

# **Economic Assessment of Northumberland 2008**

**Developing the Scenarios Workshop, 2 May 2008  
Outcomes Report**



**Northumberland**  
Strategic Partnership



## Introduction

In order to continue the debate as to the scope and approach to be adopted in preparing an Economic Assessment of Northumberland 2008, a “Scoping” workshop was held in May 2008. The session was attended by around 24 key stakeholders with a direct interest in helping to shape economic prosperity in the county – collectively (the list of attendees is reproduced at Appendix 1) they represented a reasonable cross-section of interests.

The workshop outlined the context and intended approach for the economic assessment before focusing discussion as to the potential future scenarios.

## Context

Janice Rose, the Acting Executive Director of Northumberland Strategic Partnership, gave a brief overview of those elements of the current Government consultation paper – *Prosperous places: taking forward the sub-National Review of Economic Development and Regeneration* – of relevance to the proposed statutory duty for local authorities to undertake an assessment of the local economic conditions.

<http://www.northumberlandinfolnet.org.uk/EconomicAssessment/documents/Inserts/TakingForwardSubNationalReviewOfEcoDevAndRegen.pdf>

## Approach

Phil Hanmer, the Manager of Northumberland Information Network, outlined the approach being taken to undertake an initial economic assessment for Northumberland by the end of 2008 as a basis for informing the economic strategy of the new Council and the subsequently emerging integrated regional strategy.

<http://www.northumberlandinfolnet.org.uk/EconomicAssessment/documents/Inserts/NorthumberlandEconomicAssessment2008Approach.pdf>

## Future Perspectives

Phil Shakeshaft of Future Matters introduced the rationale for the scenarios outlined in the scenario planning element of the draft scoping paper (reproduced at Appendix 2).

<http://www.northumberlandinfolnet.org.uk/EconomicAssessment/documents/Inserts/NorthumberlandEconomicAssessment2008FuturePerspectives.pdf>

The descriptions used represent the extreme end of each axis; by pushing the participants towards the limits of plausibility the approach will generate greater thought on some of the more prevalent issues. In reality, it is perhaps unlikely that any of the extreme scenarios could exist in the timeframe provided.

Against this background, attendees were then taken through a process to validate (or otherwise) as to the relevance and applicability of the scenarios to better understanding the nature of the economic dynamics at play within Northumberland.

This involved working in groups with each having been assigned a different quadrant from the scenarios. They were then asked to complete two key tasks; the first was for participants to define each of the scenarios, in their own words and the second required each group to complete a Strengths, Weaknesses, Opportunities and Threats analysis for the Northumberland area in their assigned quadrant.

The following is a summary of the responses for each scenario.

### A. “North West” Quadrant – The Marketeer

This is a world that suits those with a risk taking attitude and those who are willing to take the chance are often very well rewarded. Conversely there are tales of risks that did not deliver the expected return, however there is little stigma attached to trying and failing and it is accepted that you may have to go through one-or-two weaker ideas before you reach a good one.

The economic and social environment is constantly changing; employees and employers have had to become increasingly flexible in order to remain competitive. Workers are often employed on short term contracts, this has created pressure for people to be extremely mobile and have a broad range of transferable skills, they are also often able to work remotely for worldwide companies from the comfort of their own home.

Broadly speaking this is a market-led economy, firms and local governments strive to achieve comparative advantage over their closest competitors. Due to the risk-taking culture and highly flexible business stock, mergers and acquisitions are common place, as are management buy-outs and buy-ins.

The majority of key markets are driven by knowledge, the organisations that exert the most influence are those who control and manage the flow of knowledge within the economy, the high value added service industry accounts for a very high percentage of total GVA.

For individual employees the world is characterised by daily, weekly or monthly auctions for work. The quality of previous jobs determines employability in this world. For companies the experience is of a core loyal workforce with the variable workload being made up from internet auctions for staff with the relevant skills. At the extreme people from all over the world could be working for Northumberland companies and

Northumberland's residents could equally be working for companies based anywhere in the world. This is as true for the public sector as for the private sector.

Training and employment priorities are determined by the need to make a flexible offer in information processing, risk analysis, marketing and branding skills as well as customer relationship and key account management.

For companies the key skills are the ability to manage remote, on line systems that co-ordinate a dispersed supply chain of goods and services. At its core a company or a public authority are the owners and managers of the intellectual property and branding of the organisation. They develop customer relationships and manage delivery through distributed systems.

## **Northumberland SWOT**

Northumberland does have a number of exemplar businesses who operate in a 'Marketeer' type world; they are flexible, risk taking and dynamic businesses. Unfortunately they are in the minority, if the county were to thrive in this world, the county's approach would need to change.

The ability of individuals to work from their own home could potentially play on one of Northumberland's key strengths, the quality of life, the natural beauty of the area, relatively low cost of accommodation and the diversity of the county provide a high standard of living, and these features would appeal to the high income workers in this scenario.

Some aspects of Northumberland would mean that it would struggle in the 'Marketeer' scenario. At present the connection between Northumberland and the global economy is fragmented, there are examples of well connected industries, but overall the county is a little detached from the international picture. The area also has an aging population, who have proved themselves to be relatively risk averse, this could potentially stifle the growth of the county in this scenario, as could the concentration of skills in low value added manufacturing and service rather than in high-end service and knowledge areas.

This scenario gives Northumberland the opportunity to build on the world class individuals and organisations already residing in the area. If the County can properly link itself to the regional, national and international economies it could potentially become a key part of key emerging sectors. However, if Northumberland fails to do this it faces the threat of being left behind by the pace of global innovation and change. The steady migration of talented individuals is also a concern, if it continues it will severely limit the county's ambitions.

Due to the geographical isolation of Northumberland and the sheer scale of the County, it is also extremely vulnerable to rising fuel and commodity prices which could restrict distribution networks and make living in rural areas, detached from central facilities, an unappealing prospect.

## **B. "North West" Quadrant – The Company Person**

This scenario is heavily influenced by large scale employers who are extremely well integrated into the local community. Employees remain loyal to these companies for long periods and those who excel advance up the corporate ladder quickly. These large companies have clear social values which they expect their staff to adhere to and these

social attributes can have as much bearing on career progression as raw ability and business performance.

'Company Person' is all about picking winners, from an employer point of view, they seek out the most talented individuals who are able to cope with the rigours of the company, from an individual point of view they must choose the company that matches their professional and social ambitions.

A strong public sector is a must in this scenario. Public policy makers concentrate on meeting the needs of these core businesses, this includes making investments in the types of infrastructure and skills which the organisations feel they may require in the future. This helps to mitigate the risk for the businesses and helps the policy makers ensure that their key companies remain in the area.

There is a large amount of commuting in this scenario, as large numbers of people flock to a few central places to work.

Northumberland remains exposed to global economic forces and the businesses within the area compete on an international level, although sometimes the intense focus on one or two geographical areas and particular industries leads to a slightly inward-facing approach.

Key skills for individuals are bureaucratic and company determined. The ability to observe standing rules sits alongside limited opportunity to influence change. Once inducted into the organisation training development and personal ambition will be managed with the focus of the organisation.

Companies and public authorities in this world are characterised by command and control bureaucracies. Management and labour are organised and employee expectations and change management are executed through well defined structures. Innovation presents a challenge and new directions, products and services are often evolved in smaller organisations and acquired by the larger organisation. This clearly presents opportunities for new company starts based around the innovation agenda.

### **Northumberland SWOT**

Northumberland already possess a strong community identity and has a tradition of highly integrated companies operating in key sectors, unfortunately those key sectors are now in decline and the county has little representation in the new high growth sectors. Northumberland's relatively small stock of large businesses also makes it difficult to attract in other large companies or for existing organisations to achieve significant growth, this could also be restricted by the lack of relevant skills in key areas.

The county does possess a strong public sector and is developing reputation for implementing effective public-private partnerships. These skills in developing and managing relationships between the two sectors could create opportunities for the county.

The key opportunity for Northumberland in this area would be to engage with large multinational companies in order to create innovative solutions to public and private sector problems. If the skills that existed within these companies were used effectively they could ensure that Northumberland had the level of innovation required to keep pace with global economy. A long term link between public and private parties could also help the area to develop a skills base more inline with the needs of the private sector.

In this scenario, the County must remain aware that they are subject to the decisions of the large companies which they accommodate, if changing circumstances forced a worldwide rationalisation of supply chains in any given industry, this could result in the loss of a major player in the Northumberland economy. It is also important to remember that this scenario would require Northumberland to compete for talented individuals and innovative businesses on a global basis.

### **C. “South East” Quadrant – The Pillars of the Community**

This scenario is based upon a very practical economy, it is largely industry based and the vast majority of people are employed in low skill, low income jobs. There is a great deal of public subsidisation in this world, central authorities do as much as they can to distribute income evenly across the population without creating a disincentive to work and innovate whilst also striving to maintain a level economy free from peaks and troughs. This approach has helped to reduce the levels of deprivation in the area, but there is still some social divide between rich and poor.

The area is largely self-sustaining and as a result has adopted an insular approach to most issues; there is little engagement with the surrounding city-region area and the region as a whole. The county attempts to compete globally, but ultimately it is more concerned with fulfilling the needs of its local population.

Lifestyle businesses account for a large proportion of the business stock and as a result change is slow but persistent. Many of these lifestyle businesses take the form of 3<sup>rd</sup> sector organisations designed to help the community.

Public policy makers aim to provide every individual with skills which can make an economic contribution to the area as a whole; however some leave the region seeking alternate challenges elsewhere. The provision of public services is vital to the economy ensuring wide scale employment and maintaining below average levels of deprivation.

Key skills for individuals are based around home delivery of personal services as well as some of the more traditional skills for companies that have found albeit low value niches in manufacturing areas.

Key skills for companies, public authorities and public sector organisations are based around home delivery of services, i.e. ‘Care-in-a-Chair’ where the imperative is to ensure that someone can remain in the home. The scenario relies on caring and shared public interest meaning that companies and public authorities put a premium on these skills.

### **Northumberland SWOT**

Many aspects of this scenario can be seen in Northumberland already, if this were to be the way the area developed the county would benefit from an already thriving core of locally sourced, locally sold producers. The county also has a highly integrated private sector, the links between local companies are strong and reputations are based on trust and long established track records.

Whilst the business base would have some of the characteristics required to be successful in this scenario, it is still limited by a relatively small business stock which creates little competition between suppliers and little incentive to innovate. Long term this could cause an insulated economy to stagnate relative to its neighbours, this stagnation could expand beyond the economy and begin to influence technological and social aspects of society.

The county is however experienced at developing social enterprises and would need to build on the positive and negative experiences from the past

If a lack of long term innovation began to reduce productivity local companies would struggle to compete with importers from outside the area, even if there were some form of trade tariff in place.

It is also possible that the area is already too reliant on public subsidy, if Northumberland was contributing little to the overall UK economy, given their insular approach, the government may decide to stop providing subsidies to the area.

On the positive side, this scenario would give Northumberland the chance to develop clear and coherent community based strategies designed to impact the levels of deprivation in the area, it may also be possible to create a full employment economy if the correct programmes and conditions were in place.

#### **D. “South West” Quadrant – The Local Traders**

Local Traders is a self-sufficient scenario where small scale entrepreneurs are willing and able to capitalise on opportunities as and when they present themselves. People live in defined communities where trust and reputation matter a great deal. Food and service production and delivery are very local.

Northumberland still struggles to stem the flow of young people out of the area, but many return later in life, attracted by the lifestyle and bring with them a wealth of employment experience and disposable income. Many of these people go on to set up their own lifestyle businesses, selling produce inside and outside of the region.

This world places a strong emphasis on long term sustainability, individuals and companies make a constant effort to reduce emissions and recycle wherever possible. Construction is restricted to areas where it does not disturb the natural landscape and all new buildings have the ability to generate at least part of their own power requirements and are created using environmentally friendly materials.

Key skills in this scenario are self reliance as well as those that are saleable into the local economy. Awareness of community issues ranks high on the list of skill, enabling individuals to develop innovative new insights.

Companies in this world are small and localised. They know their customers intimately and innovation results from anticipation of needs. Industry is intimately concerned with its impact on the local economy and aware of its social responsibility.

#### **Northumberland SWOT**

Northumberland benefits from a strong sense of community amongst its residents and its businesses; this makes the creation of trust-based networks and consumption habits much easier. The area also has a thriving small business sector; these locally owned organisations have a proven track record in innovating new products and seizing emerging opportunities.

Northumberland is already focussed on creating economic growth whilst still protecting its natural resources, if the County was required to operate in the ways described this scenario, it would be a natural evolution of the area’s environmental attitudes and policies.

Northumberland may be restricted in this scenario by its relatively narrow skills and business base, if the economy were required to be self-sufficient skilled workers and business able to meet the needs of the population. On the upside, this would create a number of entrepreneurial opportunities for new and existing businesses.

The area would potentially be vulnerable to changing commodity and fuel prices, these would represent a major part of what little the economy would need to import, as a result any change in price could have a direct impact on the economies ability to function.

An isolated local economy creates a whole range of issues which Northumberland would have to face. This is particularly true when looking at the global economy, whilst Northumberland would be isolated from the majority of external shocks, if one were to have an impact on the area, it may take a long time for the economy to recover.

## Conclusions

The key conclusion from these tasks was that some element of the Northumberland economy exists within each of these scenarios, they are far from being mutually exclusive worlds. In fact, combined they create a much more accurate picture of the County's economic future than any one of the scenarios could on their own. With this in mind, the next steps in this process must be to identify the needs of these various scenarios and how policy can be used to help them.

Specifically this analysis needs to be tested on a number of publics in Northumberland including Business, a range of demographic focus groups and public authorities.

The resulting analysis will define a schedule of things that should be measured and put into the economic assessment. It will also elucidate a research agenda that can be used to improve understanding as new strategies are developed.

## Next Steps

Janice Rose indicated that the next proposed step was to hold a large-scale participative event to fully challenge our collective perceptions as to the future of Northumberland's economy. This would be facilitated through a detailed exploration of the emerging scenarios.

Further topic workshops will follow. These will focus in more depth on particular findings, themes, or drivers emerging from the future perspectives work as underpinned by the statistical elements of the economic assessment.

On this basis, the final economic assessment will articulate the potential policy options and approaches for steering our economic interventions to influence or realise particular outcomes or ends.

Throughout this process, this "reference group" of economic stakeholders will be used as a sounding board to help shape the process as it evolves through the various stages.



## Northumberland Economic Assessment Developing the Scenarios Workshop, 2 May 2008

### Attendance List

Graham Adams	NCC
Shona Alexander	BuTBC
Jon Carling	NERIP
Andrew Cartwright	GONE
Andy Clarke	BVBC
Hugh Clear-Hill	NCC
Jim Darlington	ONE
Brian Downs	BVBC
Julie Dowson	NCC
David English	NCC
John Hamilton	NCC
Philip Hanmer	NCC
Ian Jones	LSC
Dave McFarlane	Future Matters
Steve Revell	ADC
Alan Robson	NCC
Gillian Role	ONE
Janice Rose	NSP
Cameron Scott	TDC
Phil Shakeshaft	Future Matters
Julie Sloan	Hadrian's Wall Heritage
Alan Wann	NCC
Sally Weir	Connexions
Allan Worthy	ONS



## Northumberland Economic Assessment Developing the Scenarios Workshop, 2 May 2008

### Introducing the Scenarios

The first stage in building the scenario framework for Northumberland involves developing the scenario axes as derived from the drivers which are most important/dominant and dependent/uncertain to the future of the county's economy.

Based on the discussion at the Northumberland Futures workshop<sup>1</sup>, Future Matters have constructed two axes built around the key drivers of "Business Culture" and "Lifestyles". In doing so, the following criteria were applied:

- There is a degree of complexity about each axis – for example, they do not simply represent "wholly positive" versus "wholly negative" ends of the spectrum.
- There is a comparable degree of uncertainty about each axis – i.e. they do not represent "probable" versus "unlikely" ends of the spectrum.
- In order to create futures which are divergent in nature, the axes need to be sufficiently different in nature, so they do not fall in or converge on each other.

#### a) Business Culture Scenario Axis

This driver reflects Northumberland's need to define where it sees its future economic development. This will include a view of what the county's balance of trade looks like, what are they importing and what are they exporting? In an increasingly competitive world Northumberland will have to identify its key competencies, where do they perform well in relation to others and how do they use this to their advantage? As has previously been the case, Northumberland will be exposed to national and global economic 'boom & bust' cycles and the industrial structure of the economy will become increasingly important to the county.

At one extreme of this driver Northumberland is a 'GLOBAL PLAYER' providing a cutting edge service or product in an extremely niche area. The county has based this speciality around its distinctive competencies and the local economy is highly focussed on this one area of activity. Much of the local production is sold outside of the region and there is constant pressure on the Northumberland business base to keep improving their offering through innovation and R&D. The county is highly thought of and its workforce is amongst the most skilled in the UK. The heavy reliance on a single industry has left the county open to the peaks and troughs experienced in that sector, global drivers and forces are impacting on the economy but they are largely powerless to influence them. There is a risk taking culture within the county, promoting innovation and fast paced growth. At the other extreme of the driver 'LOCAL HERO,' the county's economy is much more self sustaining, local people produce and consume local products and there is very little trade into and out of the area. As a result of this self sustaining approach there is a need for a wide range of skills and expertise within the economy. Growth is steady rather than spectacular but the county is far less susceptible to national or global economic cycles.

The county's population is stable; risk taking is encouraged up to a point and growth is steady, but beyond that expansion is impossible due to the insular nature of the economy.

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<sup>1</sup>A workshop held in January 2008 and involving a representative cross-section of those organisations and partnerships with a direct interest in shaping the future economic prosperity of the county that discussed and defined the key drivers that are likely to have the most significant impact on Northumberland's economy.

This dynamic is illustrated in the diagram below:



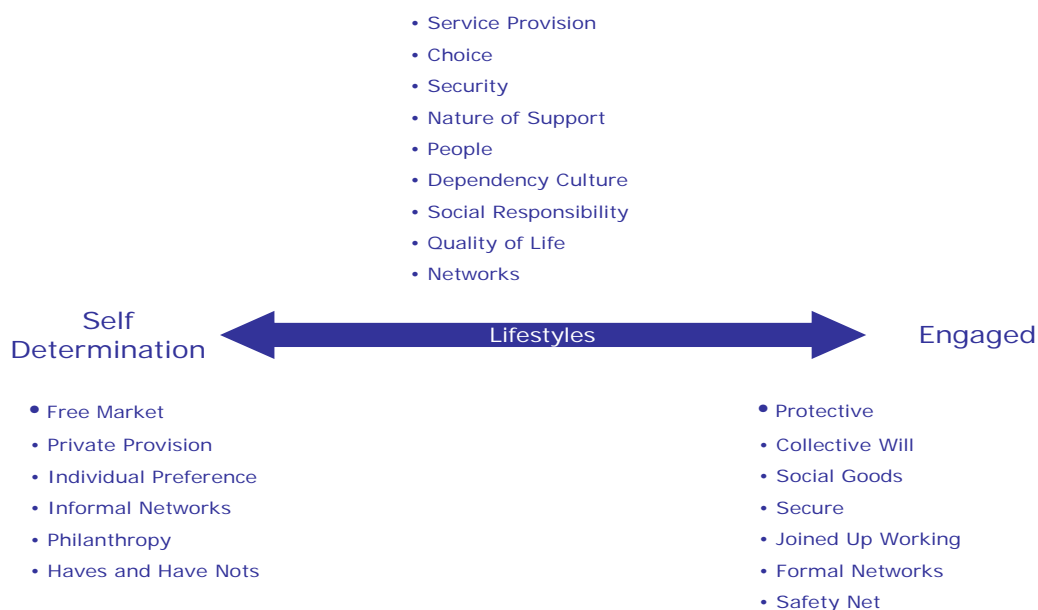
## b) Lifestyle Scenario Axis

The second driver addresses the nature of Northumberland society in the future, in particular the way services such as health are provided, the amount of choice in the economy, the feeling of security and the nature of public sector support to businesses and individuals. Quality of life is also an important aspect of this driver, happiness, dependency and social responsibility at the forefront of people's thoughts.

At one extreme of this driver the attitude is very much 'LAISSEZ-FAIRE.' Individuals are largely left to their own devices, the free market dictates supply and demand in the economy and services such as health and education are procured by individuals on a private basis. The population makes a virtue out of informal networking and use it to build the social circles and improve their employment prospects. What few socially focussed organisations there are, are supported by individual and organisational philanthropy rather than through public funding.

At the other extreme of this driver people are extremely engaged with their social conscience. The will of the majority is generally upheld and social goods such as education and healthcare are provided by the state. Public policy plays an important part in this world and there are numerous public initiatives in place, covering a wide variety of issues and involving a number of key stakeholders. People feel secure and safe in the knowledge that their elected representatives and other high powered individuals have their best interests in mind. Networking is still an important part of life, but it is done in a much more formal way through organised introductions and industry groups.

This dynamic is illustrated in the diagram below:



## Emerging Scenarios

When these two drivers are combined, four distinct views of the future are created. Whilst none of these scenarios are designed to represent ‘designer futures,’ they are an extremely useful mechanism for testing policy and strategic decisions. They are:

### a) Marketeer

This is a cut and thrust world which is dictated by the free market. Individuals and organisations are open to various external market forces and there is a large wealth gap between those who are able to function in this world and those who are not. Workers are required to be extremely flexible and are often employed on short term contracts, sometimes working for multiple employers at one time. The needs of society, which are not met by the free market, are often satisfied through the corporate social responsibility of large corporations, who donate time and resources to worth causes to improve their credibility and attractiveness to investors and consumers. The global economy operates in an extremely efficient way and local areas concentrate their production in industries where they hold a global advantage, this helps to ensure that the world’s resources are used in an effective way.

### b) Company Person

In this scenario large organisations dominate and the job for life has returned. It is not uncommon for an individual to spend their entire career within one organisation, slowly working their way up the corporate ladder. The public sector and private sector are strongly linked and the larger employers in the county often have a direct input into education policy in order to ensure that their future skills requirements are met. The public sector is also extremely keen to bring in large inward investments and encourage public-private partnerships in key sectors.

### c) Pillars of the Community

In this quadrant the economy is extremely insular and the public sector is very strong. Key industries are subsidised and in some circumstances the output and sale of their

production is influenced by local policy makers. The role of the state is to help plug the gaps in the local markets, this is done through subsidisation and public provision of goods or services which the majority of people deem to be of benefit to society. There is close to full employment and individuals are given publicly supplied vocational training depending on the demands of local industry. Wealth is distributed throughout the economy via progressive tax systems and means tested services.

d) Local Traders

In this world the economy is made up a hundreds of small traders each selling their local product in physical or virtual markets to local people. Often products are produced by large companies who are linked to the area and then sold on through smaller community based retailers. Experience of the market is key in this world, local traders are forced to rely on their wits to ensure local term prosperity. The preference of the individual is still prevalent in this quadrant and it is the consumer who drives the market for locally sourced products and locally delivered services. A high level of competition, in relatively small geographical markets, has resulted in these small markets being dominated by one or two key producers in each industry.

The defining characteristics for each scenario are shown diagrammatically below:

