, especially as local councils are starting to prioritise environmental or social impact factors in their tenders. For example, a number of Greater Manchester councils now place 15% weighting on social value for all of their tender processes.

Given the rise in focus and opportunity presented by the lockdown period, we expect to see a growing number of businesses prioritise the implementation of green technology over the next 12 months. With times lean and margins squeezed, companies would be wise to take advantage of reducing operating costs, saving money and minimising environmental impact.



**£6.8BN IN LOW CARBON SECTOR SALES – 2ND HIGHEST IN ENGLAND**  
**OUTPERFORMING BARCELONA, MILAN AND COPENHAGEN ON LOW CARBON SALES IN PROPORTION TO GDP**  
 (GC BUSINESS GROWTH HUB REPORT 2018)



**Amy House**

Low Carbon Lead at GC Business Growth Hub

**“While there is still some way to go, it is positive to see that businesses are focussing more of their efforts on sustainability. This is an opportunity for large businesses to not only lead by example and utilise the power of their brands to make a difference, but also to embed, support and educate their own supply chains.”**

## Controlling your supply

Getting their own houses in order will be the first step for most businesses, but the long-term opportunity to get ahead is within the supply chain. Historically, the quest to source products and materials at the lowest possible price has led to longer and more complex supply chains, often resulting in a lack of transparency and an over-reliance on specific regions or suppliers.

However, a lower financial cost often creates a higher environmental impact. To control financial and environmental inefficiencies, it is crucial that companies take economic, environmental and social factors into account in procurement decisions – known as the ‘triple bottom line’.

Evidence is starting to build that those that have actively engaged with their supply chains to understand the environmental impacts have consequently built up a very good understanding of the risks and opportunities of their business. This science-based approach has also enabled them to use data to put in place measures that mitigate risk quickly, making them more resilient in times of crisis.

This high quality data is also beneficial when it comes to driving new business. Customers are now placing greater weight on ensuring suppliers fully understand the environmental impact of their supply chains. As a result, recorded measurements that reinforce any claims provide a strong argument when it comes to helping customers’ buying decisions.

Alongside this, we expect to see a trend in businesses shortening their supply chains, ensuring that they retain greater transparency and control over the environmental impact of production. Many will also look to diversify their supply chains and drive inclusive local growth by onshoring production, having seen a dramatic impact on long and international supply as a result of COVID-19.

Supply chain sustainability has already made it onto the agenda of larger companies, and we expect to see a significant trickle-down effect as a result. In the medium term, SMEs may even be forced to adapt their operations to become more environmentally friendly in order to retain contracts.

### CASE STUDY

# HOME

**HOME, a celebrated centre for art, theatre and film in Manchester, worked with specialist advisers from GC Business Growth Hub to improve sustainability in its supply chain.**

With the aim of ensuring that suppliers match the sustainable values of HOME, the business has developed a sustainable procurement questionnaire which could be used to assess potential and existing suppliers.

Debbie Bell, building and environmental manager at HOME, said: “To remain a leader in sustainability, we need to be an ambassador to those not only in our first sphere of influence, but outside of it too. The support we have received from GC Business Growth Hub has helped us make significant and timely progress on this front.”



**Debbie Bell**  
Building and Environmental  
Manager at HOME



**SALES IN GM LOW CARBON SECTOR GREW BY 24% BETWEEN 2011/12 AND 2015/16**  
(GC BUSINESS GROWTH HUB REPORT 2018)



## Understand the impact of government policy

Limiting the impact on the environment has become a key issue of focus for government at all levels. From a national perspective, we have seen the government turn its attention towards energy efficiency in buildings. In line with its target of removing all gas boilers from new homes by 2025, it launched the Green Homes Grant in August for vouchers up to £10,000, designed to cover the cost of making energy efficient improvements in residential properties.

The regular government interventions in the low carbon sector presents businesses with an opportunity to capitalise on rising trends. For example, the Clean Air Act is set to force companies and individuals to pay a charge in designated 'clean air zones' based on the emissions of the vehicle they are driving. Electric cars will be exempt from this charge, while some heavy goods vehicles will incur significant costs.

As a result, businesses in the haulage and logistics companies have an opportunity to electrify their fleet and gain a competitive advantage in their market. According to research from Direct Line, the cost of an electric vehicle is already 3% cheaper as an annual cost (£3,751 on average) than the petrol alternative (£3,858) and is set to become cheaper still as numbers in production rise.

However, it is important to understand how government focus may be shifting in the future. Aligning too closely with a specific policy can have significant risks, and a legislation change can have a direct knock on effect on sales. This was seen previously with solar panels, with the removal of subsidies in April 2019 resulting in a 94% drop in installations in the following month. Fortunately, the sector has since rebounded, with The International Energy Agency describing solar as the 'new king of the power sector', and its pipeline predicted to be three times that of 2020.

As the 2nd largest low carbon cluster of companies in the UK, Greater Manchester has a strong balance of different industries focusing on low carbon initiatives. However, in addition to the GMCA commitment to being carbon neutral by 2038, we are expecting to see focus shift onto two key areas over the next 12 months. Firstly, ensuring that both the commercial and domestic sectors are adopting energy efficient practices so new technology can be implemented, and secondly, considering the best way to generate energy locally and become self-sufficient.

## Reacting to changing perceptions

Attitudes towards social and environmental factors have changed dramatically in recent years – something that has only been accelerated by the COVID-19 pandemic. Given the pace of change in the last 12 months, people have developed a greater tolerance for more, providing us with the ideal opportunity to mitigate the threat of climate change.

As the general public have become more aware of these issues, additional pressure has also been placed on consumer-facing businesses to ensure that they are operating in a sustainable and ethical manner. Retail is an excellent example of this, with consumer pressures forcing businesses to introduce initiatives around biodegradable packaging and fair-trade sourcing.

Public perception will continue to be a huge driving factor in the short term across Greater Manchester, especially as a result of the COVID-19 pandemic. For example, having seen a dramatic reduction in air pollution across Greater Manchester during the initial lockdown period between March and June, the public reputation of any business using excessive carbon emissions is expected to significantly decline over the next 12 months.

Alongside this, public perception is also having a knock-on effect on the way businesses look at social and environmental issues in their supply chains. Driven by both concerns of consumer repercussions and government incentives, many buyers are now specifying a minimum criteria on social impact and environmental factors when it comes to the businesses they work with to source products.

At a larger corporate level, we are seeing a number of businesses prioritise the creation of a 'circular economy' when it comes to their supply chains.

With strong proponents of this system including Unilever and IKEA, a lack of sustainability could also have damaging effects on SME suppliers to larger companies. As a result, we expect to see a greater number of businesses respond to this growing demand by innovating their business models to become more sustainable in the coming months and years.



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**Get in touch to find out more about how GC Business Growth Hub can help you maximise your growth potential.**

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