

Institution: University of Warwick		
Unit of Assessment: C17 Business and Management Studies		
Title of case study: Maximising the benefits of inward investment for the West Midlands		
Period when the underpinning research was undertaken: 2015 – 31 December 2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Nigel Driffield	Professor	01/01/2015 - Present
Period when the claimed impact occurred: 2015 – 31 December 2020		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>Research led by Professor Nigel Driffield of Warwick Business School contributed to the Greater Birmingham Region attaining record levels of inward investment, from companies such as HSBC, Changan Automotive and Jacobs Engineering. Prof. Driffield's research on the economics of international business was used to develop a strategy-based approach to inward investment in the region that linked firm strategy, the value proposition that the region projects, and an understanding of the jobs created. His research underpinned a successful bid for GBP1,000,000,000 growth funds for Birmingham and the business case for devolution. The West Midlands Combined Authority's implementation of its economic, skills and productivity strategies has so far resulted in an almost 200% increase in new businesses locating to West Midlands and an average of just under 12,000 new jobs per year, more than any UK region outside London.</p> <p>Both Brexit and the Covid-19 pandemic are major challenges now facing the UK and the West Midlands. Driffield is a member of the West Midlands <i>Brexit Commission</i>, and the Coventry and Warwickshire LEPs reset strategy post covid, leading on the understanding of the economy and the prospects for future investment.</p>		
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>Nigel Driffield is Professor of International Business and Deputy Pro-Vice-Chancellor (Regional Engagement) at the University of Warwick. He has published more than 75 papers across a range of disciplines including international business, regional science, finance, and economics, and conducted research and projects for the World Bank, European Commission, UK Government departments including UKTI and BIS, and regional bodies in the UK.</p> <p>Prof. Driffield's body of research explores the relationships between foreign direct investment, knowledge-transfer and economic development, providing an understanding of the relationships between firm strategy, local labour markets, and national and local policy. His research is based on analysis of firm-level data, often covering thousands of observations. Taken together, this work enables a region to understand the motivations behind firms investing in the area, thus supporting the region to understand its competitive position when seeking to attract such investment. Driffield's research contributes to a better understanding of the beneficial effects of inward investment, most notably in terms of productivity and inclusive growth.</p> <p>Funded by 2 substantial ESRC awards, Prof. Driffield's research has had a strong West Midlands focus and has been built on theoretical and empirical contributions from his substantive work. He held a Leverhulme Professorial Fellowship for research into 'Foreign direct investment, knowledge flows and local economic development', which focused on global issues, developing</p>		

both conceptual approaches to this issue as well as empirical findings. Collectively, the research focused on three main areas:

Research on the regional impacts of foreign direct investments

Many regions are chasing high-tech inward investment. Yet, Prof. Driffield's research has shown that the perceived gains of this approach, in terms of employment creation and productivity, are overstated, typically because the labour market is not able to supply the skilled workers required (3.1-2). Further research has demonstrated without exploring ownership structures, the research becomes disconnected from analyses of the motivations for Foreign Direct Investment (FDI) and performance (3.3).

Research on offshoring and re-shoring

The research considered the drivers behind opposite processes involved in the ambition to move activity to low-cost locations and the increasing rate at which this is being reversed. The findings are underpinned by analysis of what localities can do to benefit from reshoring (3.2, 3.4). The research showed, for example, that re-shoring appears to be a serial activity, so firms who have done this once are more likely to repeat the process. The research extended to offshoring in the context of the threats to UK employment from Brexit (3.2, 3.4).

Research on inward investment and Brexit

Prof. Driffield's research (3.6) has shown that the most common issue that investment promotion agencies have sought to address from 2016 onwards is how to mitigate threats from Brexit. The findings indicate that inward investment into the UK is expected to fall by some 40%, irrespective of the form of Brexit. Unlike other work in this area, the research distinguishes between the volatile and stable states of the economy and accounts for the simultaneous effects that the frequency of FDI generates innately. The findings suggest that, this will fuel a prolonged negative impact on FDI (3.6), especially in advanced manufacturing, food technology and financial services, which are especially vulnerable under Brexit due to frictions in global value chains (3.2).

3. References to the research (indicative maximum of six references)

- 3.1 Becker, B., **Driffield**, N. L., Lancheros, S. and Love, J. H. (2020) *FDI in hot labour markets : the implications of the war for talent*. Journal of International Business Policy . [doi:10.1057/s42214-020-00052-y](https://doi.org/10.1057/s42214-020-00052-y) (a previous version won a best paper award at Academy of Management in 2015).
- 3.2 Bailey, D., **Driffield**, N. L. and Kispeter, E. (2019) *Brexit, foreign investment and employment: some implications for industrial policy*. Contemporary Social Sciences, 14 (2). pp. 174-188. [doi:10.1080/21582041.2019.1566563](https://doi.org/10.1080/21582041.2019.1566563)
- 3.3 **Driffield**, N. L., Sun, K. and Temouri, Y. (2018) *Investigating the link between foreign ownership and firm performance – an endogenous threshold approach*. Multinational Business Review, 26 (3). pp. 277-298. [doi:10.1108/MBR-12-2017-0102](https://doi.org/10.1108/MBR-12-2017-0102)
- 3.4 Delis, A., **Driffield**, N. L., and Temouri, Y. (2017) *The global recession and the shift to re-shoring: Myth or reality?* Journal of Business Research, 103. pp. 632-643. [doi:10.1016/j.jbusres.2017.09.054](https://doi.org/10.1016/j.jbusres.2017.09.054)
- 3.5 **Driffield**, N. L., Pereira, V., and Temouri, Y. (2017) *Does offshore outsourcing impact home employment? Evidence from service multinationals*. Journal of Business Research, 103. pp. 448-459. [doi:10.1016/j.jbusres.2017.09.051](https://doi.org/10.1016/j.jbusres.2017.09.051)
- 3.6 **Driffield**, N. L. and Karoglou, M. (2019) *Brexit and foreign investment in the UK*. Journal of the Royal Statistical Society: Series A (Statistics in Society), 182 (2). pp. 559–582. [doi:10.1111/rssa.12417](https://doi.org/10.1111/rssa.12417)

Associated research grants

1. ESRC, From productivity to prosperity: Inclusive growth for the West Midlands, Jan 2019 – Dec 2021, GBP811,591.

2. ESRC IAA, supporting a secondment to the West Midlands Growth Company on their inward investment strategy, Dec 2017 - Mar 2018, GBP14,838.

4. Details of the impact (indicative maximum 750 words)

The Birmingham city region accounts for over GBP120,000,000,000 of GDP (compared with GBP170,000,000,000 in Scotland), and about three quarters of the total West Midlands Combined Authority (WMCA) region. The creation of Local Enterprise Partnerships (LEPs), and subsequently the Mayoral West Midlands Combined Authority in 2016 (tasked with improving economic performance of the area), presented challenges for both governance and strategy development, with very little existing infrastructure.

“Six years ago the Greater Birmingham region was the economic laggard by any measure. The Greater Birmingham region is now an economic hotspot in the UK. The...key to the transformation of the GB economy has been the depth and breadth of our regional economic strategy ... Prof Driffield [’s research] was key to this strategy and through this we were able to engage with Treasury and build a more constructive relationship with central government.” (Steve Hollis, then Chair, GBSLEP) **(5.1)**

Professor Driffield was a finalist in the ESRC Celebrating Impact Prize 2017 in the Outstanding Impact in Business and Enterprise category. His research has resulted in the following impacts in the West Midlands:

Influencing regional strategies to catalyse inward investment and growth

Prof. Driffield’s body of research directly informed the regional inward investment strategy (later termed ‘The Greater Birmingham Project’), influencing both the Strategic Economic Plan (SEP) and successful GBP1,000,000,000 bid for local growth funds. His research has informed both the formation and delivery of regional economic strategies, enabling the region to win record levels of inward investment in the 5 years since its introduction. This has been achieved through Driffield’s close collaboration with the Greater Birmingham & Solihull Local Enterprise Partnership (GBSLEP), where he serves as academic lead and is a member of the Economic Strategy Board (2012-), and through his appointment as Deputy Chair of the Mayor’s Productivity and Skills Commission (PSC) and membership of the executive for the SEP (2017-).

The SEP **(5.2)** was underpinned by Prof. Driffield’s analysis **(5.3)**, aiming to target sectors such as advanced manufacturing, business, professional and financial services (BPFS) and tech and digital media by establishing the value proposition of the region to those sectors **(5.4)**. The analysis and expert insight **(5.3;5.4)**, provided a deep understanding of the magnitude of the likely benefits of targeting these sectors specifically, in terms of employment, productivity and exports. Early evidence demonstrated that a sectoral approach to regional inward investment strategy was effective at driving growth, which almost doubled by 2017 with GBP3,500,000,000 growth in gross fixed capital formations since the launch of regional strategies in 2015 **(5.5)**. Steve Hollis, then Chair of the GBSLEP, further affirms that Prof. Driffield’s research, *“guided our GBSLEP Board [in] implementing policy interventions that have resulted in a marked increase in the GB region’s attractiveness for inward investors ...[and that] Professor Driffield has been instrumental in helping to shape the Greater Birmingham Project”* **(5.1)**.

Wouter Schuitemaker, then Executive Director of West Midlands Growth Company (WMGC) with dual responsibilities of Investment Director (inward investment) and Commercial Director, further corroborates that: *“Your analysis [5.3] both confirms our approach and reassured the LEP board that our approach would bear fruit, giving them the confidence to get behind the strategy. The inward investment elements of both the Greater Birmingham Project and the Strategic Economic Plan bear witness to your analysis’* **(5.6)**.

Additionally, Prof. Driffield’s positioning paper on GBSLEP’s inward investment strategy post-Brexit **(3.2)** formed part of Birmingham’s successful bid for local growth funds **(5.7)**. The model

developed by his research (3.1) that demonstrated the benefits of developing and communicating the region's value proposition was locally applied by the WMGC to inform their business case for future funding from the WMCA Investment Committee and contributed to Birmingham's Economic Review in 2018 (5.4). The WMCA business case was instrumental in securing a further GBP2,500,000 per annum between 2018-2020. Neil Rami, Chief Executive at WMGC, stated: *"Your points regarding the role of WMGC in both developing and communication the regions value proposition were well made, with reference to the evidence base, building on your research. Having someone with your experience and insight assisting us on this has been invaluable"* (5.7).

Supporting devolution and regional economic development

Driffield's research (3.1-6), translated through his role as lead academic advisor to the WMCA's SEP, formed part of the rationale for Greater Birmingham and West Midlands gaining devolution from Whitehall over economic policy. Driffield's research on local sector performance and the region's capacity for internationalisation, in terms of both exports and inward investment (5.3), supported the West Midlands successful bid for devolution. Following devolution and the emergence of the WMCA, Driffield was invited as the academic lead on the WMCA 'Productivity and Skills Commission' (PSC). Subsequently, Prof. Driffield's body of research (3.1-6) has shaped the Commissions actions and recommendations including a skills strategy aligned to the region's inward investment strategy, based around a value chain approach. This is evidenced by various contributions, including the call for evidence published by the WMCA that links strategies for economic growth to productivity and skills frameworks (5.8).

A joint report for PSC and WMGC (5.3), informed by Driffield's body of research (3.1-6), recommended that inward investment should target efforts on job creation, recognising the distinction between technology and more labour-intensive activities, and that this could be achieved through the development of 'sector networks' in order to prepare firms for investment and strengthen the relationship between firms and inward investors. This report informed the regional approach, resulting in greater flows of investment, more opportunities for employment and job creation (5.9, p22-25). Dr Andy Palmer, then Chair of the PSC (and former CEO of Aston Martin Lagonda), acknowledged that Driffield's *"body of work [3.1-6] has formed the evidence base for the Regional Skills Plan and the development of the emerging West Midlands local industrial strategy"* (5.10). Specifically, the work of the Commission led to the Regional Skills agreement, with GBP69,000,000 of funding from central government outlined in the local industrial strategy (5.11). This work continues as the PSC has evolved into the WMCA Productivity and Skills Board, with Driffield appointed for a 3-year term.

Influencing regional and national foreign direct investment policy post-Brexit

Prof. Driffield's work with UK Trade & Investment (now the Department for International Trade) and business investment agencies identified foreign firms with a high probability of expanding internationally. Driffield's research (based on early drafts of 3.1-2, available via https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2775954) was used during FDI debate in House of Commons on 12 Sept 2017 by Bill Esterson MP (Sefton Central and Shadow Trade Minister) who stated that: *"The fall in the value of sterling has of course made it cheaper to invest here, but as Nigel Driffield and his colleagues point out, the benefits of a favourable exchange rate are set against the uncertainties of changes in our access to the EU. Their research also shows that investors like to return profits to their home countries, so a low-cost investment may be of less interest than might appear at first glance"* (5.12). Together, this work helped the UK to attract 6 new firms, employing almost 10,000 people; this included HSBC relocating its headquarters to Birmingham, bringing over 1,000 jobs (5.5; 5.13). Driffield is a member of the West Midlands *Brexit Commission*, leading on the understanding of the economy, and the prospects for future investment. By 2018 Greater Birmingham was designated as having the best strategy for attracting FDI of all large cities in Europe, according to fDi Magazine's European Cities and Regions of the Future ranking 2018 - one of the industry's most prominent benchmark of FDI competitiveness (5.14). In 2020, the West Midlands retained its position as the UK's leading region outside London and the South East for attracting FDI, according to the

Department for International Trade that demonstrated that the region accounts for 8% of the UK's total new FDI projects (5.15).

Building upon prior research (3.1; 3.2; 3.4), and further supported by ESRC Covid-19 response funding that involves working with investment promotion agencies and DIT on their investment strategy (grant 1), Prof. Driffield's research is being used to inform plans for economic recovery following the Covid-19 pandemic. Driffield has been appointed by the Business, Energy and Industrial Strategy Committee (BEIS) as a Specialist Adviser to its Post Pandemic Growth Inquiry. He is also on the advisory group advising the DIT on its inward investment strategy and, at a regional level, is central to the development of Coventry and Warwickshire LEP's post-Covid-19 response strategy (5.16).

5. Sources to corroborate the impact (indicative maximum of 10 references)

- 5.1 Statement from Steve Hollis, Chair of the GBSLEP (21 February 2017)
- 5.2 GBSLEP's SEP. Available from: <https://gbslep.co.uk/wp-content/uploads/2017/06/SEP-2016-30.pdf>.
- 5.3 Driffield, N. and Kim, J-Y. (March 2018). "Inward investment and productivity across sectors within the WMCA: A briefing note" for the WMCA PSC. Available from: <https://www.wmca.org.uk/media/2232/inward-investment-productivity-across-sectors.pdf>.
- 5.4 Driffield, N. (2018) "Birmingham Economic Review 2018: Expert comment: Professor Nigel Driffield". Available from: <https://www.greaterbirminghamchambers.com/latest-news/blogs/2018/11/birmingham-economic-review-2018-expert-comment-professor-nigel-driffield/>.
- 5.5 The improvement in Birmingham's economic performance is demonstrated by the following articles published in the *Financial Times*: 1) "Reversing industrial decline has been a priority in Birmingham" (28 September 2015) and 2) "Birmingham's regeneration plans start to pay dividends" (9 August 2019).
- 5.6 Statement from Wouter Schuitemaker, Executive Director, WMGC (26 November 2015).
- 5.7 Statement from Neil Rami, Chief Executive, WMGC (21 November 2018).
- 5.8 WMCA (2016). "Productivity and Skills Commission: Call for Evidence". Developed by Driffield, N. Available from: <https://www.wmca.org.uk/media/1395/productivity-and-skills-commission-call-for-evidence.pdf>.
- 5.9 WMCA (2018). "Report of the West Midlands Productivity & Skills Commission" (pg 22-25 includes analysis (5.3)). Available from: https://www.wmca.org.uk/media/2227/productivity-and-skills-commission_full-report.pdf.
- 5.10 Statement from Dr Andy Palmer, Chair, West Midlands PSC (7 September 2018)
- 5.11 West Midlands Local Industrial Strategy (12 May 2019). Available from: <https://www.gov.uk/government/publications/west-midlands-local-industrial-strategy/west-midlands-local-industrial-strategy>.
- 5.12 Foreign Direct Investment 2016-17, Hansard Report Volume 628 (12 September 2017): Bill Esterson MP referenced Prof. Driffield's research during the debate. Excerpt available from: [Foreign Direct Investment 2016-17 - Hansard Online \(goo.gl\)](https://hansard.parliament.uk/commons/2017/Sep/17/S170912HM0001).
- 5.13 ESRC Impact Case Study: "Strategy brings record-breaking investments to Birmingham" (June 2017). Available from: <https://esrc.ukri.org/news-events-and-publications/impact-case-studies/strategy-brings-record-breaking-investment-to-birmingham/>.
- 5.14 UK News Group (12 February 2018) "Greater Birmingham internationally recognised for its strategy to attract overseas investment". Available from: <https://www.uknewsgroup.co.uk/greater-birmingham-internationally-recognised-strategy-attract-overseas-investment/>.
- 5.15 WMGC News (14 July 2020) "The West Midlands retains its position as the UK's leading region outside London and the South East". Available from: <https://wmgrowth.com/article/the-west-midlands-retains-its-position-as-the-uk-s-leading-region-outside-london-and-the-south-east>.
- 5.16 Statement from Nick Abell, Chair CWLEP (9 October 2020).