

**EVALUATION OF
GREAT IDEAS IN SCIENCE AND TECHNOLOGY (GRIST)**

FINAL REPORT

KINGSHURST CONSULTING

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EXECUTIVE SUMMARY

- 1.1 Following a competitive tendering procedure that took place in December 2006, the Kingshurst Consulting Group (KCG) was invited to undertake an evaluation of the Great Ideas in Science and Technology Project (GRIST) on behalf of the project funder, the South East England Development Agency (SEEDA).
- 1.2 GRIST was conceived in 2002/3, after visits to a similar scheme (TOP) in the Netherlands, and commenced in 2003. It was delivered by a partnership of three universities (Brighton, Kent and Surrey). GRIST was set up to provide funding, in the form of loans, and business development support to individuals (both graduates and entrepreneurs) willing to work with the participating universities on developing their ideas.
- 1.3 Although each university used different approaches to various elements, the broad scope of the model is as follows:
 - awareness of the scheme was raised via newspaper advertisements, flyers, a website (www.gristmarketing.co.uk) and other promotional avenues
 - students and potential entrepreneurs were able apply for a package of business support including funding and advice, access to other providers' support services. For some time there was a specific focus on two geographic areas of regeneration (Hastings and Thanet) but it proved very difficult to attract enough good quality applicants from these places, so this limitation was removed.
- 1.4 Each application was considered by a panel (typically a specialist academic plus the Project Director and/or Project Manager). In total, 82 applications were received, of which 36 were successful. In return for personal - not company - funding (which ranged between £5,000 and £30,000, although most awards were of £20,000), mentoring and signposting to other support services, each successful applicant, or GRISTer, was expected to develop his or her business idea, including in many cases developing or proving the technological potential. The universities took a small equity stake, or negotiated royalty payments, in each business. There was an expectation that all funds thus 'regenerated' would be recycled into the scheme, making it partially self-sustaining.

Key Findings (Rationale and Design)

- **GRIST was a bold, experimental and innovative scheme** : although it did have some weaknesses which it struggled to overcome. It provided support and funding to individual graduate entrepreneurs (not companies) at a time when there were few other schemes available to this group
- **the project suffered from having too many objectives** : it proved difficult to achieve the aim of stimulating graduate enterprise in areas of regeneration. We recognise that it was a new approach to combine these two topics together. However, despite the good intentions, it became apparent that there were not sufficient graduates in, or willing to move to, regeneration areas to provide an adequate pipeline for GRIST

- **although TOP scheme was a stimulus to GRIST, its design was not closely followed:** whilst the TOP programme at the University of Twente maintained a strong emphasis on graduate enterprise, had clear relevance to the university's strategic research interests and was closely integrated within an overall framework of entrepreneurship support, these facets were not routinely demonstrated in GRIST
- **the project timescales were too short,** even with the extension awarded by SEEDA, to allow a full understanding of the medium to long term effects of a loan scheme. However, there are already some indications that a proportion of the loans will default
- In addition, many loans will not be returned until well into the future so there is an interim period of financial uncertainty which implies that the **current model is certainly not sustainable**
- the **objective of supporting graduate entrepreneurship is still valid** and universities have an important role to play in any related initiatives. There are some excellent features of GRIST which should be incorporated in any future initiatives, but there are also some features about which there are concerns, based on interviewees' responses.

Key Findings (Delivery)

- there are **significant differences** in both the profile of beneficiaries and the way that GRIST was delivered in each sub-region which makes programme level evaluation problematic
- the **beneficiary experience of the process of applying for GRIST support was extremely positive**, although there were delays in some cases in finally receiving funds which did cause some problems
- the **terms around which the loans were arranged were generally well received** by beneficiaries but there are differences between the sub-regions. Over time, more lessons are likely to be learned about the most appropriate model
- **mentoring services were of good quality** : the range of services required by beneficiaries ranged from 'hand-holding' to quite sophisticated mentoring support. This range has been well catered for
- **there is mixed picture on external links** : in two sub regions there were very positive external links established with the business support infrastructure and with complementary schemes and initiatives
- with regard to **internal links and relationships, GRIST was not delivered in a very integrated way.** Opportunities to work with other departments in the host universities were not straightforward and, in general terms, the project failed to link beneficiaries to the resources available

- the **partnership between the three universities was generally positive and productive**, despite the fact they had not worked together extensively before, although there is little evidence of significant or structured learning
- **some delivery issues still remain** : partners are aware of the need to continue to monitor successful applicants. However, there is less clarity concerning plans to deal with delayed and defaulting loan repayments, making best use of returned loans and providing ongoing support for beneficiaries. SEEDA has an important role to play here
- **GRIST was well managed**, with processes that provided added value to beneficiaries, delivered by people who were committed to the success of the project

Key Findings (Results)

- **GRIST has stimulated entrepreneurial activity** : 42% of beneficiaries would not have pursued their business idea without GRIST. A further 31% would not have been at the same stage of development – GRIST had speeded up the process or enabled them to take things forward on a larger scale.
- overall, **the project has had a positive impact on those receiving funds** and there is a high degree of satisfaction with the process as well as the award. Most beneficiaries state that they and their business are in a better position as a result of participating in GRIST
- the project **appears to have addressed a funding gap** and some features of the loan scheme seem particularly attractive to beneficiaries – such as the provision of monies to individuals not companies, and, in some cases, the equity arrangements
- the **results with regard to the encouragement of graduate enterprise are disappointing**. The number of real graduate based projects with clear links to the institutions is too small a test group to demonstrate meaningful results
- **as an output delivery mechanism GRIST appears expensive** – but in the context of a pilot and “action research” the results may be considered more reasonable. However, it is difficult to find appropriate benchmarks for these judgments and to apportion outputs (ie job creation/new business starts) to a single intervention. In addition, GRIST was designed to deliver soft, as well as hard, benefits, so simple value for money calculations are to some extent an inappropriate measure
- GRIST has demonstrated some evidence of **strategic added value** for SEEDA, particularly in creating some synergy between beneficiaries in terms of the potential to collaborate with each other.

Areas for consideration

1.5 GRIST has highlighted gaps in the funding of very early stage businesses, including graduate enterprises. Should there be any follow-on loan schemes in the future, SEEDA and other stakeholders might like to consider the following:

- return to a focus on student / graduate enterprise
- remove restrictions on science and technology and consider extending the funds to embrace social enterprises and creative industries, for example, to attract a wider range of student entrepreneurs
- consider funding undergraduates on placements as a specific objective and use their "projects" as wider learning experiences, bringing venture progression back in as part of the learning cycle
- the learning aspects of enterprise and individual development should continue to be supplied by the university but the business support aspects should be provided elsewhere
- consider making smaller awards, e.g. the £5k proof of concept grant adopted at the mid point review and utilised in Kent. These smaller awards help to ensure GRISTers conduct some robust market research, leading to a credible business plan prior to the provision of the loan
- make better provision (financial if needs be) to ensure that internal expertise and resources are put at the disposal of GRISTers and link with gateway functions to provide these resources
- create a routine process to allow universities (and hence the project) to have a clearer 'heads up' on repayment rates and the likelihood of default
- separate out the mentoring and the contract/project management functions
- consider linking award provision to projects that relate to the strategic research and / or teaching interests of the participating institutions to ensure continued interest

SECTION ONE : INTRODUCTION

- 1.1 Following a competitive tendering procedure that took place in December 2006, the Kingshurst Consulting Group (KCG) was invited to undertake an evaluation of the Great Ideas in Science and Technology Project (GRIST) on behalf of the project funder, the South East England Development Agency (SEEDA).
- 1.2 GRIST was conceived in 2002/3 and commenced in 2003, delivered by a partnership of three universities (Brighton, Kent and Surrey). GRIST was set up to provide funding, in the form of loans, and business development support to graduates and entrepreneurs willing to work with the participating universities on developing their ideas.
- 1.3 Our work commenced with a kick off meeting in mid January 2007. Following inception activities, field work took place between the end of January and the beginning of March and consisted mainly of face to face interviews with beneficiaries and stakeholders as well as the core partnership. An initial presentation of results took place towards the end of March, following which this final evaluation report has been prepared.

Review of assignment aims and objectives

- 1.4 The main focus of the evaluation was to assess the outputs and outcomes generated by GRIST and to make initial recommendations regarding any continuation activity.
- 1.5 Specifically we were asked to evaluate:
 - the project rationale and design
 - the project's delivery
 - the project's results
 - value for money
 - critical factor analysis.
- 1.6 Within each of these areas a number of underlying objectives and questions were clearly expressed in the invitation to tender and responses to these are included in the report.

Format of the report

- 1.7 For ease of reference, our report is divided into a number of key sections:
 - Section One consists of this short introduction
 - Section Two looks at the context and environment for GRIST and the changes that have occurred since it was developed
 - Sections Three to Six contain a more in-depth report of the results of the evaluation and provide a response to the main areas for investigation outlined at 1.5
 - Section Seven sets out discussion areas relating to the future of graduate enterprise support. These include critical success factors for any further initiatives based on our evaluation of GRIST

- Section Eight provides a summary of our methodology and general comments on the process of evaluation.
- 1.8 The report is accompanied by an appendix which provides details of organisations interviewed, as well as the numbers of successful and unsuccessful GRIST applicants interviewed.

SECTION TWO : CONTEXT AND ENVIRONMENT

2.1 GRIST was conceived in 2002/3 but it is clear that, in a number of significant ways, the environment for enterprise has changed during the past five years. Our evaluation of the project has tried to take this into account, recognising, for example, that if a GRIST scheme was to be set up from scratch by the partners today, its design and delivery might be different from that pursued in the existing project. In order to provide context for our conclusions and recommendations, this section looks at some of the more important changes in the enterprise environment that have occurred in recent years.

Entrepreneurship education and support

2.2 Teaching and education in entrepreneurship is not new, but it does appear to have received renewed impetus since GRIST was established. The creation of the National Council for Graduate Entrepreneurship is an indication of government and policy support and an increasing number of institutions have a stated objective for entrepreneurship to be more embedded in all aspects of the curriculum.

2.3 Although GRIST was about providing finance and support for graduates (and subsequently others) who were interested in setting up their own business, and not entrepreneurship education per se, the initiative could reasonably expect to benefit from the increased levels of interest in this area. This would require a certain degree of connectivity between the various departments and elements of the institution with differing but complementary motivations. Notwithstanding this, the increased interest and understanding of entrepreneurship would certainly provide a more positive environment for an initiative like GRIST to be established than existed in 2002/3, when support and engagement with the project might have been more difficult to achieve.

Enterprise and innovation support

2.4 Provision of enterprise support from both the public and private sectors has long had a reputation for being fragmented and complex. When GRIST was conceived, it was reasonable for the partners to plan to deliver the project largely on an internal basis. However, in two sub-regions the integration of the project with other business support structures, notably the Enterprise Hubs, has proved to be a very important element in its delivery. The emergence of the Hubs and the relationship between this network and other organisations, such as Finance SE, means that the design of GRIST needs to be reviewed in the light of the different landscape of organisations, services and their connectivity.

Third stream evolution

2.5 The Higher Education Funding Council has re-emphasised the policy that third stream activities should become more embedded in institutions – with these activities even becoming “second mission” in some universities and funding provided more by formula than through competition. However, there is still a very diverse approach to third stream activities in institutions and differing levels of strategic support and engagement. This is probably true for the GRIST partnership as well as in other institutions. The evolution of third stream is likely to involve a consolidation and rationalisation of partnerships and collaborations between institutions.

- 2.6 GRIST spanned a number of third stream areas, for example, graduate enterprise, university links, and knowledge transfer. Its positioning within the institutions is an issue that will affect its continuance and sustainability. For example, Surrey has a strong reputation and experience in enterprise development, but has recently seen major cutbacks in the level of external funding for these activities. In such a situation it is likely that the institution will concentrate on its more strategic, long term interests such as the Science Park and its own, high profile spin-outs. It is not clear whether GRIST would have a significant place in the portfolio of activities pursued by UniS Direct (currently the main department responsible for enterprise activities). If the focus of GRIST were to revert to one of the original core objectives of supporting *graduate* enterprise, then the scheme could arguably be better championed by other parts of the university, such as the Management School, with its interest in entrepreneurship teaching) and the Careers Service. However, the best situation would be if each of these departments were to work together to make a scheme like GRIST work.
- 2.7 The situation facing Kent and Brighton is different in that they don't have the same length of experience in enterprise development but arguably could have more to gain from the success of a GRIST project. Third stream activities have a different profile at these institutions. The extent of community and business links that GRIST could encourage might be of greater strategic, long term interest to these institutions.
- 2.8 Another illustration of how the environment for third stream activity has evolved is provided by the emergence of the concept of the entrepreneurial university. This is linked to the idea of third stream/second mission mentioned earlier. One of the most frequently quoted examples of an entrepreneurial university is Twente in the Netherlands which provided a stimulus for GRIST (see 3.9 – 3.11). Whether the GRIST partners see themselves as having the same degree of focus is a debatable point however – and one that affects their approach and commitment to such schemes.

Finance

- 2.9 Our impression is that the range of funding available to entrepreneurs to support innovation and business development has broadened since 2003, although this is not necessarily targeted at graduate enterprise activity. Certain schemes have been in existence for some time at the national level (such as SMART) but these have now been supplemented by regional schemes (CommercialiSE, PoCKeT) which, together, create a more robust funding escalator for progressing viable projects. In addition, specific organisations have been set up which are dedicated to the promotion, delivery and management of this funding escalator on behalf of the region or sub-regions, for example, Finance SE.
- 2.10 When GRIST was conceived, it does appear that the loan scheme element did address a gap in provision. Clearly that rationale needs to be assessed in the light of the changing environment. Our recommendations reflect this and our report highlights some of the positive experiences that GRIST can contribute to a renewed debate on funding gaps.

Summary conclusions

2.11 Summary conclusions on the context and environment for GRIST are as follows:

- the current environment for GRIST is significantly different from that which existed when the scheme was conceived
- in many respects, GRIST was a reasonable response to needs and opportunities for enterprise and graduate support that did exist in 2002/3.

SECTION THREE : PROJECT RATIONALE AND DESIGN

Rationale and objectives

- 3.1 Our interpretation is that GRIST was conceived as a mechanism to:
- encourage graduate retention and entrepreneurship
 - stimulate links between the community, local business and the universities, particularly with regard to support for new technology based businesses
 - respond to local regeneration needs and opportunities
 - influence the way that entrepreneurship and enterprise is dealt with in the host institutions.
- 3.2 It appears that the regeneration potential of the scheme was discussed in the concept and design phase and clearly this was attractive to SEEDA. Consequently, it appears also that the importance attached to regeneration aims was stepped up. As a result, GRIST ended up with quite an ambitious set of objectives.
- 3.3 This situation certainly created difficulties for the partners during the early phases of implementation and was one of the contributory factors to the delays that occurred at this time. We can conclude that the project suffered quite considerably from the outset as a result of unrealistic and mixed objectives.
- 3.4 The positive intervention of SEEDA at a critical time, resulting in an extension of the project timescales and also a revision of some of the project criteria (by then perceived as constraints by the partners), was clearly welcomed and led to a step change in the level of activity. However, by allowing a shift of emphasis away from the core rationale of graduate enterprise and regeneration, the effectiveness of the scheme as a pilot for university based enterprise support and, as a test of its potential strategic impact, was compromised.
- 3.5 Our discussions with stakeholders demonstrated some ambivalence and confusion with regard to GRIST's overall objectives. Most respondents' awareness of GRIST was rudimentary and they did not really understand its aims - perceiving it as a marginal element in the overall framework of innovation and business support. GRIST's limited marketing activity made it difficult to produce a clear differentiation and positioning of the scheme. Whilst this may not have affected delivery during the pilot phase, the lack of clarity would certainly create problems in any subsequent roll out of the scheme.

Relevance to market and environment

- 3.6 GRIST was conceived in 2002 and commenced in 2003. The environment for graduate enterprise, business support, university/community links and indeed regeneration that existed at that time has already been described, and it is clear that today's situation is considerably different.

- 3.7 At the time GRIST was a bold and innovative initiative that would not have happened without the pump priming and support of SEEDA. It began right at the start of HEIF funded 3rd stream activity, and was instigated during a period when other programmes and entities, were relatively embryonic, for example, Finance SE, CommercialiSE, widespread rollout of Enterprise Hubs. In some respects GRIST was ahead of its time.
- 3.8 In simple terms, we feel that GRIST still has relevance, particularly with regard to the encouragement and support of graduate entrepreneurship, even though it has not resulted in a proven model. However, its relevance to regeneration and wider university links with business has not been demonstrated by the experience of the last three or four years. Indeed, in the context of today's environment, GRIST has become, at best, marginalised and, at worst, irrelevant to achieving these wider strategic objectives.

Scheme design

- 3.9 Much of the initial stimulus in setting up GRIST came from the interest shown by the partners in the Temporary Entrepreneurial Places (TOP) programme conducted at the University of Twente, in the Netherlands. The scheme is clearly held in high regard and deservedly so: TOP has been active in Holland for over 20 years and resulted in over 300 business starts with reported high survival rates, and which currently employ well over 3000 people.
- 3.10 However, despite the initial enthusiasm for TOP, we found that GRIST was not modelled very closely on the scheme. There are some fundamental differences between the design and implementation of the two initiatives, in particular:
- TOP has a strong emphasis on students and graduates whilst the original focus on graduates by GRIST was not universally pursued
 - the projects that TOP supports have clear relevance to the strategic research interests of the university. TOP schemes are not pursued if a sponsor from a university department is not found. Conversely, the long term links between many of the GRIST projects and their host institutions is not clear. The link between GRIST projects and university research strategy does not appear to have been a major element in the selection of projects. Even where the potential for such links existed they were not actively pursued
 - the TOP scheme is highly integrated within an overall system of support for entrepreneurial and business generation activities at Twente. Implementation of TOP shows a high level of connectivity - both internally between university departments and externally with business support and funding agencies. Although there are differences between sub regions, we found that this level of integration and connectivity had not been achieved by GRIST and perhaps more importantly, opportunities for building connectivity and integration were not pursued vigorously enough in some institutions.
- 3.11 Whilst we acknowledge that GRIST is embryonic compared to TOP, we do feel that there was an missed opportunity to adopt some good practice and features of the model from the outset and benefit from another institution's learning. We also found little evidence that external partners and stakeholders, such as lending institutions, other

public sector agencies, and business support organisations were extensively involved, either in project design or subsequent adaptation. It appears that some organisations were involved when SEEDA called the project review meeting but these contacts and relationships were not systematically pursued, even though less formal relationships did develop, for example, with Enterprise Hub Managers. However, this finding should also be tempered with an acknowledgement that many of the original contacts and Project Managers are no longer available to be interviewed to verify this point.

3.12 Although it was conceived as one project, the way GRIST was implemented resulted in three pilots with some commonalities, but also with some significant differences. The differences in delivery approaches are covered in greater detail in Section Four, but there were also differences in project design, for example, with regard to repayment terms. Although each institution made loans against a common contractual format, the terms of those loans show some variances. For example:

- Brighton and Kent placed more emphasis and importance on maintaining an equity stake in each project than did Surrey
- Surrey's repayment terms sometimes included royalties based on projected turnover, whereas Brighton and Kent's repayment terms were arranged more on a straight repayment basis alongside the provision of equity stakes.

Sustainability

3.13 It is a credit to SEEDA and the partners that the design of GRIST had sustainability as an important aspect right from the start. The re-investment of returned loans together with the additional funds that would be returned via the royalty arrangements and equity stakes, as well as the potential involvement of commercial funders in supporting GRISTers' businesses would, in principle, provide a platform for the scheme to continue and, over a period of time, move away from the need for public sector intervention and underwriting.

3.14 In practice we did not find that GRIST has a realistic prospect of sustainability in its current form. As a pilot it was a relatively small project and, inevitably, lacked critical mass. However, the effect of this was that it did not provide a clear test of a model for graduate enterprise support.

3.15 It is too early to say how much of the loan base will be returned and with what amounts of premium (if any). There are already some indications that a proportion of the loans will default although recognition of the likely default rate and the effect on the project is unclear. In addition, many loans will not be returned until well into the future so there is an interim period of financial uncertainty which implies that the current model is certainly not sustainable. The effects of this should have been anticipated and provision made to deal with it at the outset.

Summary conclusions

3.16 Summary conclusions on project rationale and design are as follows:

- GRIST was a bold, experimental and innovative scheme and its design was an appropriate response to the situation that existed in 2002/3. However, in many respects, it is now out of tune with today's environment
- the project suffered from having too many objectives, exacerbated by the fact that it was also to be delivered by a partnership of universities with little experience of working together in this area
- although TOP was a key stimulus, there are few features of the model which were implemented in GRIST
- the project timescales, even with the extension awarded by SEEDA, were always too short to allow a full understanding of the medium to long term effects of a loan scheme
- in its current form, GRIST has little relevance as a mechanism for encouraging regeneration or more general university based business and enterprise support
- the objective of supporting graduate entrepreneurship is still valid and universities have an important role to play in any related initiatives
- there are some excellent features of GRIST which should be incorporated in any future initiatives. However, there are also some features about which we have serious concerns, based on interviewees' responses.

SECTION FOUR : PROJECT DELIVERY

4.1 GRIST has been delivered differently by the three university partners which has meant that in effect, GRIST is not in fact one, but three pilots. There are some areas of commonality, and some major differences which are explored in this section.

Early stages

4.2 It is acknowledged by all concerned that the project experienced considerable delays in its early phases. There are a number of reasons for these, but our investigation concluded that two of the most pertinent are:

- the initial targeting and focus on regeneration
- establishing the vehicles for investment and collaboration.

4.3 Originally one of GRIST's aims was to assist potential graduate entrepreneurs who were either in, or willing to relocate to, areas of deprivation or regeneration – specifically Hastings and Thanet. It became clear early on that this ambition was not going to be achieved. This was due to a lack of graduates in those areas (there being no established university presence), combined with a marked reluctance of graduates from nearby universities to relocate. The constraints on potential beneficiaries were relaxed to include graduates and other potential entrepreneurs in the wider 'catchment' areas of the three participating universities, whilst retaining a particular focus on the two regeneration areas.

4.4 The project closure report documents how the unforeseen legal work led to delays in the project's effective start date. It also shows that Surrey started to make awards considerably ahead of Brighton and even further ahead of Kent. It is likely that this staggered start was due, in part, to Surrey having the Set Squared project and not having the regeneration objective.

4.5 Legal advice was commissioned as soon as the initiative was approved but could not have been commissioned during the negotiation phase with SEEDA because no money existed to pay for it. At the outset the concern was the Consumer Credit Act, which proved to be a minor problem. The real delay was when the true implications of the Financial Services Act were understood with regard to the equity section, which had not been foreseen.

4.6 The knock-on effect of the delays caused by the legal process, coupled with the initial focus on regeneration, had a knock-on effect on project delivery. This has perhaps been felt most in Kent, where loans were compressed into roughly a 12 month period.

Marketing

4.7 In common with the overall diversity of approach noted above, a variety of routes to market were eventually adopted by the partners. These ranged from quite specific targeting of the student population (Brighton), to more of a reliance on existing contacts and third parties (Surrey). However, one caveat is that many of the original members of staff responsible for GRIST were not available for interview so the full extent of marketing may not be entirely evident.

- 4.8 Promotional activities certainly included the creation of the website, specific marketing collateral, presentations, particularly externally to the wider business support environment, piggybacking on other materials such as newsletters and general advertising in newspapers. Brighton also demonstrated a useful approach by identifying potential GRIST applicants from student degree shows - such as those in the 3D Design and Materials Practice. This particular degree can combine technology with art and design, and many students are pre-disposed towards self-employment. Surrey also has degrees that combine traditional subjects with entrepreneurship, for example, computing/engineering. Although one of the Surrey beneficiaries was taking one of these courses, a strong link between the course and GRIST is not apparent.
- 4.9 The change in focus to a wider target area does not seem to have had a very marked effect on the marketing strategy. In the closure report, the partners indicate the best way of engaging with non-student beneficiaries is through direct approaches and referrals, although there is some evidence that newspaper advertisements attracted attention in the Hastings area.
- 4.10 The variety of approaches, although somewhat scattergun, was arguably a reasonable way forward given the large audience and its heterogeneous nature. Feedback from stakeholders, however, provides some limited evidence that promotion had not been undertaken particularly widely or effectively. Ambivalence or even mild confusion about the project was evident, indicating that it had not been well differentiated from other initiatives aimed at supporting enterprise and innovation. A number of the Surrey beneficiaries, for example, did not report a strong link between GRIST and the University, associating the project more closely with other organisations such as the Enterprise Hubs.

Pipeline

- 4.11 All partners acknowledge that promotion was not easy. One of the consequences of this was that the pipeline of enquiries was slower to start than expected. Moreover, it did not flow continuously throughout the project – a lot of Kent's activity, and to a lesser extent Brighton's, was towards the end of the contract period. As noted elsewhere, this has a knock-on effect in terms of disbursing loans, planning their repayment and utilisation.
- 4.12 Surrey appears to have made loans first because there was demand locally, mainly amongst embryonic businesses that were already involved with existing initiatives such as SET² and latterly the Enterprise Hub. However, the momentum of this head start appears not to have been maintained. Surrey certainly increased its hit rate after the change in project management fees and the round table called by SEEDA.
- 4.13 Kent, conversely, struggled for a long time to find graduate beneficiaries in Thanet (in retrospect a difficult task) and it is not very clear why they did not adopt the approach used in Hastings sooner - which was to target any potential entrepreneurs. Their loan profile goes from zero to six in one quarter.
- 4.14 Brighton demonstrates elements of each of the other regions, starting after Surrey with a single loan, and then jumping up to six loans in the space of one quarter. After a period of static growth, there was another burst of activity and, in fact, Brighton made all its awards first, ahead of the other two.

- 4.15 Overall, GRIST had 82 applications (with more rejected before they got to the stage of formally applying in writing) and made 35 awards (a 36th award was rejected by the beneficiary and at least one other award has also been returned) – a conversion rate of 1 in 2.3; which is quite high.
- 4.16 Overall, as shown in the project closure report (p3), there is not a smooth curve in terms of award delivery. This, and the conversion rates, indicates that the pipeline was weak and the universities struggled to raise awareness and interest in the scheme and to maintain momentum. It also shows that ongoing marketing or other promotional activities, combined with the need for applicants to put together credible cases, take time to show results, despite an efficient application process. Our work programme did not enable us to make a clear assessment of actual demand levels. This would have to be a consideration of any future activity.

Mentoring

- 4.17 The majority of beneficiaries were offered mentoring but not all took it up. In Surrey, mentoring came primarily from either the GRIST Project Manager directly or via the Merlin scheme, whereas in Brighton the mentoring was completely from the GRIST Project Manager. In Surrey, there is a prevailing attitude (remembering many GRISTers are quite experienced business people) that help was only required when specifically asked for and much of the "mentoring" provided is better defined as project management and monitoring assistance. Surrey GRISTers perceived GRIST as a loan scheme and not as a business support or mentoring scheme but they were well aware that such support was available from other sources.
- 4.18 In Brighton (and particularly Hastings) there was a very strong demand for mentoring. In fact, we found that this went beyond mentoring and into the realms of 'handholding'. The result was that the University of Brighton had to spend a lot more time than originally envisaged on providing support, and that even now some beneficiaries would like further assistance. This demand is fuelled by a combination of a lack of business experience, confidence issues and also some beneficiary perceptions that GRIST exists to help that individual in whichever way they require, rather than build their own capacity for self-help.
- 4.19 Overall, most beneficiaries are very complimentary about the quality of their mentors. The only issues seem to be lack of contact on occasions, and also a desire to have a mentor who is expert in the GRISTers' particular industry – the latter is a common complaint amongst SMEs taking up business support in general. In addition, some awardees also remarked that an academic and / or technical mentor from a university was not very attractive and that any mentoring and business support offered needed to come from experienced entrepreneurs and business professionals.

Links to external resources

- 4.20 The Enterprise Hubs in Surrey and Kent are co-located or in close proximity to their respective universities. There is no such arrangement in Brighton, with the closest Hub being in Eastbourne. It is very clear that this brought significant advantages to Kent and Surrey. Beneficiaries in both regions reported strong links with support from a variety of business organisations or advisory services. In Kent this was particularly built on

services available to tenants within the Hub, such as monthly networking events, access to mentors and Business Link Kent seminars, as well as the relationship with the Kent Business School.

- 4.21 In Surrey, many beneficiaries were involved with the Hub or linked initiatives such as SET² before they were introduced to GRIST. It was clear that the Hub environment and services provided within it were more important to the individuals than GRIST which was perceived as a useful and welcome "bolt on" to the core service. Nonetheless, in both cases, where a 'triple helix' occurred (i.e. business, University and Hub/business support organisation services all in the same place), some relationships or links were developed which either were, or could be, exploited.
- 4.22 Conversely, linkages with external services were weaker in Brighton. Although some business support organisations were aware of GRIST, and some beneficiaries were referred to external support (e.g. Manufacturing Advisory Service, 1066 Enterprise). We understand that there was more substantial contact with business support organisations in Hastings. However, this did not figure largely in beneficiaries' experiences and did not appear to be systematic.
- 4.23 Probing further, it became clear that many GRISTers in Brighton and Hastings had only a rudimentary idea of business management tools and techniques. Most of them had not received any formal training or support. Whilst it appears that business planning, marketing and finance etc were discussed in mentoring sessions, it is apparent that this advice was not always taken up. The result is that some beneficiaries have developed ideas, products or services, but have not yet proved whether there is any demand, nor how it might be funded, marketed or turned into profit.

Links to internal (university) resources

- 4.24 As regards the linkages encouraged with other departments, facilities and services offered by the host institutions, again there were a variety of experiences. The number of linkages between GRISTers and University departments were quite limited at Kent. These had mixed results, and there is a slight concern among beneficiaries that the University perceived this as an opportunity to recoup GRIST funding.
- 4.25 This 'recycling' also occurred at Brighton, but was not particularly seen as an issue, although it was reported to us by one GRISTer that £12K (not necessarily from GRIST funding) appears to have been spent with an academic and students. Several GRISTers, particularly ex-students, wished to use the specialist resources in the University, ranging from the microbiology expertise to the library and workrooms with cutting equipment. However, they unanimously reported problems of not being allowed to/having to pay. Eventually they were given access to physical space or resources but were not shown how to use the equipment. Most were disappointed, and could not understand why access was so difficult.
- 4.26 Another group, mostly in Hastings, did not have personal knowledge of the resources available but had high expectations, given that GRIST provided both funding and expertise. Some of these have also been disappointed, but this might be more about managing GRISTers' expectations than failure of provision.

- 4.27 There has been some feedback on the quality of help in Brighton, where it has been provided. A couple of applicants said they were led to believe they might have access to student help (via projects) but it never materialised; another couple had access to advice on intellectual property but they failed to understand it (it's not clear why they didn't go back until they did understand it); a couple of GRISTers have had a very good experience, but one person is of the firm opinion that the assistance provided by the university was of very poor quality and severely delayed/reduced her chances of success.
- 4.28 This general feeling of disappointment in university dealings is borne out by Surrey GRISTers; although it is perhaps compounded by a feeling of indifference as well – as fewer Surrey GRISTers had expectations of such links and most did not have overtly technical needs compared with other areas. A number of Surrey participants identified the lack of linkages back to the university as a wasted opportunity in the project even though their expectations of the benefits that might have accrued were fairly modest. A small number even reported that their attempts to make links were poorly dealt with and ultimately failed. This is a major disappointment of the project.

Project management

- 4.29 Brighton had the contract with SEEDA and took the lead role on behalf of the other partners, for example, in collating project management information. Acceptable records were kept at each university concerning applications and contracts and we can conclude overall that GRIST has been reasonably well managed, although the changes in staffing may well have resulted in some discontinuity of approach.
- 4.30 Certain data are collated quarterly in order to report to SEEDA, and Brighton has taken the lead on the project closure report. The relationships at this level between the partners and between SEEDA appear perfectly satisfactory.
- 4.31 There are some concerns however, associated with the ongoing project management of GRIST now that the main contract period has concluded. It is not clear, for example, that each university has a robust and ongoing risk management process in place to flag up likely delays or defaults in individual repayments schedules and to understand overall the implications of such changes. As more loans become due it is important that the project is closely managed, for example, with regard to renegotiation periods and defaulting loans, even though SEEDA will no longer be involved. The extent of likely default rates, the implications and the corrective steps planned are not extensively discussed in the final report and we believe this to be a serious omission.
- 4.32 With the majority of loans being given as a lump sum, payable over 4 quarters, there is little evidence that projects did not receive the finance as intended. It follows therefore that the vast majority of projects have, to date, successfully met their milestones/objectives in order to trigger release of the next tranche of money. This contrasts with an intuitive expectation that a good number of the projects in a high risk portfolio will not run to plan. In addition, given that there have already been defaults and renegotiations of repayment schedules, there is some evidence that the monitoring process during loan disbursement and/or the initial milestones agreed might not be robust or challenging enough.

- 4.33 There is some evidence also, at least in one region, that more stringent monitoring and/or break points need to be introduced into the projects and/or the contracts. Overall there is a concern that "good money" could too easily be allowed to "follow bad money".

Staffing and resources

- 4.34 All partners have seen changes in their project staff. This is perhaps inevitable given the duration of the scheme, although the extent to which wider economic factors such as the loss of Higher Education Innovation Funds have been allowed to affect GRIST is a concern. The discontinuity of staff, has had some negative impact, particularly in two sub-regions. For example in Kent, the original Project Manager is acknowledged to have been excellent – very proactive, available and dynamic – once funding was found for a full-time post. This type of intensive engagement was appropriate for early stage relationship building and ongoing support. However, her successor now has the task of managing expectations as the relationship with GRISTers moves into a different, more account management type role.
- 4.35 In Surrey there have also been staff changes. GRISTers did not report a major problem with the change of Project Manager - just some level of disappointment. The effects of staff changes appear more important at the institutional level however. There is some evidence that the original rationale and opportunity presented by the project was not communicated widely enough and this has led to issues of "ownership" within the organisation. The set up, promotion and day to day delivery of the project were not managed in an integrated fashion and this is a disappointment as the opportunity presented by GRIST was perhaps not exploited as much as could be expected.

Partnership working

- 4.36 An underlying objective of GRIST was to build collaboration between the partners, and also to use existing wider links to raise awareness amongst other universities. At the project start it was hoped that Surrey could share its experience in enterprise support, for example, through their involvement in SET² with Brighton and Kent to improve the delivery of GRIST, and by association, enterprise activities at the institutions. Although this is hard to evaluate because the original Project Managers have moved on, this sharing of experience does not appear to have happened, at least in a structured or systematic, and sustainable, way. It is not clear why, whether it was just inappropriate (i.e. not enough commonality of purpose or approach); or whether the partners did not have a close enough relationship.
- 4.37 As regards collaboration at operational level, an example of partnership working between Project Managers was problem solving the whole issue of grant versus loan which led to a major change taking place at the mid project review.
- 4.38 All three partners say that their working links have been good, they feel they know one another better, and point to potential joint bids in the future as proof of their collaboration.

The beneficiary experience

- 4.39 We have already commented on some major aspects of the beneficiary experience:
- signposting to and integration with external sources of help was very good in two regions but poor in the other
 - signposting to internal sources of help was patchy and disappointing overall
 - accessing internal resources was difficult (unexpectedly so)
 - mentoring was appreciated and found to be of generally good quality.
- 4.40 Beneficiaries were asked to what extent they were attracted to GRIST - by the money or by the access to University experts and specialist resources. The differences in responses to this question by sub region were quite marked:
- 4.41 In Brighton, responses were mixed, but hardly anybody said the money was of prime concern. Those who were slightly more interested in the financial rather than the support aspects had no special expectations of the University, seeing it more or less as a potential channel to funding. However, the majority saw the funding and support of equal benefit, with many enthusiastic about the latter. Unfortunately, as we have seen, many had less than entirely satisfactory experiences; as a result they have become more sceptical about university-based business support.
- 4.42 In Kent, at the outset the attraction of the money was predominant for six GRISTers, fairly evenly balanced for two, and of lesser importance for two. Since the loan approval had been given and GRISTers started to receive business support (training, mentoring, networking etc.) three of the six felt that the money had become less significant, considerably so in two cases.
- 4.43 In Surrey the loans were of prime importance and any business support offered directly by GRIST was at best secondary and mostly irrelevant. GRIST was perceived as a funding mechanism only and not a mechanism for working with a university or for receiving support from a university (business, technical or otherwise). This reflects the fact that most GRISTers were already receiving services from other agencies and the loans were regarded as a relatively easy addition to the portfolio of support.
- 4.44 It should be remembered that many GRISTers (in Brighton at least) had low awareness of external sources of help – it may be that they did not realise that other agencies are able to signpost onward. However, it is equally true that many universities have a confusing interface to the outside world, and many potential users of university based services may find it hard/be put off trying to find the right person to speak to about an issue. Projects such as GRIST have the merit of providing a clear access point into the university environment, but to date, it has not succeeded in facilitating relationships between internal expert resources (i.e. supply) and external demands.

The application process

- 4.45 As noted in the individual area profiles, beneficiaries' views of the application process were mostly positive. It is noticeable that a certain amount of coaching went on to prepare applicants' forms and then also to prepare the individuals for their Panel presentations, particularly in Brighton and Kent. Most, but not all, reported the process to be effective and speedy. In addition, many reported that the Panel interview process yielded unexpected benefits, for example, guidance being provided on projects and that the Panel members were, for the most part, knowledgeable, approachable and helpful.
- 4.46 The main concern reported with the awarding process actually related to what happened after applicants were advised of their success. A number of GRISTers experienced delays in receiving their payments. In Surrey this resulted mostly in manageable adjustments to business plans whilst in Brighton there were a few notable individual cases of economic hardship caused by the delays as beneficiaries were advised to give up jobs to concentrate on GRIST. This is a major issue and worry where GRIST is dealing with individuals and their livelihoods, some in areas of deprivation.

The loan amount and format

- 4.47 Most GRISTers found the amount of money to be satisfactory – with a few saying more would be welcomed. These were almost exclusively those who either had a pre-existing business with firm ideas about product/service development, or those whose idea had been developed to a certain stage with GRIST finance, but now needed a new injection of capital to proceed. Virtually none of the less experienced GRISTers or those yet to start trading wanted more money. Most of the graduates were very appreciative of the fact that they had been awarded funding in the first place, realising they would have struggled to receive it from elsewhere - given a combination of lack of collateral and existing debt.
- 4.48 The format for providing funding – i.e. a loan made to the person – did not seem to worry many beneficiaries. The graduate GRISTers admitted some apprehension about having so much debt, but also said they were used to it with student loans. Others GRISTers were used to receiving loan based financing and were particularly appreciative, as one would expect of the unsecured nature of the award. It is possible however that this aspect might have clouded a full appreciation of the potential implications of the repayment terms to which they subsequently agreed.
- 4.49 The universities were keen to ensure that they had an ongoing share in businesses that were set up as a result of GRIST support. Different approaches were used with a view to achieving this. Initially the universities asked for equity stakes which led to some problems and a debate among the universities about the best way forward. At the mid point review, the royalty route and the initial grant followed by a loan route were also adopted.
- 4.50 In Kent and Brighton, GRISTers were typically asked for an equity stake (between 2%-5%, usually 2%-3%). In Surrey some GRISTers have signed up to pay royalties - the experience of the university being that small equity stakes in such embryonic businesses are not attractive to entrepreneurs and in practice are hard to administer and often do not yield a return. There are few grumbles about the principle of "giving something back" and to an inexperienced person with such an embryonic idea, an equity stake can

be relatively meaningless. However, there have been some complaints about the royalty scheme. At least one award winner has voiced unhappiness over the terms and others have expressed their intention or desire to renegotiate. It appears in general that as GRISTers' businesses become more developed, and the GRISTers themselves become more experienced, then they are less sanguine over the terms of the loans.

- 4.51 In the round, not just on financial aspects, a few GRISTers have had particularly bad experiences. All business support programmes should expect this to some extent and this evaluation does not seek to establish the 'truth' about complaints or other serious difficulties. However, all programmes should also learn from their experiences in order to avoid them happening again and we are aware of at least two discontented GRISTers whose concerns should be listened to.
- 4.52 All GRISTers are taking their repayment responsibilities seriously, although one loan has been written off, one has defaulted and several are re-negotiating their payback periods as they are not yet making enough/any money. However, there is a perception among some GRISTers that loans may be soft – i.e. have extendable repayment periods and/or portions written off.

Failed applicants

- 4.53 As requested, six failed applicants were interviewed. However, these sessions proved inconclusive with each person telling quite a different story. It is hard to disentangle disappointment at failing to gain the award from any real weaknesses in GRIST. Some failed applicants had gone on to develop their business ideas anyway whilst others had not progressed their ideas at all.

Innovative aspects

- 4.54 There are several innovative aspects of delivery. Whilst innovation is perhaps more easily identifiable at the project level than some of the other topics in this section, its execution varies widely between the three partners.
- 4.55 GRIST sought to bring together an unusual basket of services from one provider – i.e. money, specialist expertise and resources, mentoring and other business support – with an unusual segment of the entrepreneurial marketplace (i.e. graduate entrepreneurs or those in areas of regeneration, who had ideas based on science and technology). In other words, GRIST's very existence can be counted as innovative.
- 4.56 The fact that the loan is made to the individual rather than a company or other entity, even though the purpose of the loan is to support a specific business opportunity, is different. The original ethos of GRIST was that it existed very specifically to help individuals with a good idea rather than those who were already trading entities. Asking for a personal commitment was therefore felt to be appropriate. As an aside, it was also recognised that should a company go into liquidation, as a creditor, GRIST would just be one of potentially a number of creditors. Some GRISTers have voiced an opinion that even though the loan was to the individual, the terms should be relaxed, or the amount even written off, if the funding helped to prove that the business idea was ultimately poorly conceived.

- 4.57 In Surrey, most GRISTers were already running a business and GRIST was primarily 'just another way' of obtaining funds. In Kent and Brighton, the picture is more mixed, with a majority of GRISTers using the loan to set up in business. However, in Brighton the philosophy of helping the individual was perhaps taken furthest, with applicants being partially judged on the degree of time they would be devoting to GRIST (and in one case being advised to give up a full-time job).
- 4.58 Related to this, another innovative aspect is the provision of part of the loan to cover personal living expenses. The rationale is that this gives a person time to reflect, research and develop their idea. Whilst this was a central feature of the project, and demonstrates that funding need not always be driven by outputs, it is also quite dangerous. If the period of reflection is not fruitful, then the individual is still personally liable to repay the funding. However, most beneficiaries spoke positively about this aspect of the project, which is clearly at odds with most business development awards where the money is expected to be spent on business expenses.

Outstanding delivery issues

- 4.59 As the main phase of the (extended) project draws to a close it is clear that the partners are aware of the requirement to continue the monitoring of the projects that have been funded and in some cases the balance of the awards are still to be defrayed. There is less clarity however concerning:
- plans for dealing with delayed and defaulting loan repayments We did not perceive there to be an agreed policy for writing off loans if circumstances force the effective shut down of the project. There may also be unanticipated due diligence requirements in such situations
 - strategies and procedures for making best use of returned loans and premiums. Whilst most repayments are not due for some time, a few (e.g. in Surrey) have already started repayments and at least one significant loan has been returned, "unused" in its entirety. What use will be made of these funds? It is however acknowledged that the partners are seeking to address this issue in their sustainability plan
 - arrangements for the ongoing support of beneficiaries. The partners have already acknowledged that they underestimated the support required by some beneficiaries which in some sub-regions went as far as hand-holding. We are concerned that as the project moves into this next phase, the interest in the projects will wane and there will be a pressure on staff to spend time in other areas. This could lead to some GRISTers not receiving the support they need. The concern is especially marked given that the original plan seems to have been to give beneficiaries support for one year after their award. However this appears possibly inconsistent with the fact that some loans are not scheduled to repay until considerably after this period.

Role of SEEDA

- 4.60 SEEDA has a remit to intervene in perceived areas of market failure. At the time of GRIST's conception, a case for market failure in funding of early stage ventures, if not in business support, could perhaps be made more effectively than is the case now.

However the pilot has now concluded and it is an appropriate time to look at whether it should continue and be rolled out more widely.

- 4.61 Arguably, and with the benefit of hindsight, SEEDA should not have encouraged the establishment of a project with such a complex mix of objectives. Also, it could have foreseen that the regeneration aspect would be problematic.
- 4.62 We feel that SEEDA's action in calling for the project review session was particularly timely and without it, we cannot be confident that the project would not have foundered. We also feel that SEEDA's decision to revise the objectives and targets and grant an extension to the timescale was very reasonable and was an appropriate response to the challenges facing the partnership.
- 4.63 We have already referred to the responsibilities that both SEEDA and the partnership have to the beneficiaries. We believe that SEEDA now has a responsibility to make sure that any continuation activity is consistent with the changing environment for both enterprise support and third stream activities within institutions. SEEDA should also ensure that its Area Offices have a greater awareness of the project than was evident from the evaluation and that they see it as part of their wider brief to stimulate the enterprise economy in their respective sub regions.

Summary conclusions

4.64 Summary conclusions on project delivery are as follows:

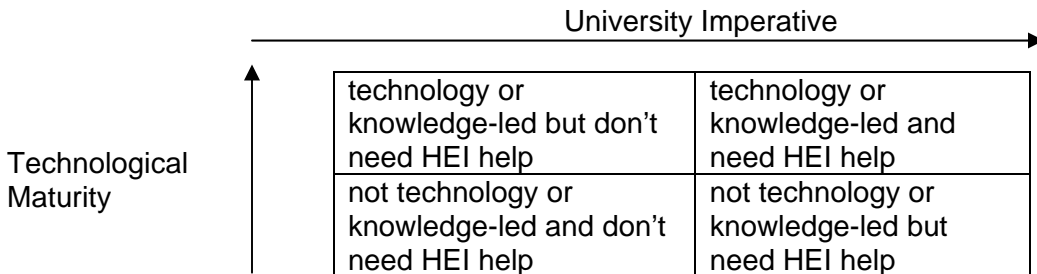
- there are significant differences in both the profile of beneficiaries and the way that GRIST was delivered in each sub-region which makes programme level evaluation problematic
- the delays caused by the legal process, coupled with the initial focus on regeneration, had a significant effect on the project as the effective delivery period (even with the project extension) was curtailed and a sizeable level of resource was expended. With hindsight, at least some of this was probably avoidable
- efforts to create a pipeline of applicants, particularly from the graduate market, were very mixed and there was a variety of approaches to marketing overall. Opportunities to create the pipeline appear to have been missed and certainly started too late in the project
- GRIST was well managed, with processes that provided added value to beneficiaries, delivered by people who were committed to the success of the project
- the overwhelming beneficiary experience of the process of applying for GRIST support was positive, with the only problem highlighted as being delays in some cases in finally receiving funds
- the terms around which the loans were arranged was generally well received by beneficiaries but there are differences between the sub-regions and over time, more lessons are likely to be learned about the most appropriate model

- in two sub regions, very positive links were established with the business support infrastructure and with complementary schemes and initiatives
- with regard to internal links and relationships, GRIST was not delivered in a very integrated way. Opportunities to work with other departments in the host universities were not extensively pursued and, in general terms, the project failed to link beneficiaries to the resources available
- the partnership between the three universities was generally positive and productive, although there is little evidence of significant or structured learning or exchange of knowledge and experience
- there are some key delivery issues outstanding, notably the extent to which beneficiaries need to be supported on an ongoing basis and a lack of clarity on the approach to defaulting loans and repayments
- SEEDA has an important ongoing role in ensuring that beneficiaries continue to receive support. Also, that any continuation activity is consistent with the changing environment for enterprise support.

SECTION FIVE : PROJECT RESULTS

Beneficiary and business characteristics

- 5.1 In common with the diversity of experience and approach already highlighted, the project resulted in quite a wide ranging beneficiary and business profile. With regard to the initial focus on graduate entrepreneurs as well as entrepreneurs from the wider community there is mixed experience and results amongst the partners.
- 5.2 Many of Surrey's awards were made to existing (although embryonic) businesses, some of which were already trading. Only three of the eleven Surrey awards were made to graduates, with tenuous links to the University. In Kent the picture was slightly more mixed, and Brighton had the highest number of its own alumni (but not in Hastings).
- 5.3 The project aimed to support knowledge-based businesses with high growth potential. Whilst it is too soon to identify much high growth potential, again the partners have attracted varying levels of knowledge-based firms. In Surrey, businesses may be using technology as an enabler, but this is not the prime focus of their ideas. In Kent, there is a significant number of web-based businesses, a priority area for the Enterprise Hub. In Brighton, the majority are technology-led business ideas.
- 5.4 Businesses can be typified by the following matrix - those in the upper right hand quadrant should theoretically have been the ideal targets for GRIST:



- 5.5 There is a tacit recognition amongst partners that GRISTers have varying levels of business maturity and very different life experiences. It is equally apparent that GRISTers' business ideas vary in terms of the amount of technological or knowledge capital which requires investment, and the extent to which a university is the best provider to meet this need. The spectrum of beneficiaries' profile is most marked when comparing Surrey with Brighton. The portfolio of GRISTers in Surrey includes a good number of experienced entrepreneurs and businesses which although, not "mature", were quite well developed before they even attracted the GRIST loans. In Brighton by contrast, many GRISTers have yet to set up their business and, in general, are considerably less experienced than the Surrey cohort.
- 5.6 GRISTers have spent the majority of money on developmental work of some kind. Quite a few (particularly in Brighton) have spent time resources on undertaking searches or attempting to register patents or on other IPR related issues. Funds were also spent on specialised testing, product development, prototype manufacture and buying equipment. A number of GRISTers reported that they had also spent a proportion of the funds on

living expenses and that the awards provided a vital “bridge” at times in the development of their business where further personal contributions would have been impossible.

Project deliverables

- 5.7 The project was originally due to deliver 90 jobs and 45 new business starts over a 2 year period. As already indicated, with the 10 month delay on legal issues, and the weak demand, it became apparent that this was not going to be achieved. As a result, SEEDA agreed to extend the pilot for another 2 years, and with the disappointing market penetration rates, to reduce the targets quite significantly to 36 new jobs and 24 new business starts. This has had quite an impact on value for money.
- 5.8 By the end of the project, 35 loans had been awarded with the final loan being made just three months before the project’s scheduled finish date. This is against an initial notional target of 45 loans. However, we understand the 35 to include one loan that has been returned in its entirety because the beneficiary’s situation changed - so the effective number of loans defrayed under GRIST is actually 34.
- 5.9 The GRIST partners have reported that the project achieved the revised job and business creation and businesses supported targets that were set but narrowly missed achieving the skills assistance target. On paper then it appears that GRIST achieved its most important output targets. However, we feel it should be noted that this evaluation exercise did not include an *audit* of the project results. Given that many of the projects being supported by GRIST were also being supported by other publicly funded projects, sometimes in parallel, there are intrinsic difficulties associated with attributing particular outputs to particular targets such as job and business creation. For example, a number of the awards made in Surrey were to existing businesses – so we would assume that these were not included in the jobs created and businesses created targets reported by the partners.
- 5.10 We are also concerned that a number of the jobs and businesses created may not prove to be sustainable in the medium to long term. A number of the businesses supported have already defaulted on their loans and have either folded or are not proceeding. This is quite possibly due to factors outside of the influence of GRIST or the partners. It is possible that a relative shortage of high quality applications may have meant that the strength of the overall portfolio was compromised to some extent. However it is too early to forecast what the *final* default rates will be and GRIST might prove to have a more positive rate than other loan schemes, commercial or otherwise.
- 5.11 Again, on the positive side we can conclude that GRIST has stimulated enterprise in areas and amongst particular target groups that might not otherwise have been engaged. A number of the companies supported are already showing signs of their longer term potential and are likely to make positive, albeit modest, contributions to their sub-regional economies.

Impact on beneficiaries

- 5.12 GRIST certainly made a positive impact on the individuals and businesses receiving the awards. 15 GRISTers believe they would not have started without GRIST, and a further 11 believe they would not be at the same stage of development without GRIST. Overall, 72% of beneficiaries agree that GRIST has either helped them take forward their

business idea where they would not have done so otherwise; or it has speeded up the process or enabled them to tackle it on a larger scale.

Strategic impact and indirect achievements

5.13 As highlighted above, as well as its measurable output targets, GRIST was intended to make a significant contribution to a number of more strategic and longer term objectives. These are considered here in turn.

➤ **Encourage student entrepreneurship**

5.14 The profile of beneficiaries highlights the different experience of the partners in attracting graduates and students into GRIST. Overall, the number of actual graduates setting up businesses as a result of GRIST is rather lower than would be expected from a project which was conceived with this as a prime objective. In addition, we can see from the investigation of delivery practices that different approaches and degrees of effort appear to have been made by the partners to the engagement of graduates. It is not clear, for example, that the competition run by Kent is going to be continued and the opportunities that were available to Surrey to link together different parts of the institution with an interest in graduate enterprise appear not to have been taken. Although the final results are yet to be seen, our investigations, and hence the report, highlight a number of areas of weakness in GRIST. Consequently we cannot conclude that a successful or sustainable model of encouraging graduate enterprise has been demonstrated.

➤ **Encouraging links between the community and the knowledge base**

5.15 GRIST has certainly encouraged and facilitated the involvement of some individuals and sectors of the community who might not have otherwise engaged with a university.

5.16 However, when the actual links between beneficiaries and their host institutions are investigated, in most cases they appear to be rather superficial and in many cases don't extend beyond the GRIST staff involved. In addition, and most disappointingly, a number of beneficiaries reported that when they tried to establish links with the institutions, for example to locate facilities or expertise, their efforts were rebuffed and mostly unsuccessful. For GRISTers who perceived the scheme to be about university linkages this was obviously a disappointing and frustrating experience.

➤ **Regeneration**

5.17 The desire to retain/relocate GRISTers in regeneration areas was never going to be easy to achieve. Like other people, entrepreneurs like to remain close to their personal and social networks. The effort, expense and general dislike of moving, even just to take up business space, for something as risky as a business start-up meant that it was unlikely to happen. As a regeneration vehicle, GRIST ultimately failed, but this was arguably an unrealistic ambition. However, the attention and effort that the partnership gave to this difficult objective should certainly be acknowledged.

- 5.18 A recent study from the National Council for Graduate Entrepreneurship¹ also makes salutary reading:

“There is also little evidence in the report to suggest that the graduate entrepreneurs are more likely to operate within particularly innovative sectors. Equally, the evidence suggested that the entrepreneurs, like the employed, migrated towards the South East of England. Policy providers, therefore, should note that there is little support for the idea that graduate entrepreneurs help address the regional economic imbalances in the UK by locating their businesses in more disadvantaged areas”.

➤ **Embedding enterprise education**

- 5.19 Another aim of the project was to stimulate the inclusion of enterprise education in the curriculum. Addressing the wider agenda, i.e. stimulating the inclusion of enterprise *activities*, then Kent was particularly successful, partly due, once again to the co-location of the Business School, the Enterprise Hub, and GRIST. We were informed that GRIST has led directly to the creation of Innov8, a student society, run by students and supported by the University and the East Kent Inventors Club; there are a number of courses run by the Business School (Businesswise) which are informed by the real life experiences of entrepreneurs, including GRISTers; the project has encouraged higher levels of take-up of enterprise modules in the enterprise curriculum.

- 5.20 Brighton have an ‘after hours’ club/course called BeePurple which takes staff and students through various aspects of being an entrepreneur, including stimulating speakers to raise awareness, elevator pitches, real-life experiences etc. The four GRISTers who were students participated in BeePurple events. However, BeePurple was not mandatory for GRISTers and Brighton acknowledges, that if GRIST were to continue, BeePurple attendance should be mandatory.

- 5.21 The internal links between enterprise and entrepreneurship education, enterprise support and GRIST were also found to be disappointingly poor at Surrey. The institution clearly has a reasonable track record in enterprise activities and entrepreneurship is an element in some courses, as already mentioned. The opportunity to integrate GRIST with this portfolio of activities seems not to have been taken however and provides more evidence of a missed opportunity. There appears to be limited connectivity between parts of the institution which, on the face of it, have overlapping and complementary interests and ambitions.

➤ **Encourage collaboration between the partners**

- 5.22 As a partnership activity, the GRIST project appears to have been relatively successful and good functional relationships were developed. However, we have found little evidence of systematic exchange of good practice and knowledge transfer and so the sustainability and longer term impact of the collaboration is doubtful. It is also probably not realistic to try to separate the GRIST collaboration from the other partnerships and collaborations that undoubtedly take place between the institutions. We feel it is possible to conclude that the GRIST experiment has made a positive contribution to the

¹ National Council for Graduate Entrepreneurship, Research Report 001/2007, Understanding the Factors Influencing Graduate Entrepreneurship, March 2007

development of partnerships although the overall impact of the scheme on their relationships is relatively modest.

Counterfactual

5.23 As outlined earlier, GRIST stimulated some enterprise activity that probably would not have happened without the project, and it certainly accelerated the development of businesses supported. To what extent the institutions or other organisations concerned would have addressed the various areas in which GRIST aimed to make a difference is impossible to tell. It is clear however that in a number of ways the environment for a project such as GRIST has become more positive since it was conceived. It also appears that GRIST has highlighted some imperfections and opportunities in the current provision of support and this is an important legacy of the project.

Sustainability of changes encouraged/benefits realised

5.24 As previously noted, GRISTers are at different stages regarding their payback periods. In Surrey, some loans have already been repaid in full, one has defaulted, another has been written off and the rest are in lengthy repayment cycles. In Kent loans are only just beginning to be repaid and in Brighton the first few due for payment have all requested revisions to their timetables.

5.25 Whilst the money has been spent by SEEDA as a 'one off'; there was an expectation that repayments would create a sustainable fund – albeit one which diminished as fees and defaults reduced its balance. It is not clear how many GRISTers are going to be in a position to repay their loans. However, the only way to confirm this would be via a follow up exercise in two to three years time. At this stage it seems unlikely that there will be much of a fund.

Summary conclusions

5.26 Summary conclusions on project results are as follows:

- GRIST has been successful in stimulating some enterprise that might not have otherwise happened
- overall, the project has had a positive impact on those receiving funds and there is a high degree of satisfaction with the process as well as the award. Most beneficiaries state they and their businesses are in a better position as a result of participating in GRIST
- the project appears to have addressed a funding gap and some features of the loan scheme seem particularly attractive to beneficiaries
- the results with regard to the encouragement of *student/graduate* enterprise are disappointing. The small number of real graduate based projects with clear links to the institutions is minimal and too small a test group to demonstrate meaningful results

- although links between individuals and some sectors of the community and universities were created, there is little evidence that these are sustainable and GRIST has made little impact on *sustainable* knowledge transfer and university/community links or models
- the project has made little or no impact on the more challenging strategic objectives that were set, for example, with regard to contributing to area regeneration
- GRIST has made a positive impact on enterprise support delivery in at least two of the partners and there is some, albeit minimal, evidence of an impact on enterprise education despite the fact that some opportunities for linking up various parts of the institutions were missed
- a particular disappointing aspect is that opportunities for encouraging links between beneficiaries and other parts of the partner institutions appear to have been missed or only partially carried through
- as a result of the late start and protracted award timescales it is generally too early to assess the final impact of the loans on individuals or businesses. The early signs show a mixed picture although this is perhaps to be expected from a pilot project.

SECTION SIX : VALUE FOR MONEY

Financial summary

- 6.1 The budget/financial profiling was changed during the lifetime of the project, but, in summary, was as follows:

Start	April 2003	-	£155,000
Year 1	March 2004	-	£5,000
	December 2004	-	£40,000
	February 2005	-	£60,000
Year 2	March 2005	-	£100,000
	October 2005	-	£45,000
	October 2005	-	£100,000
	January 2006	-	£55,000
Year 3	March 2006	-	£105,869
	June 2006	-	£200,000
Year 4	August 2006*	-	£105,869
	TOTAL	-	£971,738

* brought forward from March 2007 to enable loans to be made immediately

- 6.2 In Year 1 (i.e. April 2003 until March 2004) £160k was spent on setting up the project. This included the legal costs, planning, marketing, administration and setting up GRIST Marketing Ltd. The first loan was also made from Surrey.
- 6.3 During Year 2 (i.e. April 2004 until March 2005) £200k was spent on project management and marketing delivery, plus a number of loans to GRISTers. The latter made up the bulk of the expenditure.
- 6.4 This pattern was repeated during Year 3 (i.e. April 2005 until March 2006) when £305.8k was disbursed. In Year 4 (the final year, April 2006 – March 2007) another £305.8k was disbursed, primarily to GRISTers.
- 6.5 The funds were apportioned as follows:

Usage of Funds			
Loans			
UoB	£250,000		
UoS	£229,000		
UoK	£234,000		
		£713,000	73.4%

Usage of Funds			
Management fees			
UoB	£72,000		
UoS	£78,772		
UoK	£84,458		
		£235,230	24.2%
Legal etc		£23,508	2.4%
		£971,738	

- 6.6 It is apparent from this that there was a reasonably equal share of funds being disbursed by each partner, although Brighton disbursed approximately 8% more than the others. There was a broad understanding right from the start that each partner would have a more or less equal share of the funds. In the final analysis, Brighton and Kent have each made 12 awards, and Surrey 11. The average value per loan is £20,833 in Brighton, £19,450 in Surrey and £18,250 in Kent. However, this masks the fact that Surrey have made 3 loans of £30,000 (the highest amount awarded), compared to just one at Brighton and none at Kent. Surrey's average figure is brought down by a loan of £10,000, £5,000 of which has already been repaid.
- 6.7 Project management fees were 24%. Here there is less parity, with Brighton taking a smaller share than the others. This is despite Brighton having the overall contractual responsibility, using the Project Manager to do the mentoring, and also making more loans.
- 6.8 This disparity is mostly explained by the fact that GRIST and GRISTer management was taking more effort than had been expected. Originally £15,000 per annum was allocated to each partner to take account of this (with no increase for Brighton even though they were the contract holder). In March 2005 SEEDA agreed to pay partners more to manage the project. In addition to the £15,000 they would receive an extra 10% per loan according to its value. As Kent had not made any loans before that time they benefited from this allowance – receiving a 10% fee for all 12 of its loans. In contrast Brighton received this allowance for just 6 loans, and Surrey for 8 of its loans.
- 6.9 The fees covered the creation and ongoing delivery of marketing, e.g. website maintenance as well as other activity, the administration associated with the GRIST process, e.g. screening applications, convening panels, drawing up contracts, and, importantly, the ongoing mentoring and other assistance provided to GRISTers. Legal expenses were accounted for separately and amounted to 2.4% of the budget (£23,500). In actual fact, it appears that legal costs amounted to around £45,600; the overspend of approximately £22,100 apparently being borne equally by the three partners.
- 6.10 In general, we would not expect management fees to constitute almost one quarter of a project budget. In this instance we feel that the term 'management fee' is not accurate or representative given the scope and scale of activities covered. It would be clearer if the purely managerial aspects, e.g. project selection processes, contracts and monitoring requirements, were counted under the heading 'management fees'; whilst the added value work of mentoring or other business support was accounted for separately.

- 6.11 It is likely that a more experienced Project Manager and partners, for example, mainstream business support providers, would not have under-estimated the amount of time required quite so much, and also would have had more experienced staff and systems in place to cope with this type of workload. For example, using higher 'value added' staff as both mentors and Project Managers is not very efficient.
- 6.12 The increase in management funds caused the budget for the latter to go up at all 3 institutions, ranging from 20% at Brighton, to 38% at Kent. This meant that across the board there was a consequent decrease in the amount of funding available for loans.
- 6.13 Given all of the above, and the fact that GRISTers really appreciated the help given to them by the Project Managers, we consider the percentage to be reasonable. However, in any follow on scheme we would expect an examination of how this figure could be reduced.
- 6.14 GRIST loans were apportioned as follows:

Loan Size	Awards	Totals
£10,000	1	£10,000
£14,000	2	£28,000
£15,000	1	£15,000
£20,000	27	£540,000
£30,000	4	£120,000
	35	£713,000

- 6.15 It is not totally clear how the actual amount of individual awards was determined at the start of the project, other than it needed to be large enough to allow investment in development AND living expenses. Surrey's first loan was for just £10,000, but it seems that £20,000 was generally accepted as the 'right' amount. Most beneficiaries were happy with this level of award.

Value for money

- 6.16 At a simple financial level, given its budget, and taken as a snapshot at this point in time, GRIST does not appear to represent particularly good value for money as the following table helps to show:

		No. of jobs	No. of businesses	Business support	Skills
2005-2006	Q1	0	0	2	4
2005-2006	Q2	3	0	1	1
2005-2006	Q3	0	0	1	5
2005-2006	Q4	5	0	4	7
2006-2007	Q1	8	2	12	6
2006-2007	Q2	10	5	4	3
2006-2007	Q3	8	4	4	4
2006-2007	Q4	12	1	1	1
Totals		46	12	29	31
Targets		36	24	24	36

- 6.17 In essence, the project has had a budget of £971,738 to create 36 jobs and 24 businesses (revised targets). This would have resulted in funding of £26,992 per job created and £40,489 per business created. Actual performance has been 46 jobs created and 12 businesses created, with supporting metrics of 29 business support interventions and 31 skills interventions². Actual performance equates to funding of £21,124 per job created or £80,978 per business created. An alternative way of looking at it might be to combine all the outputs and say the project has delivered 118 outputs at a unit cost of £8,235.
- 6.18 Direct comparison with other start-up support schemes, for example, the Up and Running programme in London³, is not straightforward (as the footnote explains). Figures from the latter are £2,538 per job created and £5,133 per business started⁴. Even if SEEDA's original targets had been reached - 90 jobs created and 45 businesses created - then the crude figures would be £10,797 per job created and £21,594 per business started. These are still reasonably high costs per output.
- 6.19 However, we need to emphasise several caveats to this rather negative picture:
- it does not take account of equity investment that beneficiaries have secured, for example, in Kent, where two GRISTers were successful in leveraging external investment of over £300K
 - it is too soon to capture all the outputs from the project, as many GRISTers have not yet started trading. Kent, in particular, made its loans quite recently. It is entirely possible that the number of businesses will grow, and, with it, the number of jobs. Even the TOP programme, which is now well established, only averages 15 start-ups a year, although it also creates 100 jobs per year on average, indicating its firms are larger

² We understand the latter 2 figures may be increased as applicants as well as GRISTers can be counted.

³ Recognising there are differences – Up and Running is a mainstream business support programme for start-ups; it does not give loans and universities are not involved. However, the idea of providing support and mentoring, plus signposting onto other sources of assistance, is similar

⁴ Simpson Tangerine Consulting, 2006, Final evaluation of the Up and Running programme for Business Link for London

- we acknowledge also that the business and skills support figures may rise when applicants are included
- conversely, the partners have not investigated or forecast the impact of likely default rates, and so the long term, *sustainable* number of jobs created and businesses surviving could go either way
- it is hard to find appropriate projects against which to benchmark GRIST, particularly as it was delivered in subtly different ways in each sub region, resulting also in a different beneficiary profile
- there are a number of softer or intangible benefits accruing to beneficiaries and partners which do not figure in these metrics. As already reported, 72% of beneficiaries agree that GRIST has either helped them take forward their business idea where they would not have done so otherwise; or it is has speeded up the process or enabled them to tackle it on a larger scale
- there is evidence of closer working relationships between partners than existed before, but with little quantifiable benefit and with questions over sustainability
- some funds have been recycled into the partners for the use of specialist equipment or academic expertise (but this has not been quantified)
- some applicants will have been helped during the process, even if they were not successful – it is known that the application form has been effective in prompting applicants to really think about their business propositions and many applicants received coaching help to prepare for the panel, or just general feedback on their idea. The panel process itself was valuable to the applicants.

Strategic added value

- 6.20 In addition to value for money considerations the evaluation has considered strategic added value issues (SAV), as they are an important influencing element for SEEDA in achieving RES objectives. In broad terms RDA SAV functions are described as:
- strategic leadership and catalyst
 - strategic influence
 - leverage, primarily, but not exclusively, of a financial nature
 - synergy
 - engagement.
- 6.21 Evaluation of SAV can be important for providing more qualitative indicators of how SEEDA has helped to generate outputs and outcomes, for example through the design and delivery of projects and through influencing partners' and stakeholders' behaviour and decisions in ways that may not otherwise have occurred.
- 6.22 The GRIST concept provided a number of opportunities to generate SAV, for example:
- i) articulating the region's requirements in terms of business development and the need for support in priority areas for regeneration

- ii) greater collaboration between businesses and universities through knowledge transfer
 - iii) influencing the curriculum for enterprise education in universities
 - iv) encouraging business support organisations to work more closely together to achieve business development objectives and demonstrate greater synergy in the process
 - v) improving users' awareness and understanding of business support provision.
- 6.23 The overall results of the pilot inevitably have a bearing on the extent to which SAV has been demonstrated. Our conclusion is that there is some evidence of SAV but only to a limited extent.
- 6.24 The modification of criteria for GRIST support meant that point i) became very difficult to achieve. There is perhaps some evidence of SAV on points ii) and iii) but it is very limited. Points iv) and v) show the most evidence, albeit not universally across the project. Kent provides a good example of how providers have worked closely together to provide GRIST beneficiaries with a wide range of support services and improve their understanding of what is available as a result. In addition, some synergy between beneficiaries has become evident, with a number of GRISTers seeking to pursue opportunities for collaboration.

Summary conclusions

6.25 Summary conclusions on value for money are as follows:

- as an output delivery mechanism GRIST appears expensive – but in the context of a pilot and of “action research” the results may be considered more reasonable and it is difficult to find appropriate benchmarks for these judgments
- the targets against which value for money are measured (in this case job creation and new business starts) are notoriously hard to achieve and also difficult to apportion to any particular scheme or initiative where many might be involved in the start up process
- GRIST was designed to deliver soft as well as hard benefits and to test certain propositions and so simple value for money calculations are to some extent an inappropriate measure
- the true or final level of outputs (and outcomes) cannot be assessed at this stage as it is too early in the life cycle of the awards made. However, this could work for or against GRIST depending on the final rate of defaulted payments and discontinued projects
- GRIST has demonstrated evidence of strategic added value for SEEDA, albeit to a limited extent, notably in encouraging business support organisations, to work together, helping to improve users' awareness and knowledge of support services as a result. Also, creating some synergy between beneficiaries in terms of the potential to collaborate with each other.

SECTION SEVEN : FUTURE SUPPORT FOR GRADUATE ENTERPRISE - DISCUSSION AREAS

7.1 This section looks at a number of issues concerning future support for graduate enterprise. It is designed to provide a framework for discussions between SEEDA, partners and other stakeholders on the way forward.

Funding

7.2 The interviews with GRIST award winners demonstrated features of the loan scheme that were particularly attractive to the recipients:

- there were few restrictions placed on the awards. For example some GRISTers reported that they had been excluded from other schemes or loans on the basis of age or experience (at both ends of each spectrum) and because GRIST was awarded on opportunity and merit this was welcomed
- the funds could be used for personal maintenance / living expenses. Once again, existing award schemes tend to place restrictions on the use of the money and often specifically exclude personal expenses. The fact that GRIST funding could be used in this way meant that:
 - people could be released to work on their business ideas knowing that they would be able to continue to “live”
 - the loans provided a lifeline not otherwise available before other financing was arranged/approved
 - beneficiaries were provided with a “bridge” between development stages of their projects
- GRIST loans were unsecured. In some circumstances this meant that finance could be obtained where previously it had proven impossible because of the lack of security. In other cases it meant that additional finance could be secured where security opportunities had been used up elsewhere
- the awards had apparently flexible repayment terms which to some extent were negotiable. In this sense - combined with the fact that at least in some areas they were interest free - GRIST loans were considered quite "soft"
- the funds were able to support relatively near market opportunities. Many award schemes support the early stages of innovation exploitation but are not available to projects which are close to the market because these are not deemed to require public investment
- GRIST's application and award process was relatively easy and delivered benefits to clients compared to other schemes mentioned by GRISTers.

7.3 Although these features were understandably for the most part welcomed by the beneficiaries it should be noted that each aspect carries a potential downside as well as upside:

- because GRIST awards could be applied so widely, the opportunities for comparing how effective the funds have been are limited. For example, in some situations the award might have proven vital in the establishment of the enterprise, but in other, perhaps more substantial existing businesses, GRIST may have had only a marginal effect
- most award schemes or loans carry restrictions for good reasons – for example, to ensure that public funds are used appropriately for the benefit of the project and potential business and are not squandered by the individual. The interpretation of how well GRIST funds were apportioned by beneficiaries is a matter for the awarding institutions and Project Managers
- the lack of security means that for the most part GRIST awards are “unrecoverable” in situations where the beneficiary indicates an unwillingness or inability to repay. As a result GRIST funding is relatively high risk
- the fact that loans were made against the individual rather than the business had mixed reactions from GRISTers. Making loans against the individual is appropriate when the enterprises concerned have not started up nor have the means of repayment. However, what happens when a business fails or if the enterprise concept proves not to be feasible? Should the individual be forced to repay the loan even if the failure has genuinely been out of their control? Is this really in the spirit of the project?

7.4 Regarding the ethical issues of making loans, the National Council for Graduate Entrepreneurship (NCGE) report on Graduate Entrepreneurs (March 2007)⁵ examined the response to, and effects of increased debt on would be and existing entrepreneurs. Although the study concluded that increased debt was not a great deterrent, it was acknowledged that the data is somewhat dated and that levels of student debt in 2007 are considerably different from those existing in 2004. In addition, even then, they were able to conclude that “entrepreneurs found it more difficult to pay off their student debts”. Obviously this has important implications for a scheme such as GRIST where, because of the substantial nature of the loans awarded and the fact that they are made against the person, the implications of increased debt burden are considerable. As well as the straightforward business proposition, we would suggest that the partner institutions had (and still have) a moral responsibility to ensure that loans are distributed and managed appropriately

Business support and mentoring

7.5 According to social networking theory, individuals tend to turn to a relatively small network of sources of support when needed. The NCGE report contends that formal sources of support, which for graduates would include university careers services, provide a substitute for weaknesses in the entrepreneur’s informal network. Graduate entrepreneurs are more likely to make use of academics, but less likely to make use of their careers service whilst at their higher education institution. This is a very pertinent point given that some of the graduate GRISTers reported that the careers services were more likely to encourage graduates into employment than start their own businesses.

⁵ National Council for Graduate Entrepreneurship, Research Report 001/2007, Understanding the Factors Influencing Graduate Entrepreneurship, March 2007

- 7.6 To some GRISTers at least, the business support they needed was more important than the funding and, in particular, access to experienced business professionals. The mentoring provided by GRIST ranged from simple project monitoring and signposting to hand holding.
- 7.7 The NCGE report concludes that knowing where graduate entrepreneurs are likely to seek support presents a challenge for the institutions and other stakeholders:
- “...It would appear that the current levels of provision are not seen as being particularly valuable to the graduate entrepreneurs. The other side of this argument is the issue of the demand for entrepreneurship. Levels of graduate entrepreneurship are extremely modest which may, therefore, constrain the willingness of formal career brokers to support entrepreneurship”.*
- 7.8 However, our contention is that this is a rather insular view. There is a great deal of support potentially available to graduate entrepreneurs outside the university environment. The challenge therefore is to establish more effective links with that provision and overcome any internal barriers and inertia around generating the pipeline of would be entrepreneurs from within the institution. The NCGE Report arrives at the same conclusion:
- “Alternatively, such evidence may suggest that there is a role for outside agencies, perhaps either supported at the regional or national level, to actively provide soft support dedicated to graduates.”*
- 7.9 GRIST demonstrated that very good links with existing business support and mentoring can be made – but it appears that this happened more by default than by design and the links established did not extend very far into the fabric of the academic institution. Certainly, opportunities to create a pipeline of graduates accessing that support appear to have been missed.

Regional environment for enterprise support and the role of universities

- 7.10 The Global Entrepreneurship Monitor Report for 2006⁶ found that the South East still shows above average rates for total entrepreneurship activity but with a net decrease in activity in the region between 2005/6. In addition, respondents who graduated after 2000 are slightly less entrepreneurial - 4.5% compared to the national average of 5.7%. These figures might prompt only mild concern as the South East is clearly a successful and prosperous region. However, SEEDA's own Regional Economic Strategy suggests no room for complacency and this a message that needs embracing by the various stakeholders interested in supporting innovation and entrepreneurship. The GEM study concludes that policy measures could indeed focus on boosting entrepreneurial activity amongst young people, which would include students and recent graduates.
- 7.11 In view of the fact that enterprise support remains central to the RES and studies, such as those already mentioned, point to the need for support in particular areas, this would indicate that the environment for a programme like GRIST is quite positive. There are however a number of factors that complicate the situation.

⁶ GEM UK Regional Summary, South East of England 2006

- 7.12 For example, the Government's Business Support Simplification Programme means that the RDA and other agencies are under pressure to reduce the overall number of business support mechanisms and schemes in operation. This in itself is not a complete barrier to GRIST, but it does mean that a revised GRIST would need better integration (in branding and delivery terms) with existing support mechanisms. In addition the rationale for the scheme and its additionality would face increased scrutiny.
- 7.13 In addition, regarding universities as delivery vehicles, it seems likely that in the next round of third stream funding, the Higher Education Funding Council will move more towards a formulaic award system. The effects of this are not totally clear but one view is that institutions are likely to entrench and renew their focus on core areas - such as those which support their research and teaching strategies. For projects like GRIST to survive, they would need to be closely integrated with the overall strategy of the organisation.
- 7.14 Our evaluation found that the beneficiary experiences in terms of getting access to university based facilities and people were mixed. However, we acknowledge that this is a complex area. We know, for example, that such inertia is partly due to the lack of incentive for academic staff to get involved in a programme like GRIST. Clearly, this is an area where a greater alignment with the TOP model where projects supported have to have a strong link with at least one research interest, is worth reconsidering.
- 7.15 A related point reflecting the evolving and maturing nature of the third stream agenda is an increased need for institutions to be aware of their position within increasingly complex regional innovation systems. The business support environment has always been complex and fragmented and universities need carefully to consider their long term role. Clearly they are part of the engine of the economy, but they need to operate in the context of the environment that surrounds them and their target markets and work alongside other initiatives, not least those funded by SEEDA.

Areas for consideration

- 7.16 Despite these concerns it does appear that GRIST has highlighted gaps in the funding of very early stage businesses, including graduate enterprises. In their final report the partners discuss some possible features of a revised loan scheme and we concur with many of these. The following is a potential list of areas for consideration:
- return to a focus on student / graduate enterprises
 - remove restrictions on science and technology and consider extending the funds, for example, to embrace social enterprises and creative industries and to attract a wider range of student entrepreneurs
 - consider funding undergraduates on placements as a specific objective and use their "projects" as wider learning experiences, bringing venture progression back in as part of the learning cycle

- the learning aspects of enterprise and individual development should continue to be supplied by the university but the business support aspects should be provided elsewhere
- consider making smaller awards, e.g. the £5k proof of concept grant adopted at the mid point review and utilised in Kent. These smaller awards help to ensure GRISTers conduct some robust market research, leading to a credible business plan prior to the provision of the loan
- make better provision (financial if needs be) to ensure that internal expertise and resources are put at the disposal of GRISTers and link with gateway functions to provide these resources
- create a routine process to allow universities (and hence the project) to have a clearer 'heads up' on repayment rates and the likelihood of default
- separate out the mentoring and the contract/project management functions
- consider linking award provision to projects that relate to the strategic research and / or teaching interests of the participating institutions to ensure continued interest.

Critical success factors

7.17 As well as the elements of loan scheme design that we have listed earlier, we feel it is useful to highlight a number of other factors that we feel have been critical to GRIST and are therefore likely to be so for any future initiative:

- **clear targeting and rationale:** our evaluation concludes that GRIST's mixed results were due, in part, to having too many, mixed objectives. This was reflected in stakeholders feedback for example, they had difficulty differentiating the project or recognising its target group. Any further initiative would need to have a much clearer focus
- **buy in at a strategic level:** we believe that any institutionally based project must have a significant degree of sponsorship at a strategic level, otherwise it could become unsustainable. A clear link to university strategy and mission, for example research significance, would help with long term commitment
- **critical mass:** any future initiative needs to have sufficient critical mass to minimise overhead costs, ensure that there is a strong pipeline of enquiries and applications, leading to good quality proposals receiving awards.
- **commitment and drive of Project Managers:** a number of GRIST beneficiaries commented that their Project Managers had shown a high degree of commitment and support and that this was of real benefit
- **external agency / GRIST synergy:** clearly, the links with the Enterprise Hubs/or other support agencies were a strong determinant of success either in filling the pipeline and / or providing business development support to award winners

- **internal connectivity:** as well as strategic buy in, there must also be a high level of integration and connectivity within the institution. In a university environment this is particularly challenging to achieve but GRIST has demonstrated the problems that occur when connectivity and integration are not well embedded
- **continuity of staffing:** staff turnover has a discontinuity effect on support activities, particularly in relation to the Project Manager. It is difficult to foresee this, nor is it unique to a GRIST type project. However a contingency plan should be put in place to deal with any such eventuality.

SECTION EIGHT : METHODOLOGY

8.1 Our approach to the assignment followed three main phases:

- inception activities, including review of secondary materials
- primary research (interviews)
- review, analysis and recommendations

Phase 1 – Inception

8.2 Following a kick off meeting with Christina Hartshorn and Wayne Thallon on 11th January 2007 we produced a modified project plan and timescale for the assignment which was approved by SEEDA. We then commenced the evaluation by reviewing the key project documentation held by SEEDA. This was important to be able understand the history of the project as well as track the flow of data from the partners. During this phase we also began to review some key supporting material that would allow a proper interpretation of results to be undertaken. We delayed the start of our fieldwork pending receipt of the project closure report from the GRIST Partners. However this was submitted late and so did not feature in our work programme until the analysis phase of the assignment.

8.3 The inception activities also included the creation of interview templates (partner, beneficiary, stakeholder and SEEDA versions) which were reviewed and approved by SEEDA. This was an important part of establishing a consistent approach to interviews by the evaluation team.

Phase 2 – Primary research

8.4 Prior to commencing the interview programme with beneficiaries we held meetings with the partners individually, typically interviewing more than one person with an interest and involvement in GRIST from each institution.

8.5 As requested by SEEDA, we set out to interview on a face to face basis, as many of the GRIST award winners as possible, dividing the workload according to evaluator and geography in order to minimise travel expenses and seeing two or more beneficiaries per day. Where it proved impossible to interview beneficiaries face to face, we held telephone conversations and often exchanged information electronically.

8.6 We also undertook a number of interviews (mix of face to face and telephone) with failed applicants and stakeholders. The final interview tally was as follows.

- Beneficiaries (award winners) interviewed:
 - Brighton = 10
 - Kent = 12
 - Surrey = 9

- Failed Applicants
 - Brighton = 2
 - Kent = 2
 - Surrey = 2
- Core Partners = 7 interviews
- Stakeholders / interested parties
 - Finance SE
 - HEEG
 - Business Link Surrey
 - Business Link Kent
 - 1066 Enterprise
 - SEEDA

Phase 3 – Analysis, report and recommendations

- 8.7 On completion of the fieldwork, evaluators prepared a summary of what they had found in the three sub regions and began to collect ideas and conclusions. We then held a structured brainstorming session designed to draw out overall findings, conclusions and recommendations.
- 8.8 An initial feedback presentation was held with SEEDA on 22nd March 2007. As a result of this constructive session, the final report structure and content was planned and revised. In addition, Peter Russell attended a one day conference organised by the Higher Education Entrepreneurship Group (HEEG) as it was being addressed by a representative from the University of Twente. This provided useful context for analysing the results of the evaluation.
- 8.9 Preparation of the draft report took place in April 2007 for presentation to SEEDA and the GRIST Partnership on 14th May. A final report was submitted in July.

Summary conclusions

- 8.10 Summary conclusions on methodology and process are as follows:
- the overall response by GRIST beneficiaries, partners and stakeholders to taking part in the assignment was extremely positive
 - arranging face to face interviews with some of the award winners was a little problematic because they:
 - were quite geographically dispersed
 - in some instances, were actually out of contact with their host institutions
 - the delay in receiving the project closure report from the partners was significant in that its content and conclusions could not be considered or any ideas tested during the fieldwork. The closure report had limited value in the analysis and write up phase.

APPENDIX ONE

DETAILS OF ORGANISATIONS AND INDIVIDUALS INTERVIEWED

Contact	Organisation
Carole Barron, Director of Enterprise	University of Kent
Stuart Finnie, GRIST Project Manager	University of Kent
Simon Warren-Smith	Business Link Kent
Colin Monk, Pro Vice Chancellor	University of Brighton
Colin Hayhurst, GRIST Project Manager	University of Brighton
Graham Marley, CEO	1066 Enterprise
Peter Bunyan, Adviser to the Vice Chancellor	University of Surrey
Chris Budleigh, GRIST Project Manager	University of Surrey
Keith Robson, Director, UniS Direct	University of Surrey
Peter Newton, Innovation & Technology Adviser	Business Link Surrey
David Kirby and Kerry Morris	Higher Education Enterprise Group
Sally Goodsell and Zoe Courtney	Finance South East
Ed Metcalfe, Head of Science and Technology	SEEDA
Christina Hartshorn, Head of Leadership and Entrepreneurship	SEEDA
Liz McSheehy, Area Director	SEEDA Area Office (Surrey/Sussex)

GRIST applicants

University	Successful applicants	Unsuccessful applicants
Brighton	10	2
Kent	12	2
Surrey	9	2