Driving up firm level productivity

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July 2019

The gap, the puzzle and the tail

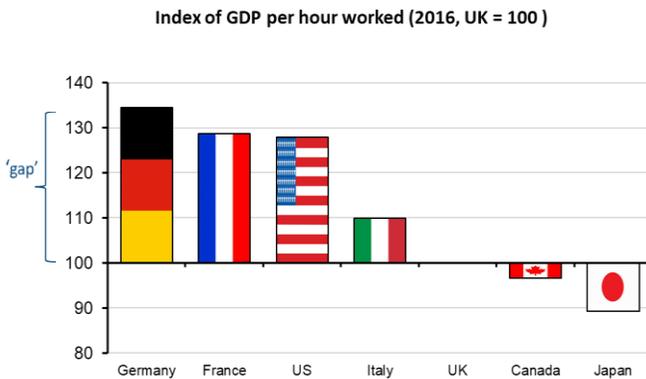**Chart 1: The UK's productivity gap with G7 nations**

Index of GDP per hour worked (2016, UK = 100)

Chart 2: The UK's productivity puzzle

Index of GDP per hour worked
Actual and pre-crisis trend (2007 Q4 = 100)

'puzzle'

Chart 3: The UK's productivity long tail

UK Firm Productivity

Bottom 10%
2.0

Median = 27.0

Mean = 47.8

Top 10%
>94.7

Labour Productivity (£000's per worker)

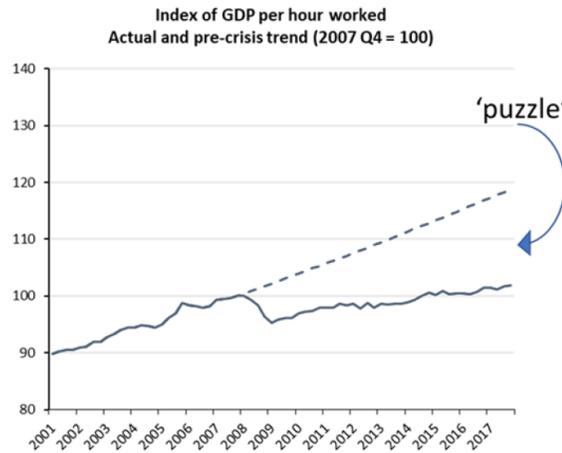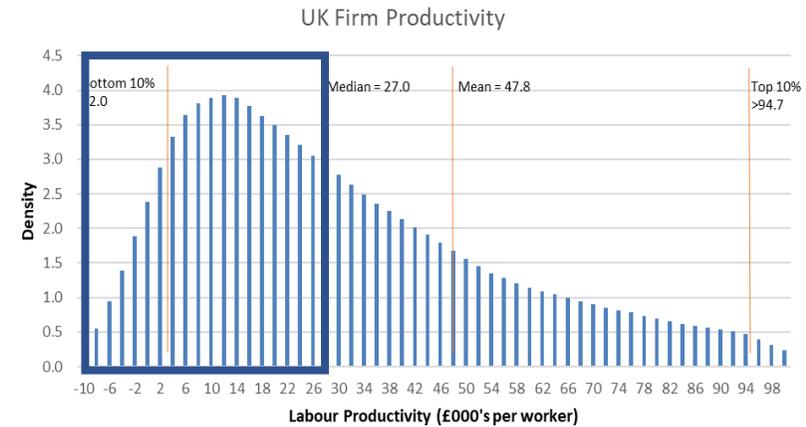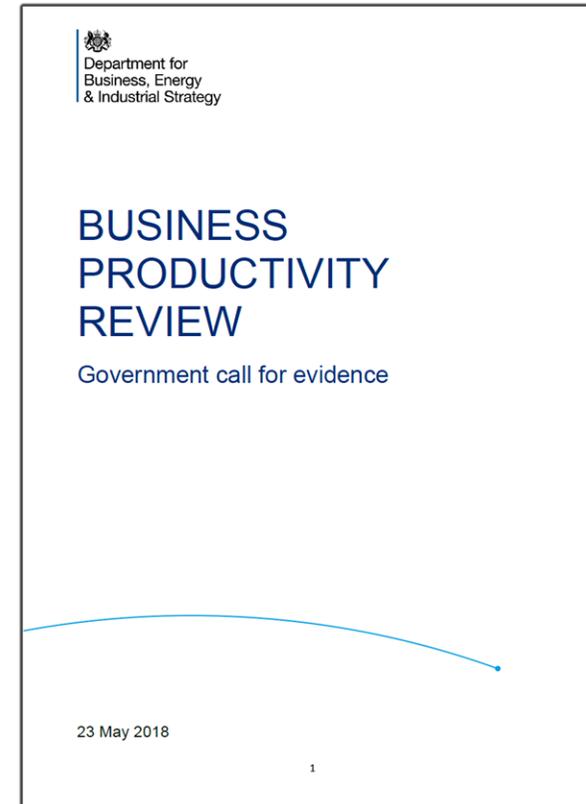# Business Productivity Review

The **Business Productivity Review (BPR)** was launched through the Industrial strategy to:

- expand Government's evidence base on **firm-level factors** impacting upon productivity

- Explore what can be done to drive up productivity in the long tail

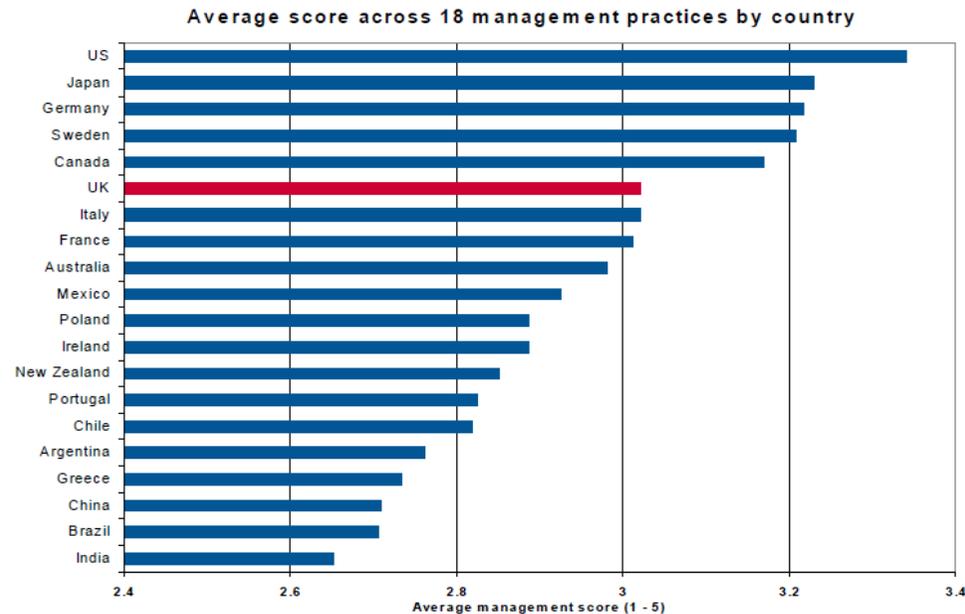- See our call for evidence for full details

What do high productivity business do?

- Aware of their own and relative performance
- Regularly review their performance and practices
- Have structured management practices in place (monitoring, incentives, targets)
- Form part of a peer-to-peer network
- Have effective relationships with their supply chain
- Utilise a wide range of external advice and support, particularly strategic advice
- Utilise technologies to improve their services
- Analyse data associated with their business
- Have a clear vision for the business and an up-to-date business plan
- Have higher levels of employee engagement and job satisfaction
- Have more highly skilled managers and staff
- Provide training to improve the skills of managers and staff; adopt new technology and utilise digital tools to improve efficiency
- Take part in behaviours associated with growth (e.g. export, innovation, strategic decision-making)

- Better management practices have been identified to deliver significant productivity improvements.

- SMEs that use formal management practices have **higher productivity** then those that do not.

- Good management is seen as a key facilitator for many other productivity-enhancing practices.

- ICT adopted with better management practices has been found to achieve **20% productivity improvements**, yet we only see **2% with poor practices.**

The UK is Falling Behind on Management Practices

The UK currently ranks **6th globally**, but **5th amongst the G7 members**

Average score across 18 management practices by country

The Benefits of Technology Adoption

- **A wide range of digital technologies** are now available from basic information and communication technology to specialist business management programmes, all of which could help businesses improve their performance and productivity.

- Analysis by the Enterprise Research Centre has shown that **the adoption of tried and tested technologies can have significant productivity improvements**.

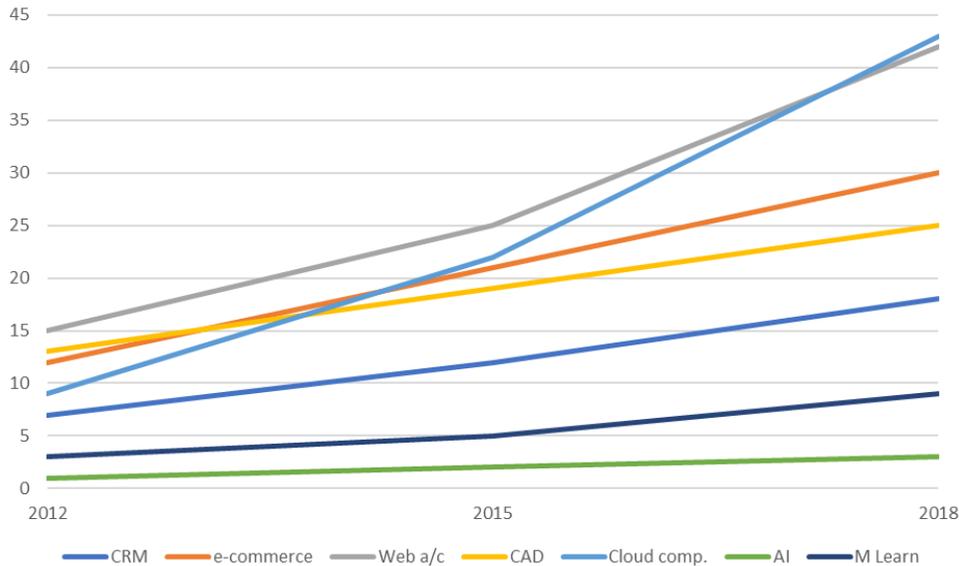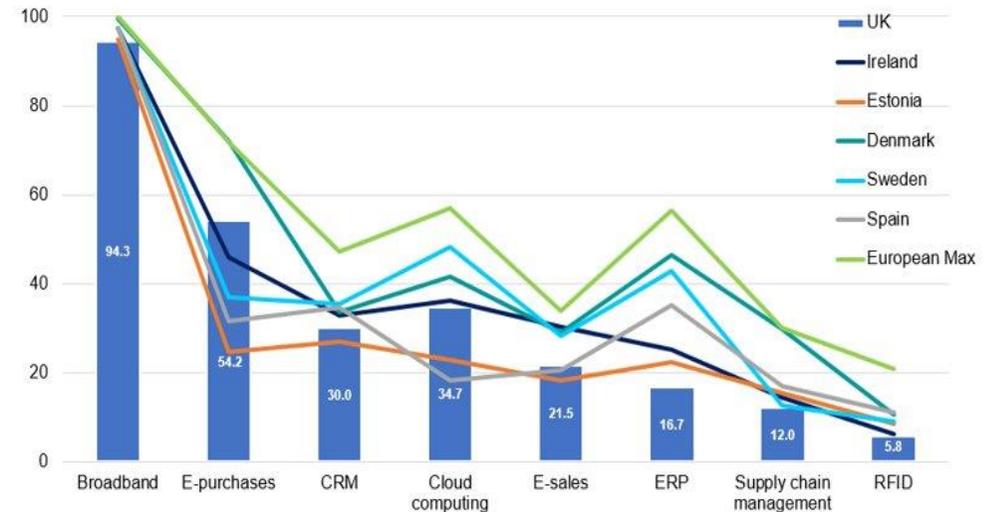| Cloud Computing	Web-based Accounting Software	Computer Aided Design	Customer Relations Management	E-Commerce
↑ **13.5%**	↑ **11.8%**	↑ **7.1%**	↑ **18.4%**	↑ **7.5%**

[1] Data sourced from Enterprise Research Centre, State of Small Business Britain (2018)

UK Business has Potential to Adopt More Technology

Chart 1: Adoption rates of various technologies in microbusinesses over time (%)[1]

Chart 2: Penetration of digital technologies within select European economies (2017) [2]

[1] Data sourced from Enterprise Research Centre, State of Small Business Britain (2018)
[2] OECD, Science, Innovation and Technology Scoreboard (2017)

Utilising Business Support

Impact of business support on probability of a firm experiencing high turnover growth

Business support

Probability of high turnover growth increases by 14%

Percentage of SMEs seeking formal business support

2010 = 46%

- 17 percentage points

2017 = 29%

Business Support and Advice

- There are a number of ways **Government provides advice and guidance to help you grow your business:**

    - Contact the Business Support Helpline
    - Get in touch with your local Growth Hub
    - Go on Be the Business website

Thank you.
Any Questions?