

Enterprise to Business Final Evaluation Report (Draft)

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Enterprise to Business

Final Evaluation Report [DRAFT]

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1.0 Introduction

1.1 About the project

The overall aims of E2B were as follows:

E2B will provide an integrated, pro-active and coherent specialist business support service to students, graduates and existing SMEs which will:

- Create and support high growth businesses resulting from student and graduate enterprise activities
- Develop an innovation model linked to enterprise activities that will demonstrate how to derive high growth economic value
- Enhance the student experience in the city region by providing an effective environment for students and graduates to create and grow their businesses
- Create sustainable high-value employment opportunities for students in the city
- Support existing SMEs to access insights, ideas and experience emerging from student enterprise activities
- Evaluate E2B as a 'pilot', enabling lessons to be learnt on good practice for its future roll-out across the region

1.2 About the evaluation

CURDS was appointed in December 2012 to carry out a formative evaluation of E2B. This was conducted in three stages:

1. March 2013 – Baseline analysis
2. March 2014 – Interim evaluation
3. March 2015 – Final evaluation

The evaluation stages involved analysis of project data (SME support tracking, results of NSC client survey), interviews with a selection of E2B clients, interviews with Business Support Managers (BSMs) and ongoing reviews of relevant benchmarking literature.

Due to the closure of Newcastle Science City the project will be completed earlier than anticipated and further funding will not be sought. This has changed the nature of the evaluation to a certain extent – for example, the interim evaluation had originally been planned to focus on informing future project planning and design.

However while this final report is focused on reporting on the performance of a project that will be discontinued, there is useful learning for both the university and future projects with similar aims and objectives.

2.0 Project Performance

2.1 Business support

Despite delays in the project starting, delays with recruitment and the earlier than anticipated closure date, the project has exceeded its original target for number of businesses supported (85 vs. 73, 16% ahead of the original objective). As can be seen from the graph, cumulative growth sped up as the project progressed. This can be attributed to sufficient staff resources in place, improved efficiency in systems and processes as time went by, and improvements in tools to support recruitment of clients (e.g. website). In addition, the slight broadening out of the qualifying criteria for support helped to 'widen the net' for client recruitment.

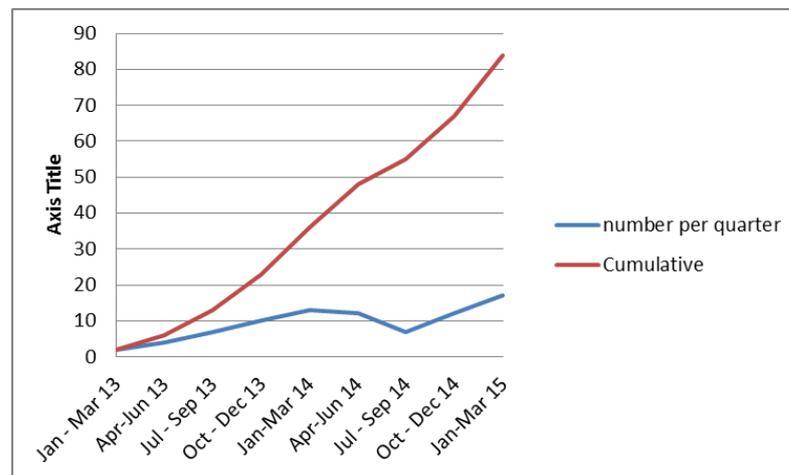


Figure 1 Number of businesses supported

In terms of the split between new businesses and existing SMEs supported, the project also exceeded both of these targets. The number of SMEs supported was 10% ahead of the original goal, while the number of new businesses supported was over achieved by 28%.

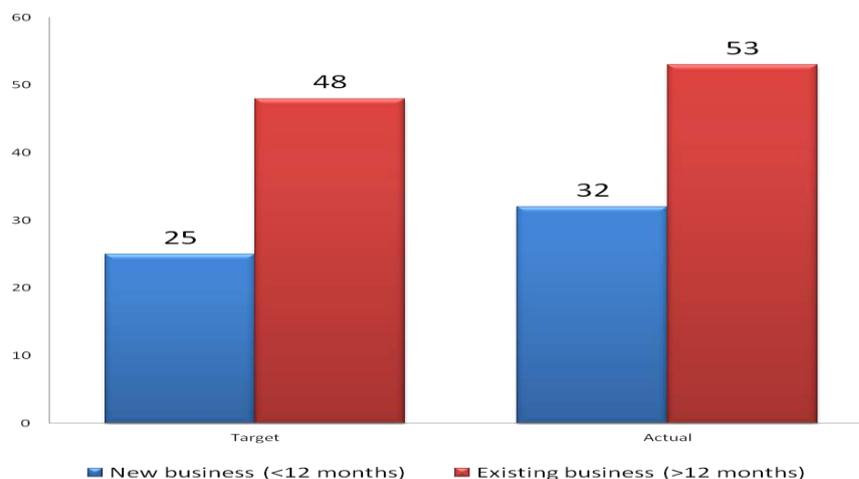


Figure 2 Type of businesses supported

2.2 Turnover and R&D spend

At the time of this evaluation, data on increased turnover and R&D spend was available for 45 clients. Forecasted results are based on an assumption that the remaining 40 clients will *on average* perform similarly in the future to those who have reported so far. It should be noted that these figures (both actual and forecast) are likely to be conservative because 2 of the 45 clients who reported did not include any figures for projected increase in turnover (and based on other performance data for one of them, zero turnover growth is an unlikely scenario). Our calculations would suggest that in the 12 months following the intervention of E2B, clients will achieve turnover growth of at least £8m, of which around £3m is directly attributed to the support from the project. Analysis in October 2014 found that projected post support turnover was on average double that of pre-support turnover.

37% of increased turnover was directly attributed to the project. This compares favourably with other studies which found attribution rates of 28-40%¹. This means there was a 'deadweight' (i.e. growth that could have been expected without any support) of 63%.

Clients have also reported significant investments in R&D (averaging almost £30,000 per business). This is far in excess of average spend of just under £4,500 per business in the North East (Source: ONS, based on 2012 data).

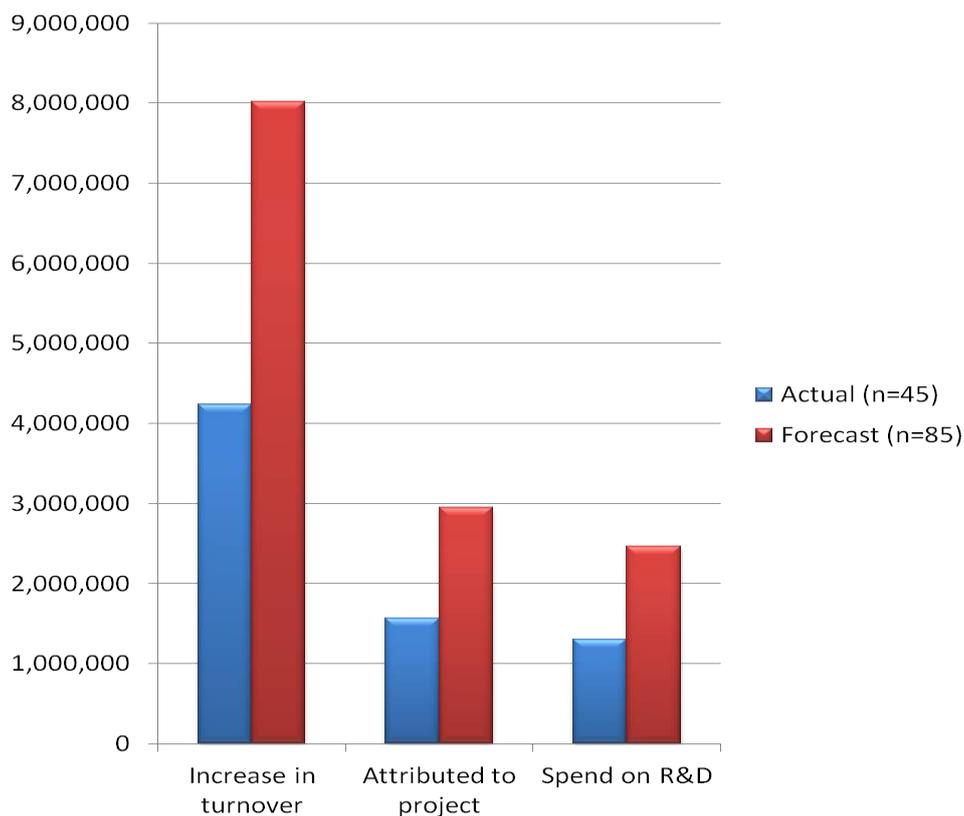


Figure 3 Turnover and R&D spend

¹ Consulting Places (2010). Final Evaluation of Business and Enterprise North East. <http://www.onenortheastlegacy.co.uk/file.aspx?id=63>

2.3 Job creation

The interim evaluation in July 2014 found that just 3 jobs had been created among the 15 clients who had reported to that point, or 0.2 jobs per business, making the final target of 55 new jobs and 18 safeguarded jobs a seemingly challenging one. However it was pointed out in the report that there is often a lag between improved business performance and job creation. Analysis of 45 companies (and projected performance for the remaining 40) would seem to bear this assumption out. To date, 34.7 jobs have been created and 22.4 safeguarded. Thus the safeguarded target has already been exceeded and based on projected performance, the forecast number of jobs created is 62, 7 (or almost 13%) more than originally planned.

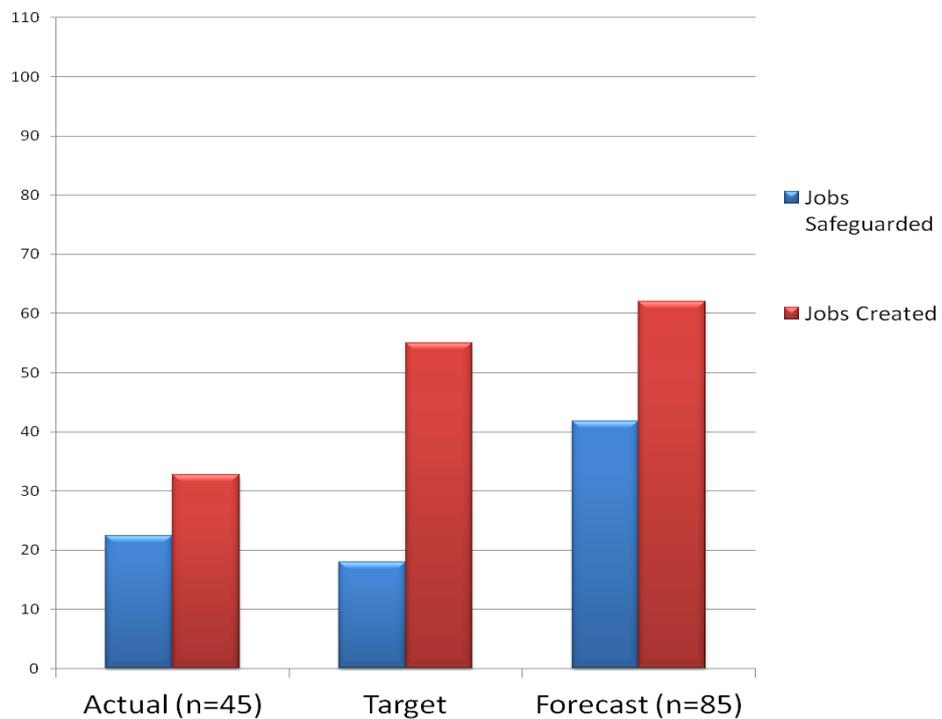


Figure 4 Jobs created and safeguarded

In terms of the gender balance of jobs created and safeguarded, 32% were filled by women against a target of 40% in the original project proposal. While this target was not reached it can be contextualised by the statistic that just 13% of 'STEM' (science, technology, engineering and mathematics) based jobs are occupied by women².

2.4 GVA

Calculating GVA (Gross Value Added of goods and services produced to the economy) is a complex and sometimes disputed process. Some analysts question whether it is even appropriate to try to calculate it at an individual company (rather than for example, regional or sectoral) level. There are a number of proposed formulas, but at a minimum the following information is required; net (pre tax) profit, wages and depreciation. These added

² Source: Women in Science, Technology, Engineering and Mathematics: from Classroom to Boardroom UK Statistics 2012 http://www.wisecampaign.org.uk/files/useruploads/files/wise_stats_document_final.pdf

together are one of the ways to calculate company level GVA. To demonstrate any change in GVA due to the project these would be needed for each company for at least 2 financial years (i.e. pre and post intervention).

Since this level of detailed data for each company is not available, the alternative is to apply a proxy formula. According to ONS data (2010), GVA for North East companies is on average 30% of total turnover. Using this calculation we can arrive at a rough estimate for the project (actual, attributed and forecast) as shown in figure 5:

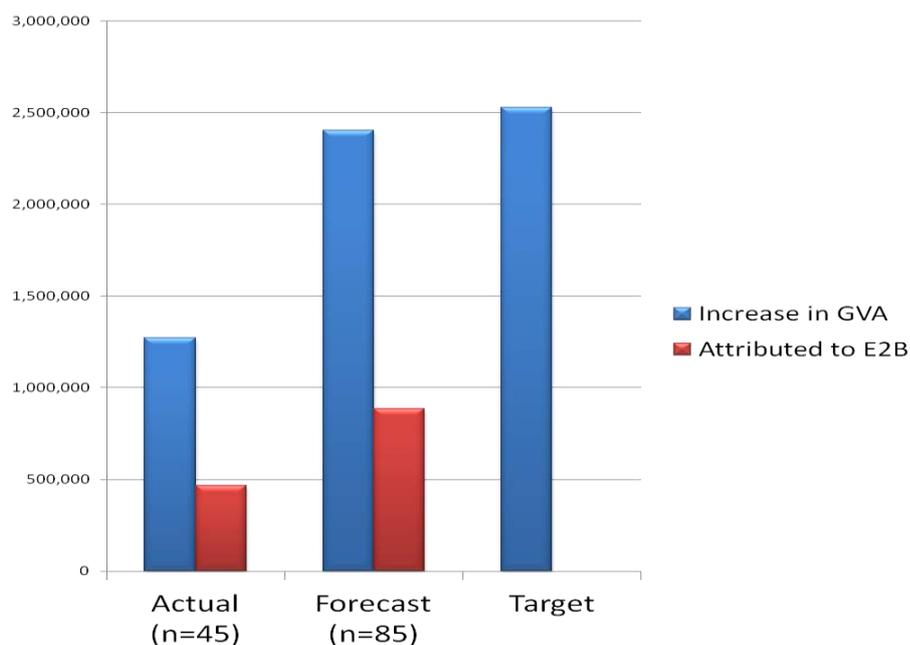


Figure 5 GVA

The same caveats of possible underreporting apply. Also the 30% proxy is a conservative one, especially among businesses with characteristics of growth. For example, the Consulting Places evaluation of Business and Enterprise North East found the proportion of increased GVA to additional net turnover among intensively assisted clients was 42%.

Furthermore, it found the net attributed GVA to be £7,045 per company. Against this comparator E2B has performed very well, with just over £10,000 of increased GVA attributed to the project per company (based on the actual performance of 45 companies who have supplied data). Taking out the two companies who are suspected of not having reported increased turnover and applying the Consulting Places calculation of increased GVA being 42% of turnover would result in net additional GVA of £15,260 per company among E2B clients.

The original project target was for an increase in net additional GVA among project beneficiaries of just over £2.5m. Even allowing for underreporting and conservative calculations the projected results will fall far short of this target. However as already shown, performance per company was strong in comparison with other 'intensive' business support programmes in the region. To achieve the original target would have required increased

attributable GVA per company of almost £35,000 per company (based on the original target of 73 companies) which on the evidence would appear to be both extremely ambitious and challenging. Alternatively, based on current performance the project would need to have supported 166-250 clients (depending on which proxy for turnover:GVA is applied) to reach the target increased GVA of £2.5m.

3.0 Service Delivery

All clients benefited from the time, advice and coaching of business support managers. In addition they had access to a range of other services via 6 supplier panels which BSMs used to procure services for their clients. The average value per contract (based on data available from June 2014) was £3,748 and the average value per client was £4,444. The median value per client however was £8,083, which implies clients either needed a 'quick fix', lower value piece of work or a more in depth, costly service. Marketing and market research were the most popular services procured for clients (over one third of all contracts).

Services to Clients (to June 2014)

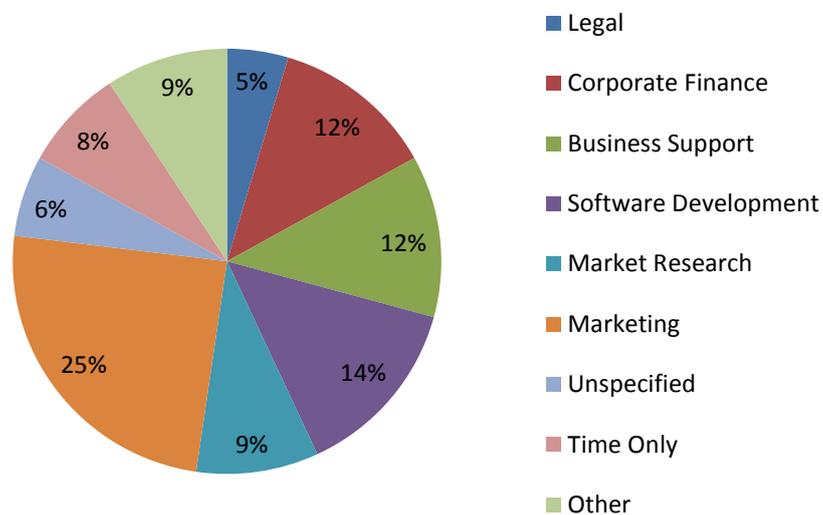


Figure 6 Services to clients

The majority of clients (91% from a sample of 44 surveyed) have already implemented the advice they received from the project. Overall, levels of satisfaction are high. This was borne out both quantitatively (via the NSC client survey) and qualitatively through interviews.

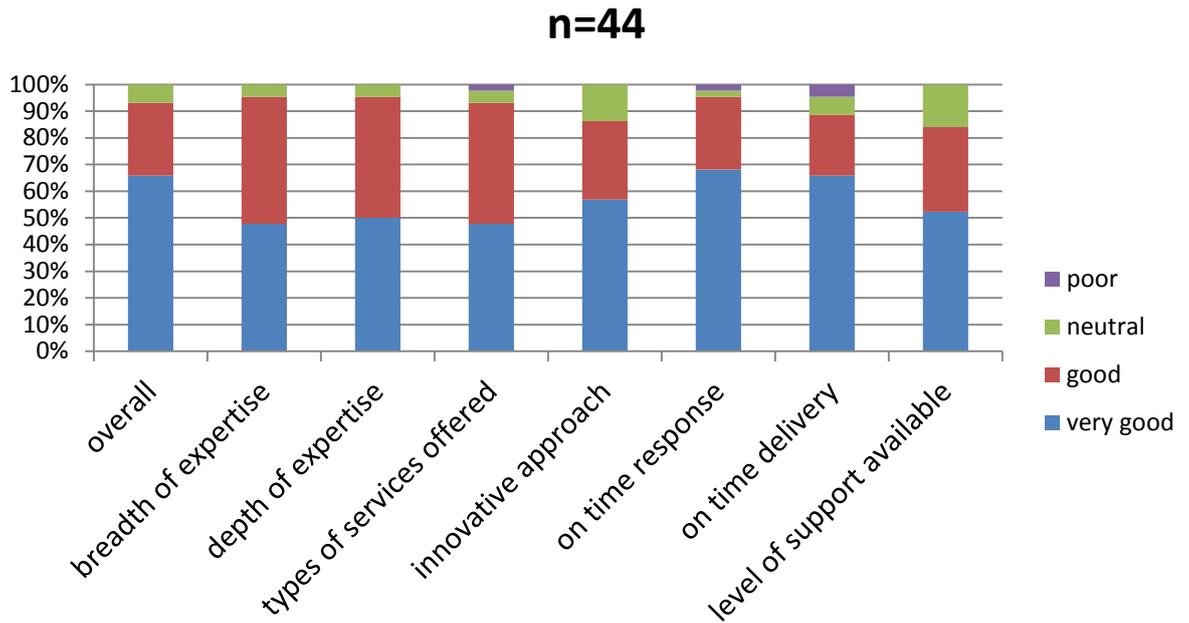


Figure 7 Client satisfaction

When asked how they rated the service overall, more than 90% of clients rated it ‘good’ or ‘very good’. Breadth and depth of expertise were both rated very highly, suggesting clients felt the ‘right’ people were on hand to support them. Feedback from clients in interviews included comments such as

- *“the business would have no real foundations without the support of x and x”*
- *“x is the main reason we have got as far as we have”*
- *“x was a very strong catalyst”*
- *“x does what he says when he says he will do it”*
- *“A very positive experience”*
- *“x did a really good job at understanding our business needs and translating them into a brief for a marketing company”*
- *“x was both supportive and challenging”*
- *“x was a really useful sounding board”*
- *“x had a genuine interest in the business and a real understanding of the businesses needs”*

The evaluation explored whether there was a link between the value of the support clients received and levels of satisfaction. As can be seen in figure 8, there was no correlation between the two. Clients who received no financial support (i.e. just ‘free’ advice and support) were just as satisfied as those who did.

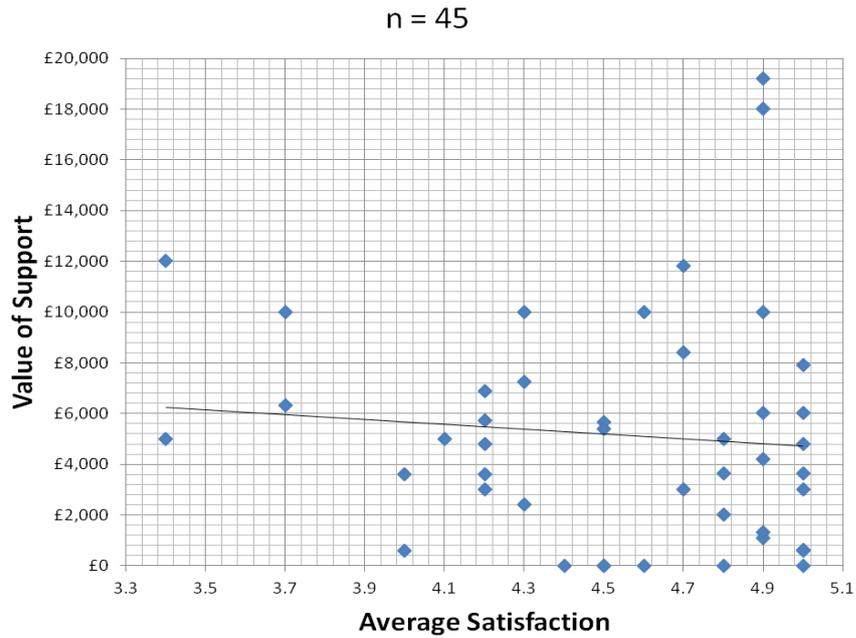


Figure 8 Correlation between satisfaction and value of support

It was also explored whether there was any link between clients who experienced an increase in turnover which they attributed to the project and levels of satisfaction. The correlation was found to be weak and insignificant. Therefore client satisfaction was not predicated on businesses seeing an immediate impact of the support received.

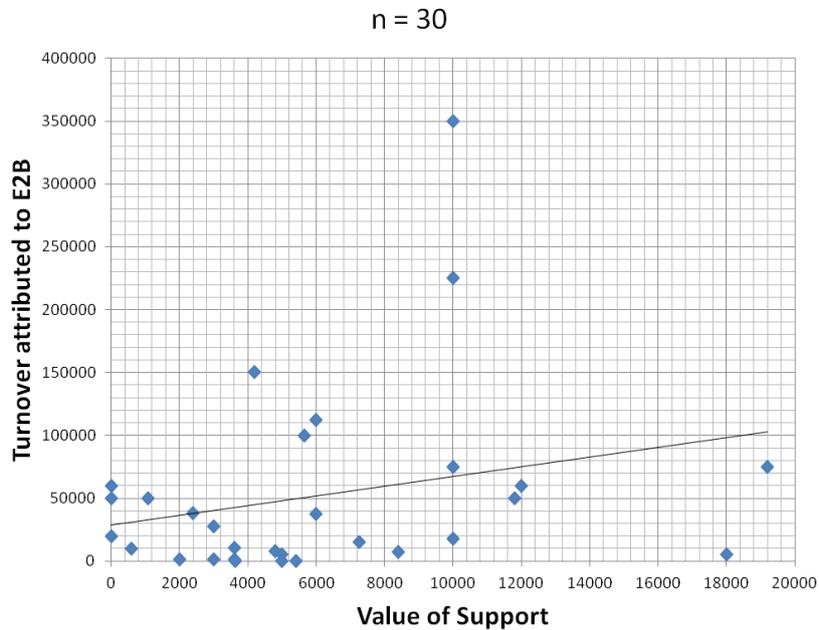


Figure 9 Correlation between performance and value of support

4.0 Benchmarking E2B

The evaluation study looked at a recent (2014) review of business advice programmes³ carried out by the What Works Centre for Local Economic Growth (WWG). WWG was set up in October 2013 as part of the What Works Network to analyse which policies are most effective in supporting and increasing local economic growth. It is a collaboration between the London School of Economics and Political Science (LSE), Centre for Cities and Arup, and is funded by the Economic & Social Research Council, The Department of Communities and Local Government and The Department of Business Innovation and Skills.

The purpose of including this in the evaluation was to determine (based on robust evidence) how the design and delivery of E2B compared with national and international best practice, and whether its impacts were in line with similar projects.

The WWG study reviewed evaluations of over 700 business support programmes across OECD. While there was a lack of evidence for accelerator programmes aimed at high growth business start-ups (which arguably was a component of this project), the findings relating to business support and advice programmes were relevant to especially the SME support elements of E2B. The key findings were;

Programmes that took a hands-on, ‘managed brokerage’ approach seemed to perform better than ‘light touch’. E2B was certainly a hands-on project with considerable time and resources spent diagnosing and responding to client needs on an individual, one to one basis.

Smaller, better resourced programme are more likely to achieve success. E2B in comparison with other business support programmes was small in scale (with a target of just 73 new and existing businesses supported over the life of the project) and for a project of its size, relatively well resourced.

In terms of results of business support programmes the review highlighted a lack of compelling evidence of significant impacts on sales, productivity or employment. For example:

- 3 evaluations of Business Link found little evidence of impact on sales or productivity
- An evaluation of UKTI found participating firms increase turnover growth by 8-15%
- The Swedish Regional Business Development programme evaluation found little impact on employment or productivity from distribution of private sector consultancy vouchers

So it would appear that E2B was designed in line with what has been shown to work most effectively. Furthermore the project’s performance (both actual and forecast) seems strong when compared with the results of other programmes. However the review does warn that self-selection – more ambitious businesses are more likely to seek advice - may create an upward bias in results.

³ <http://whatworksgrowth.org/wp-content/uploads/2014/03/14-05-16-Business-Advice-Review.pdf>

5.0 Findings and Recommendations

5.1 Project performance

Overall the project has performed strongly after a slow start. Targets for businesses supported and jobs safeguarded have already been exceeded. The target for job creation is on track to exceed expectations. Turnover growth among participating companies has been strong, and there is evidence of increased investment in R&D.

While the increase in GVA attributable to the project will not meet its original target, it could be questioned whether it was a realistic target in the first place. Certainly there is a case to be made that E2B has significantly outperformed a comparable programme delivering 'intensive' business support in terms of increased GVA. The evidence from the WWG review would also appear to support the proposition that this project has 'punched above its weight' in terms of outputs. However as this report has pointed out, there are a number of ways of measuring GVA and some of these are disputed. It would have been helpful if the original project planning documents had set out the project's assumptions for measuring GVA at the outset.

Furthermore, it is recognised⁴ that interventions like those delivered by E2B have a 'persistence' effect, which means impacts continue to be felt for several years. The Consulting Places evaluation of BENE's mainstream support service used a calculation of 3 years persistence, applying discount and decay factors of 3.5% and 10% respectively. Applying this calculation for persistence would see the 3 year increase in GVA attributed to the project reach £34,800 per company, which would total almost £3m. This would exceed the £2.5m target originally set and represents a net increase in GVA of almost £4 for every £1 spent on the project.

Job creation, which evidence shows is a challenge for similar projects, has been a success factor of this project, with targets forecast to be exceeded. Furthermore the project has demonstrated good value for money in terms of job creation – the current cost per (new) job is £13,800, but this will fall to £7,300 once the forecasted new jobs are in place. This compares extremely favourably with the BENE evaluation, which found that the ERDF investment between 2008 and 2010 of £20.6m resulted in 1018 new jobs – over £20,000 per job.

While the results are clearly very positive, this should be (mildly) caveated with the following:

- It is difficult to truly calculate additionality. While the project monitoring did ask clients to specify what proportion of turnover they attributed to project support, this can be a subjective process. E.g. Clients may feel that over attribution will bring further benefits. If an introduction facilitated by E2B yields a big sale, how much of that should be attributed? 100%? 50%? 10%? Should all further sales to the same customer also be attributed?

⁴ E.g. BIS, RDA Evaluation: Practical Guidance on Implementing the Impact Evaluation Framework, December 2009; HM Treasury, Green Book: Appraisal and evaluation in Central Government.

- Many clients are receiving support from a number of sources (many of these links being brokered by E2B, something seen by clients as a positive aspect of the project). However it may be difficult to extract the ‘value’ (in terms of attributable growth) of the support of one when many actors are involved.
- There is also the issue of self-selection – ambitious businesses are more likely to seek support. Therefore it may not be entirely fair to compare results to other more universal programmes who target ‘average’ businesses.

It is recommended that the evidence base for setting project targets and the basis for verifying them be clarified at the project planning stage. Furthermore it should be recognised that outputs are unlikely to be fully captured within the monitoring period.

5.2 Project design

It is important to recognise the need for long lead times in an intensive, tailored project like this in terms of recruiting the ‘right’ people and identifying and recruiting the ‘right’ clients. This is evidenced by the cumulative improvement in performance over time, making the project increasingly efficient as time went on.

In terms of staff recruitment, the programme management undertook a painstaking process with several unsuccessful attempts before the final team was in place. While this added to early delays in achieving results, the long term benefits of this careful approach were clearly evident in the final analysis. Choosing people who were ‘credible’ in terms of previous industry experience, and had complementary expertise was instrumental in achieving both high levels of client satisfaction and strong performance in many of the businesses.

It is clear from the results as well as client feedback that it was the ‘intangible’ elements of the service (in terms of advice, mentoring and support from the BSMs) that were most valued. However it should be noted that the ‘transactional’ parts of the service (in terms of financial support and assistance with procurement) act as an important ‘hook’ to attract people to engage, especially among existing businesses.

The strong links built with the university’s in-house enterprise support service (RiseUp) from the outset were important. This resulted in what was described by some clients as a ‘seamless transition’ from one support programme to the other. It also helped in ‘selling’ the E2B service to RiseUp clients as referrals to it were coming from advisers they already trusted. This is probably a key reason why the transactional elements of the project were less important as an inducement to start up clients.

Widening the scope of eligibility to the theme of ‘science’ rather than the more narrowly defined three Science City thematic areas helped in both recruitment and quality of clients. This raises important issues about the need to strike a balance between focus and specialisation with issues of supply and demand. Packaging services in thematic areas designed to respond to regional business needs and aligned to the specialisms of NSC (reducing environmental impact, managing an ageing workforce and selling to the NHS) proved to be an effective way of delivering support. While these did incur significant ‘pre-

support' time and effort to put together, this approach demonstrated the 'value added' of E2B over other business support services by playing to the strengths of NSC.

It may be important to bear the higher median vs. average value of support in mind in planning future projects, especially when setting caps or limits on funding.

It is recommended that in order to maximise returns and acknowledge long lead times at the early stages, future projects should be longer in duration. The importance of recruiting the 'right' people was integral to the success of the project – future activities should prioritise this over 'transactional' service delivery. While availability of financial support can attract clients, it is the support, advice and mentoring that deliver impact and transformation.

5.3 Support to new versus existing SMEs

As can be seen in the table below, there are areas of both convergence and divergence when comparing performance of new and establishing businesses. (It should be noted however that full data was available for 44 clients, of which only 14 were new businesses.)

Average per company	New (<12 months) n=14	Existing (>12 months) n=28
Satisfaction score	4.56	4.49
Support value	£4,300	£5,850
Turnover growth attributed to project	£37,000	£37,000
% of total turnover growth attributed to project	64%	31%
Increased turnover per £1 support	£8.62	£6.39
Jobs safeguarded	0.5	0.43
Jobs created	0.29	0.85

Figure 10 Comparison of average results

In terms of average satisfaction, there was no significant difference between the two groups. The value of support provided to existing SMEs was 36% higher. The value of increased turnover was on average the same for both groups. However new businesses were likely to attribute a much higher (more than double) proportion of overall increased turnover to E2B.

In terms of jobs, both groups had a fairly similar result for average jobs safeguarded. However existing businesses were almost 3 times more likely to create new jobs in comparison to new businesses.

Without considerable further research it is not possible to be conclusive; however this data may suggest two stories - one of survival and the other of growth. The greater attribution of turnover growth and more likelihood to be safeguarding (probably founder's) jobs could imply the project has helped new businesses through some difficult 'birthing pains'. The lower proportion of growth attributed to E2B (which it should be noted, did not impact on satisfaction) combined with greater likelihood of new job creation seems to suggest growth and ambition among the existing companies supported. It would be interesting to research

this cohort at a later stage to determine whether the new companies went on to become (as would be hoped) the growth orientated SMEs of the future.

It is recommended that future projects consider differentiating between new and existing SMEs in setting targets at the outset of a project, especially in terms of job creation and gross turnover growth. Projects concerned with job creation may be advised to focus on supporting existing SMEs.

5.4 Internal systems and processes

Those with responsibility for managing the project were able to bring experience of managing other business support programmes previously and had an established network of client contacts and well developed systems for project management.

With this experience the project management team were aware of the importance of recruiting Business Support Managers (BSMs) which the right skills and experience and person specification. The recruitment process proved to be lengthy and overall took several months, shortening the period over which to generate outputs. But eventually the result was the recruitment of three **part time** Business Support Managers, each highly experienced and able to draw upon a considerable depth of business experience.

The recruitment of people with different but complimentary skills/experience was a key success factor. The result was businesses in many cases benefitting from collaborative support being provided by the BSMs.

The BSMs accepted that the Project Management Group was valuable in preventing over delivery and that the group had acted as a ‘critical friend’ helping to ensure that resources were focussed on individuals and businesses with potential.

The existence of a provider panel was at times restrictive and in a minority of cases caused delays in delivery. On occasions suppliers on the panel were unable provide cost effective advice and support of a type appropriate to the needs and resources of the client group.

		Mth	Mth	Mth	Mth	Mth	Mth	Average
		3	3	6	6	9	9	CW and
			Charlie		Charlie	Glen	Charlie	GK
		Glen Kemp	Wainwright	Glen Kemp	Wainwright	Kemp	Wainwright	Months
								3 to 9
1	Securing Clients - Marketing / Client lead generation / Event attendance	54%	26%	15%	27%	23%	17%	26%
2	Scoping client needs non- chargeable	6%	5%	13%	9%	22%	14%	13%
3	Client advice and support (including procurement advice & evaluations)	18%	39%	23%	23%	13%	29%	30%
4	Internal Meetings	12%	17%	9%	21%	19%	17%	15%
5	Administrative tasks e.g. evaluation survey	4%	4%	19%	8%	1%	5%	8%
6	Other	1%	4%	16%	4%	14%	6%	8%
	Total	100%	100%	100%	100%	100%	100%	100%
	Paid hours	120	96	120	96	120	96	648

Figure 11 Allocation of Business Support Manager Time to different tasks Months 3 to 9

Initially the Business Advisers found a combination of administrative tasks and identifying businesses in need of support to dominate their time. However as the project evolved the

administrative burden and time spent securing new clients reduced. Nevertheless, overall less than a third of the BSMs' time was spent on client advice and support that was deemed as an eligible input.

It is recommended that future projects should consider:

At least annual addition to / refinement of a provider panel

Recruitment of part time Business Support Managers where this:

- **Adds to the complimentary skills base of the team**
- **Adds to the calibre of those that can be recruited**

A 'triage' stage which scopes out the needs of the business and signposts the business to the relevant BSM or other forms of support

Recruitment of a (Junior) Business Support Officer role could potentially increase the ratio of BSM spent supporting businesses by

- **Helping to identify businesses and generate 'leads'**
- **Contributing to a triage stage**
- **Helping with procurement management**
- **Helping with output monitoring**

6.0 Conclusions

Bearing in mind the strong performance of the project so far and the evidence of increasing rates of return, as well as evidence that

- *“Stable and predictable programme management is in the interest of users”* – **OECD International Review of Best Practice in Business Support**
- This style of project (*“small, well resourced, managed brokerage”*) is likely to be most effective - **WWCLEG evidence review of over 700 programme**

our main recommendation would be that the project should continue, with perhaps minor tweaks to some of the transactional aspects of the model (e.g. in terms of the provider panel, introduction of a ‘triage’ stage to support BSMs and free them up in order to maximise the time spent one to one with clients).

Our overall conclusion is that this project seems exemplify what international evidence suggests works, but **consistency** and **continuity** (with some flexibilities to adapt) are critical to achieve impact.

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