

Support for green goods businesses

The green economy is now estimated to be worth at least £128 billion in the UK, eight per cent of GDP. An important part of this sector is green goods companies - manufacturing products that have environmental or natural resource benefits, from renewable energy systems to environmentally efficient building technologies.

UK companies in the green goods sector are already major exporters, and there is potential for further growth that can boost UK manufacturing as well as help to address global carbon reduction goals.

Innovative green goods technologies are often first developed by new start-up companies – but these firms frequently face challenges in scaling up. To encourage growth in small green goods firms, it is crucial to identify the most effective business models and policy support mechanisms.

Professor Philip Shapira and colleagues at the Manchester Business School, along with teams from the Beijing Institute of Technology and the Georgia Institute of Technology, have investigated how business strategies, regional linkages and policies influence the growth of green goods manufacturing SMEs (small and medium-sized enterprises) in the UK, China and the US.

The teams collected data on 300 green goods enterprises in each country. Leading-edge web-mining techniques were used to gather insights about the business models, products and external relationships. The project also drew on field interviews and other structured databases.

UK firms reported more R&D activities online than conventional data sources would have revealed, at levels comparable to the US firms. Although UK firms reported more publications than their US and Chinese counterparts, they developed fewer patents.

Key findings

- Innovative green-goods SMEs are found throughout the UK, contributing to regional rebalancing.
- Growth is influenced by SMEs' ability to connect with universities, technology centres, government resources and private sector funding. Exporting, new business models and agile pivoting into growth sectors are also associated with growth.
- Variations in business sector performance highlight the influence of UK policy. SMEs in renewable energy equipment have seen relatively strong overall sales and job growth over the last decade, but performance has been weaker in green building technologies. Policy measures have encouraged offshore wind energy generation, but provided less support for other low-carbon sectors such as energy-efficient housing.
- Green goods manufacturing SMEs in the UK are still struggling to access early-stage finance for innovation and scale-up phases - particularly in sectors with greater technological risk and high capital intensity.

Policy relevance and implications

- UK innovation support is perceived by firms in the study as fragmented. There is a need for a greater alignment of policies, regulation and funding schemes.
- Long-term frameworks for skills, financing, and technology and business support are important support mechanisms for agile business performance.
- Funding schemes lack long-term stability and predictability, compared with other countries. Available funding is largely short-term and insufficiently promoted.
- In the transition from Regional Development Agencies to Local Enterprise Partnerships there is a 'missing middle' in industrial and innovation support - between national and local levels. Expertise on a regional level needs to be regained in key green-goods sectors and supply chains.

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BRIEF DESCRIPTION OF THE PROJECT

The ESRC-funded research project Sustaining Growth for Innovative New Enterprises, led by Professor Philip Shapira, has explored the growth strategies of innovative small and medium-size enterprises - focusing on emerging green goods industries and the effect of business strategies, regional linkages and policies.

Web: <http://gtr.rcuk.ac.uk/project/03980327-2D41-40DE-ABA4-805AE5305ACA>

FOR MORE INFORMATION

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