



The iSPER Brexit Series

PAPER VIII:

Enterprise education and practice in uncharted waters

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ABOUT THE iSPER BREXIT SERIES

Since the British public voted to leave the European Union, there has been widespread conjecture as governments across Europe and beyond try to assess the political and social ramifications of the result. There is no question that Brexit has the potential to impact on all aspects of our day-to-day lives, from education to the economy, health and housing, trade and travel, and much more besides.

As such, policy makers face a number of challenges in light of the increased responsibility placed on them – as areas of legislation previously under EU competence may soon be decided nationally – at the same time as preserving our global position, links and security.

In a new project led by the Institute for Social, Policy and Enterprise Research (iSPER) at the University of Plymouth, leading academics across a range of fields will attempt to shed light on how the referendum result might affect their areas of expertise.

If you would like any more information about The iSPER Brexit Series, or any of the academics involved, please email isper@plymouth.ac.uk

ABOUT THE INSTITUTE FOR SOCIAL, POLICY AND ENTERPRISE RESEARCH (iSPER)

iSPER has been established to promote interdisciplinary research and develop external collaboration in the areas of social research, policy development and business.

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1. Summary

The implications of Brexit will depend to a significant extent on the nature of post-Brexit agreements when they occur. However, regardless of Brexit, SMEs will remain the backbone of our economy, a channel for more equitable wealth distribution, and a significant source of job creation. To this extent, we must ensure European Union (EU) funding for SMEs and access to Structural Funds is maintained at least until 2020, when the funding period ends. We must also ensure that, via enterprise education, our young people are equipped with the necessary entrepreneurial drive and skills to see the economy grow and prosper, to the benefit of all in society. Brexit must not result in the reversion to a parochial mindset; we need to ensure our young people develop as global citizens and are globally-minded.

2. Purpose of Paper

The outcome of the referendum triggered the entry of the UK economy into uncharted waters. However, with the political and economic climates becoming more challenging, in Europe, the UK, and globally, enterprise education will continue to be prioritised as it stimulates economic growth and contributes to political stability. This paper therefore outlines the challenges for enterprise education in the UK post Brexit. It maintains that collaboration and knowledge exchange between European and British enterprise research, practice and education is crucial, in order to create entrepreneurial mechanisms that foster global collaborations embracing our European neighbours in innovative ways. The paper concludes with some recommendations for addressing this challenge and opportunity.

3. European Structural Funds and UK Enterprise Education Programmes

The result of the Brexit referendum has struck at the heart of the debate on the EU Structural Funds, with the future of these funding mechanisms shrouded in uncertainty. For the poor regions of the UK, projects funded by the EU Structural Funds have represented a secure path for regional economic development.

There is no doubt that EU Structural Funds have financed thousands of projects in the UK, acting as essential catalysts for economic development and creating a flourishing environment for enterprises. In the UK, 1537 developmental projects were funded by the European Regional Development Fund (ERDF) during the period 2007-2013. Moreover, approximately €16.4 billion has been allocated for developmental actions to take place in the UK between 2014-2020.

In the UK, these strategic programmes have been enacted alongside the enterprise support for young people which has stretched over more than five decades. Indeed, in 2011 the Department for Business, Innovation and Skills (BIS) stated that one of its primary strategic aims was to make the UK one of the best places in Europe to start, finance and grow an enterprise.

The emphasis on enterprise skills was further evidenced in the 2011 White Paper *Students at the Heart of the System* wherein it was suggested the development of enterprise skills is one of the UK Government's main policies. The promotion of enterprise education for the purpose of stimulating economic growth has likewise been adopted by the EU, for example in the European Commission's *Entrepreneurship Action Plan 2020*.

4. Brexit Challenges For UK Enterprise Education Programmes

Following Brexit, the challenges impacting enterprise education and practice in the UK, include:

- Cross-country collaboration with EU partners will become difficult (e.g. access to funding, and possible reluctance of EU partners to work with UK colleagues and vice versa due to more complex arrangements). All else being equal, the number of EU enterprise education initiatives where UK partners are involved is likely to decrease.
- Brexit may result in fewer exchanges of staff and students as ERASMUS programmes become inaccessible for UK institutions. This can hamper the exchange of knowledge in many areas including enterprise start up, development, and the growth process.
- Brexit will likely curtail the annual £1 billion of research funding to the UK impacting upon the quality of enterprise research undertaken here. It remains unclear as to whether or not the UK Government will replace these research funds.
- Attracting EU academics and educators will become difficult. Universities UK which represents the views of 133 universities in England, Wales, Scotland and Ireland notes that 14% of academic staff in the UK come from other EU nations. Universities UK claimed that; "While no-one is suggesting that UK universities could not survive outside the EU, leaving would mean cutting ourselves off from unique support and established networks and would undermine the UK's position as a global leader in science, arts and innovation."
- Fewer entrepreneurial and other EU nationals studying in the UK as tuition fees increase for them. More generally the UK could become a less desirable place to study due to unfavourable attitudes towards the UK, especially if the UK is seen as hostile to foreigners.
- The European Commission has proposed a European Entrepreneurship Competence Framework presenting 15 competences along an 8-level progression model and proposing a comprehensive list of 442 learning outcomes. Post Brexit UK educators may feel less inclined to align with these European guidelines.

5. Brexit, EU Structural Funds and UK Enterprise

These challenges, coupled with an absence of the EU Structural Funds will likely inflict severe funding cuts for local governments. Cornwall and the Isles of Scilly for example, have the lowest per-capita income in the UK, at less than 75% of the EU average; because of this, enterprise has been supported through various developmental actions and projects there.

Project *Investment in Cornwall*, which aimed to boost investments and enterprise in the region, was co-funded by the ERDF to the tune of £1,698,285, while the public match was £424,571.

The Outset Cornwall project supported new businesses in the region and was funded by three parties - ERDF: £3,360,000, Public match: £200,000, and Private match: £640,000. Subsequently, 516 new enterprises were created by this project. The allocated total budget from the ERDF and the European Social Fund (ESF) for the Cornwall and Isles of Scilly Growth Programme is €603,706,864.

It is clear that the outcomes of the Structural Funds' support in relation to enterprise are spread across all UK regions; in Scotland, 17,474 new businesses were launched and 44,311 employment opportunities were offered. In addition, enterprises were benefitting in various ways from other funding priorities, such as *Information & Communication Technologies*, *Low-Carbon Economy*, and *Research & Innovation*.

Figure 1 below presents the enterprise beneficiary target for 2014-2020 for all funding priorities. Approximately 206,747 UK enterprises were to be supported during the period 2014-2020. Towards a more sophisticated approach in supporting enterprise through Structural Funds, the UK government allocated €6.5 billion from all the funding priorities to the Local Enterprise Partnerships.

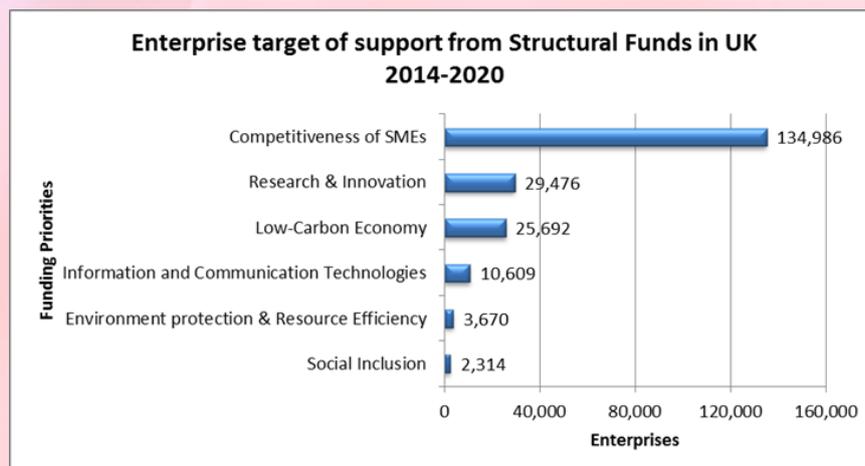


Figure 1: Expected achievements (targets) of enterprise creation in the UK for the period 2014-2020

Source: EU Cohesion Data, 2016

With regards to the EU Structural Funds for the UK's small and medium-sized enterprises (SMEs), the *Competitiveness of SMEs* is the highest funding priority as over

€2.4 billion were allocated for enhancing the competitiveness of SMEs in the UK and so creating an added value for the UK economy.

The benefits of the Structural Funds for the enterprises involved should not be measured in terms of cash-flow since the outcomes of some of the funding priorities, such as the *Research and Innovation* priority, provide long-term value to society and the economy. Three Innovation Centres in Cornwall, funded from the Structural Funds, have created a synergy and partnership between academia, local authorities, and entrepreneurs which has led to the reanimation of local areas and the creation of innovation-driven enterprises.

The data paint an impressive picture, with average enterprise growth for the 112 enterprises standing at 35.25%, while over 210 new jobs have thus far been created. In addition, the interaction between academia and enterprises was strengthened during the period spanning 2007-2013 by ERDF projects like *Postgraduate Placements in Local SMEs* in Nottingham to *Improving SME Performance through Graduate Apprentices* in Newcastle.

6. Structural Funds, SMEs and Exports

It is widely acknowledged that exporting enhances the global economy through economic growth and competitiveness. Indeed, the productivity, innovation and performance of exporters are more effective than those of non-exporters.

However, barriers to exporting hamper firm internationalisation, particularly for SMEs that are likely to lack both internal and external resources. Since 2007, the EU Structural Funds policy has been articulated around SMEs with competitiveness and convergence shaping regional development strategy through a range of interventionist programmes.

The UK has been a recipient of funds dedicated to such ends. Operating under the former Department for Business Innovation and Skills, (BIS) UK Trade and Investment (UKTI) was essentially dedicated to providing support and advice to SMEs seeking to grow internationally (BIS, 2008).

Indeed, between 2007-2013, the ERDF injected £2.5 million into a project aimed at enhancing global competitiveness and assisting the internationalisation of East Midlands SMEs. Moreover, during the same period, the resource absorbance of the West Midlands SME Internationalisation project was over £2.8 million.

Nevertheless, the performance has been patchy across sectors, with the automotive and defence, media and entertainment, and pharmaceuticals sectors topping the list whilst food and drink, textiles and consumer products constantly lagged behind. The latest figures set the trade deficit (EU and non-EU) at GBP15.3 billion, as shown in Figure 2.

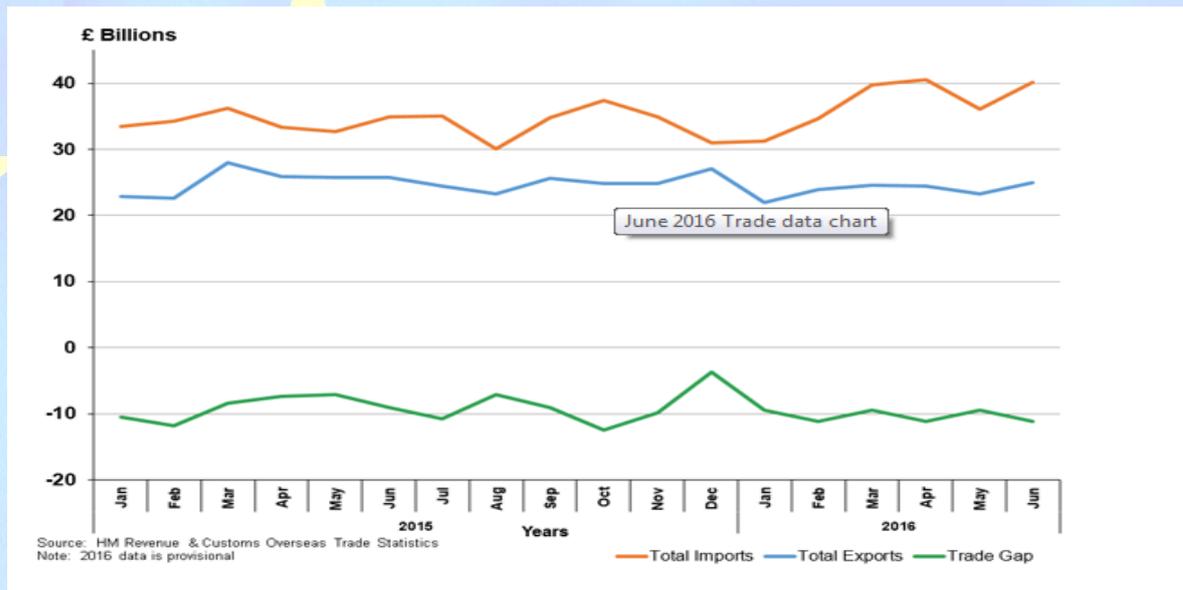


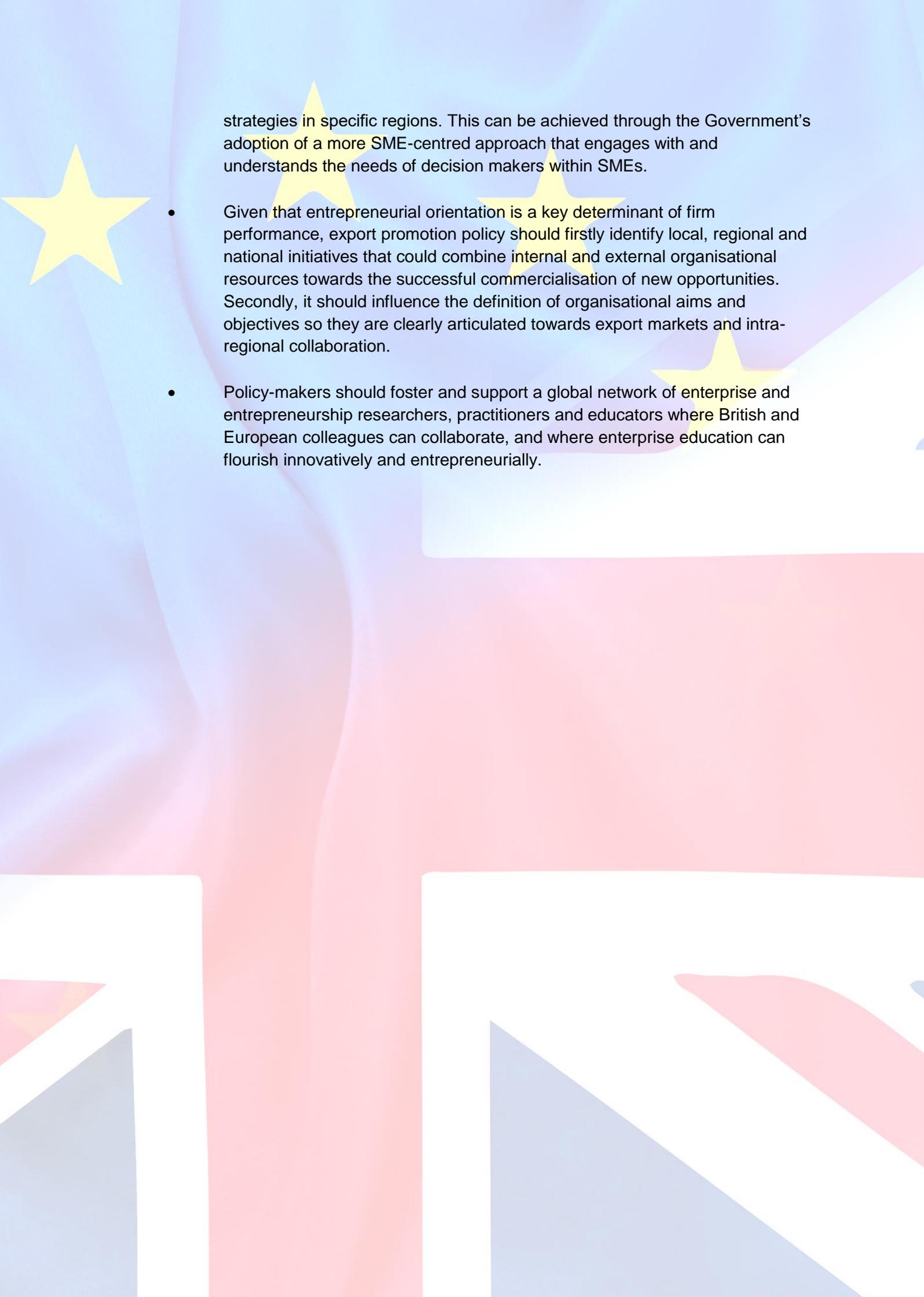
Figure 2: UK Overseas Trade Statistics, June 2016
 Source: HMRC, 09 August, 2016

Following the Conservative cabinet reshuffle resulting from the Brexit referendum, the Department for International Trade has replaced the UKTI, with the core mission to drive the government’s policy of increasing the number of exporters and inward investors to the UK. With the anticipation of leaving the EU and potentially having limited access to its main export market, the UK faces some significant challenges for policy making in relation to SME internationalisation.

The global landscape characterised by information technology, consumer awareness, cheap and available communication for goods, services and people has shifted the competition from organisation to supply chain. Post Brexit, the success of UK SMEs’ internationalisation will be determined by agility to integrate competitive supply chains, and to adapt organisational factors to this evolving context.

7. Recommendations

- It is certainly crucial to boost and maintain the competitiveness of UK SMEs in the post-Brexit period, and not suffer from a funding hiatus due to the possible absence of EU Structural Funds. Indeed, as indicated by the HMRC regional trade statistics, as far as trade in goods is concerned, UK regions present a deficit. Consequently, a loss of competitiveness among SMEs will exacerbate difficulties related to trade in goods in regions with large deficit problems, and such a loss in competitiveness could also dissipate the small surpluses enjoyed by other regions. **As such, we ought to secure the 2014-2020 EU funding for SMEs, and ensure access to the Structural Funds at least until 2020 when the funding period ends.**
- Policy instruments promoting exports need to address factors such as demographics, attitudes and behaviours in a way that can transform export



strategies in specific regions. This can be achieved through the Government's adoption of a more SME-centred approach that engages with and understands the needs of decision makers within SMEs.

- Given that entrepreneurial orientation is a key determinant of firm performance, export promotion policy should firstly identify local, regional and national initiatives that could combine internal and external organisational resources towards the successful commercialisation of new opportunities. Secondly, it should influence the definition of organisational aims and objectives so they are clearly articulated towards export markets and intra-regional collaboration.
- Policy-makers should foster and support a global network of enterprise and entrepreneurship researchers, practitioners and educators where British and European colleagues can collaborate, and where enterprise education can flourish innovatively and entrepreneurially.

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Dr Nikolaos Apostolopoulos is a Lecturer in Entrepreneurship and Programme Leader for the MSc Entrepreneurship and MSc Entrepreneurship and International Development. He is a researcher at the Responsible Entrepreneurship and Social Innovation research group of the Plymouth Business School. He holds a PhD with distinction in entrepreneurship and regional sustainable development in the European Union. He acts as scientific adviser at the Labour Institute (INE-GSEE) in Greece and adviser in entrepreneurship and employability at the rehabilitation centre, "Amaltheia".

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