



Changing perceptions

The North East has some of the qualities needed to compete at a wider level, but lacks confidence and ambition. *Insider* gathered some of the region's top professionals to discuss growing the North East economy

ATTENDEES

PAUL KAISER

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MARTIN HULLS

Ward Hadaway

How are North East companies doing at the moment? Is there an appetite to grow?

Paul Kaiser The North East is an interesting and mature market, but it is a market that has measured ambition. The intellectual capabilities of the educational establishments in the region are good – the challenge is retaining that capability, which migrates away very quickly. The North East still hankers over the old

days when there were large industrial employers and everyone could have a job. The entrepreneurial spirit is better than it was but it doesn't measure up to Yorkshire and the North West. In the UK generally there is plenty of funding for businesses that present good investment opportunities.

Andrew Mitchell I came to the region about seven years ago and started in early stage venture activity, which has been very much supply and push from a cash perspective rather than demand-pull. It was a quite deliberate experiment with public money to try and stimulate entrepreneurial activity, but to do so in a way that has commercial rigor.

I've been pleasantly surprised by the extent to which quality has not had to be compromised as much as I thought. I think there is more preparedness to get involved in new business ventures than there was when I first came here. The reason

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graduates get sucked down into other regions is because the supply of professional jobs in the region is pretty limited. If you do want to stay, one of the main options is to start your own business.

Jonathan Hurford It's an interesting point, there is a migration of skills and it almost undermines the region's ability to build and sustain an environment for growth.

Kaiser My understanding is that one of the issues is identifying sufficient opportunities to invest.

Mitchell Yes I think that has been an issue. Inevitably, because of the supply-push model, you probably end up being slightly less precious about the criteria you would use if you had the same amount of money but with no regional restrictions. One of the problems is that it's great from an investor perspective, but if all the money is invested in Cambridge and London it isn't very good from a regional perspective. Public money

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for good, or for bad, comes with policy purpose.

What are the barriers for growth here?

Martin Hulls Because we haven't necessarily got the wealth of large corporates here, many of the people starting businesses aren't experienced senior managers so I think it will take them a bit longer to grow their businesses substantially. Whereas I think new business start-ups in Yorkshire and the North West may be a bit more investor ready because of the more varied backgrounds that they have. That is one of the strange quirks that we see in this region, and I think because of this, ambition to grow substantially can be limited here.

Mauro Biagioni We see that time and time again. From my personal experience as a fund manager dealing with investments of between £2m and £10m. I look to take those businesses forward, maybe they are worth £5m to £10m and could grow to £30m or £50m. The number of management teams that approach me in the North East, compared with other regions in the UK, is significantly less.

In this region, probably more than other regions, there is a lot of family owned businesses, and there is a fear about taking on private investment to grow. Together I think we need to change this perception for the good of the region so we can help more businesses in the North East reach their full potential.



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Paul Kaiser



COPPOCK



HURFORD AND BIAGIONI

Hurford I agree, I think there is almost a lifestyle concept where £5m to £10m is enough for businesses here to sell. Then they move on, disappear and don't reinvest that money into the local economy.

Kaiser It's to do with aspirational ambition as well. The reality is that you don't need to earn a lot of money to have a good lifestyle here. Is that an issue in forming aspirations?

David Coppock To add an international perspective, if you look at Germany, you get the small of the smaller businesses that are driven to become medium-sized businesses. I'm interested in the comment that people here jettison when they reach a reasonable size. Maybe it is due to risk.

Kaiser Yes, it is partially due to risk, but there are a lot of other factors. Maybe it is to do with self belief.

But the country is exporting more as a whole, are we getting there?

Coppock Twenty-five per cent of Germany's small to medium-sized enterprises trade internationally, whereas in the UK it's 20 per cent. That 5 per cent gap is an enormous drag on the economy. However, in the North East at the end of June we reported our highest level of exporting ever in the region. The automotive

and chemicals industries are important here, but I think the region is also diversifying. There is an up-tick of activity but it's perhaps not fast enough.

Hulls A lot of the small, ambitious engineering companies that I deal with are more interested in going overseas than they are about going into the rest of the UK. There are pockets of activity, there just isn't enough of it to make an impact on the economy.

Are you seeing many businesses and people relocating to the North East?

Mitchell One of the supply issues that we have is in attracting people here. It's very hard because of the professional risk. The main factor for a professional is that if they move their family up here and a year later things haven't gone according to plan, there's nowhere else to go. We need to grow scale in the sectors so that we have a few companies in each sector. That way we should be able to attract more people here.

Kaiser And I think we struggle to keep students within the region once they have finished university too; they finish and head straight to the South East to get the best career opportunities.



HULLS