

Institution: University of Nottingham
Unit of Assessment: Economics and Econometrics (18)
Title of case study: Enhancing Export Promotion Schemes for UK Firms
<p>1. Summary of the impact</p> <p>Research within the School's Centre for Research on Globalisation and Economic Policy (GEP) on the characteristics of UK exporting and non-exporting firms has been used by the UK's trade promotion agencies, UK Trade and Investment (UKTI) and the Department of Business, Innovation and Skills (BIS) to improve the design and effectiveness of the firm-specific policies they use to increase export performance.</p> <p>The research has been used to provide an evidence base against which to judge the rationale for and effectiveness of export promotion and to develop new schemes. The research has led to a better understanding of the different types of barriers to exporting faced by different types of UK firms, and the role of previous export experience in lowering these barriers. This evidence base has both informed the design of the UK's export policy and has helped to fashion a specific, new trade promotion scheme (Gateways to Global Growth) launched by the UK in 2009.</p>
<p>2. Underpinning research</p> <ul style="list-style-type: none"> • <i>Context</i> <p>GEP grew out of the School's existing research strength and reputation in the area of international economics, which was further strengthened by major programme awards from the Leverhulme Trust between 2001 and 2012. Under the Directorship of Professor David Greenaway GEP developed an international standing for its research on a wide range of aspects of economic globalisation, including the determinants and effects on firms and workers of foreign direct investment, international outsourcing, international trade and technology changes and diffusion.</p> <p>It has undertaken research and advisory work for a wide range of national (e.g. HM Treasury, UKTI) and international agencies (including EU, World Bank, OECD and WTO) and for private sector organisations (e.g. Norwich Union). The case study focuses on some of GEP's work using large scale, firm (establishment) data sets and researching into the characteristics and export behaviour of firms including the determinants of export market entry and the benefits of entry on enterprise performance.</p> <ul style="list-style-type: none"> • <i>Research insights and findings</i> <p>Over the last decade research in international economics has, driven by the availability of large and detailed datasets and the development of new econometric tools, moved from a focus on countries and industries to a focus on firms and products. This has meant that research has become more closely aligned with export promotion policy within the UK, which is also directed at firms, and has provided an important evidence base against which policy advice can be drawn. As a consequence there has been significant dialogue and interaction between researchers within GEP/School of Economics and the Economics and Evaluation team from UKTI.</p> <p>One strand of research was on barriers that prevented some firms from successfully exporting. The research published as [2] used micro data to understand how the financial health of firms might affect export decisions, or whether financial health was actually improved by exporting. This was amongst the first papers to consider this question and the first to use UK data. It found no evidence that firms enjoying better <i>ex-ante</i> financial health are more likely to start exporting, and strong evidence that participation in export markets improves financial health. The research in [6] considers the issue of barriers to exporting more broadly.</p>

Using survey data provided by **UKTI** (that included information on the perceptions of barriers to exporting by both existing exporters and firms that failed to start exporting) one conclusion reached was that experienced exporters with between 2-10 years of prior export experience had more difficulties in exporting than new exporters. It also identified important differences between firms that successfully started to export and those that did not, differences relating to firms' ability to deal with language barriers and to identify customers.

A second strand of research was on the benefits to export market entry for firm performance. The research in [1] was the first to test for the effects of export market entry for the **UK**, using a methodology that was then replicated by others (and summarised in [3]). This research found that the best firms self-select into becoming exporters, in that they are more productive before they enter export markets and entry also makes them more productive. This analysis was further extended in [4], while [5] used **UKTI** data to dig deeper into why firms benefitted (i.e. what firm characteristics affected their ability to gain from exporting).

- *Key researchers*

Sourfal Girma Research Fellow, University of Nottingham (1998 – 2002), Associate Professor & Reader, University of Nottingham (2005 – 07), Professor, University of Nottingham (2008 – present) (GEP internal or external fellow 1998 to present).

David Greenaway, Professor of Economics, University of Nottingham since 1988.

Richard Kneller, Lecturer, Senior Lecturer, Reader and Professor, University of Nottingham (2001 – present).

3. References to the research

[1] **Girma, S, Greenaway, D. and Kneller, R.** (2004). 'Does Exporting Increase Productivity? A Microeconomic Analysis of Matched Firms', *Review of International Economics*, Vol. 12(5), pages 855-866. [10.1111/j.1467-9396.2004.00486.x]

[2] **Greenaway, D., Guariglia, A., Kneller, R.** (2007). 'Financial Factors and Exporting Decisions'. *Journal of International Economics*, Vol. 73, pages 377-395. [10.1016/j.jinteco.2007.04.002]

[3] **Greenaway, D., and Kneller, R.** (2007). 'Firm heterogeneity, exporting and foreign direct investment', *Economic Journal*, Vol. 117(517), pages F134-F161 [doi: 10.1111/j.1468-0297.2007.02018.x]

[4] **Greenaway, D., and Kneller, R.** (2008). 'Exporting, productivity and agglomeration', *European Economic Review*, Vol. 52(5), pages 919-939. [10.1016/j.euroecorev.2007.07.001]

[5] **Kneller, R. and Pisu, M.** (2010). 'The returns to exporting: evidence from UK firms', *Canadian Journal of Economics*, Vol. 43(2), pages 494-519. [doi: 10.1111/j.1540-5982.2010.01581.x]

[6] **Kneller, R. and Pisu, M.** (2011). 'Barriers to Exporting: What are They and Who do They Matter to?', *The World Economy*, Vol. 34(6), pages 893-930. [doi: 10.1111/j.1467-9701.2011.01357.x]

4. Details of the impact

The underpinning research on firms, exports and exporting developed key insights into the effects of export market entry on the performance of firms and determinants of export market entry. Using **UK** data, as well as data for other countries, this was amongst the first research on exports and exporting undertaken at the micro level. This started a process of engagement between researchers in **GEP** and the Economics and Evaluation team at **Trade Partners UK** (the forerunner of **UKTI**) that is on-going and has yielded access to the use of confidential **UKTI** data and commissioned research. In turn, these research projects were developed into further academic papers for publication in peer reviewed journals. The research conducted in the report for **TPUK** listed as [A] in Section 5 was published as [1] in Section 3; the research in the report for **TPUK** [B] was published as [4]; and the report for **UKTI** in [C, D] was published as [5, 6].

Impact case study (REF3b)

- *Dissemination*

GEP researchers have also disseminated research on this topic more widely within **UKTI** and **BIS** through invitations to research seminars and workshops (in 2008, 2009 and 2011) and by the attendance of **UKTI** staff at conferences and workshops hosted by **GEP**. Heather Booth di Giovanni, head of the Economics and Evaluation Team at **UKTI**, is an External Policy Associate in **GEP**. **Kneller** and Upward (also a GEP internal Fellow) have both acted as external advisors for external research projects conducted on behalf of **UKTI** and on the evaluation surveys commissioned by **UKTI** (known as PIMS). **Greenaway** is a member of **UKTI**'s 'Asia Task Force', a high-level body helping to boost **UK** exports and investments in Asian countries.

- *Impacts*

The work of conducted by researchers within **GEP** has provided a knowledge base from which government policy towards exports and exporting has been evidence-led. Relevant research has included the evidence on exporting and finance and the barriers to exporting as well as the effects of export market entry on performance of manufacturing firms and characteristics of service exporters. Direct evidence of impact can be found from the references for a wide range of **UKTI** and **Department for Business, Innovation and Skills** working papers and submissions to **House of Commons committees**. Examples of references to **GEP** research include those to [5] and [E] in the **BIS** report listed as [G] and references to [B] in the **House of Commons report** on 'exporting out of recession' [reference H]. The research reports conducted on behalf of **UKTI** have also been published on the Economics and Evaluation Website of **UKTI**.

Evidence that **GEP** research has been used as an evidence base under-pinning export promotion policy can be found from the number of citations of **GEP** research within the **BIS** document entitled 'The economic rationale for government support' (reference [F]) published by **BIS** in 2011. This includes references to the research in [3], [5] and [E]. In addition, the document cites the following **GEP** research: Driffield, **Girma**, Henry and Taylor (2010), **Girma** (2005), **Girma** and Gorg (2003, 2006, 2007), **Girma**, Gorg and Pisu (2008), **Girma**, **Kneller** and Pisu (2005), Gorg, **Kneller** and Murakozy (2008), **Greenaway** and Zu (2004), **Kneller** and Pisu (2007a,b). (Gorg, Pisu and Zu are all now external **GEP** Fellows, and previously internal **GEP** Fellows.)

Some impacts have also been more narrowly focused. The research conducted within [D] and published as academic outputs in [5] and [6] was used as evidence to underpin the launch of a new trade promotion scheme called '**Gateways to Global Growth**' (**GGG**) which was introduced at the end of 2009. This scheme is targeted at firms with between 2-10 years of previous export experience, and was grounded on evidence that these firms reported more barriers to exporting (see [4]). This research provided evidence that these barriers in fact occurred at the level of the export transaction, and therefore could be present even for firms that had previously exported to the same market (and were trying to identify new customers) or were expanding into new markets.

Evidence for a link between the research and motivation to recommend this new service can be found in (**UKTI Departmental Report and Resource Accounts 2008–09**: <http://www.official-documents.gov.uk/document/hc0809/hc04/0482/0482.pdf>) which states that:

"In the previous year UKTI commissioned research into the barriers faced by more experienced exporters and as a result of the findings in 2008–09, it launched a new package of support called Gateway to Global Growth."

It can also be found from correspondence with the Head of the Economics and Evaluation team at **UKTI** when **GGG** won an award from the **Trade Promotion Organisation**, a joint agency of the **United Nations** and the **World Trade Organisation**. To quote:

“The service - called 'Gateway to Global Growth' - was developed in response to a need identified by a review of evidence, including the analysis which you had done for us of how barriers to exporting relate to business characteristics. On the basis of this review of evidence, we recommended that such a service should be developed. The work to develop and implement this idea was then done by UKTI's teams of advisers in the English regions, and it has indeed proved very successful.”

The ultimate beneficiaries of the impact are the firms that have been assisted to export. According to **UKTI** data up until September 2012 some 3,400 firms had participated in **GGG** (<http://www.ukti.gov.uk/uktihome/aboutukti/ourperformance/performanceimpactandmonitoringsurvey/item/393220.html>). **UKTI** data shows that 67% of companies improved their business performance as a result of **GGG** and 80% increased productivity and competitiveness. **UKTI** estimate that in the financial year 2011/12 the **GGG** scheme helped generate £539 million profit for supported firms, and £285 million in 2010/11.

Kneller was invited to testify to the **House of Lords Select Committee on SMEs and Exporting** as an expert witness in October 2012 and also submitted written evidence to the committee. The report published under the title 'Road to success: SME exports' in February 2013, includes various quotes from the verbal and written testament (see Chapter 2 'SME export performance' in [I]). **Kneller** was also commissioned by the **Department of Business Foresight** project into the Future of UK manufacturing to write a report on the *Future of UK Manufacturing Exports* in 2012. This forms part of the Foresight project into 'The future of manufacturing', which is expected to be published in the Autumn of 2013.

5. Sources to corroborate the impact

Research Reports

- [A] **Girma, S, Greenaway, D. and Kneller, R.** (2002). 'Exports and Economic Performance' report for **Trade Partners UK**.
- [B] **Girma, S, Greenaway, D. and Kneller, R.** (2004). 'Participation in Export Markets and Productivity' report for **Trade Partners UK**.
- [C] **Kneller, R. and Pisu, M.** (2006). 'Export Market Entry Sunk Costs and Firm Performance: Sunk Costs and Firm Performance' report for **UKTI**
- [D] **Kneller, R. and Pisu, M.** (2008). 'Export Market Entry Sunk Costs and Firm Performance: Sunk Costs and Firm Performance' report for **UKTI**
- [E] **Kneller, R., Upward, R. and Wright P.** (2010). 'A study of the impact of exporting on service traders' report for **UKTI**

Other References

- [F] 'International Trade and Investment – the Economic Rationale for Government Support' **BIS** Economics Papers No. 13 (2011).
- [G] 'UK trade performance across markets and sectors' **BIS** Economics Papers No. 17 (2012).
- [H] 'Exporting out of recession' (2010). **House of Commons Business, Innovation and Skills Committee**
- [I] **House of Lords Select Committee on Small and Medium Sized Enterprises** - Report 'Roads to Success: SME Exports' (2013) (<http://www.publications.parliament.uk/pa/ld201213/ldselect/ldsmall/131/13102.htm>)

Relevant Individuals Who Could Be Contacted

- [J] Head of Economics and Evaluation, **UKTI**