

South East Business Innovation and Growth Evaluation

Summary and Conclusions

October 2011

SQW

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1. In April 2011 the South East England Development Agency (SEEDA) commissioned SQW to evaluate the South East Business Innovation and Growth programme (Innovation and Growth Teams (IGT)). This report provides a summary of the findings and the emerging conclusions of the evaluation.

The IGT programme...

2. Driven by the over-arching aim to maintain the South East's position as a world class region, and in particular the need to 'invest in success', the South East IGT programme was launched in 2009/10 to: "unlock the potential in businesses with real global ambition through targeted support in order to drive economic growth in the South East"¹.
3. The IGT programme was to be delivered by eight sub-regional partnerships that were either a formally constituted partnership organisation or linked together by an agreed shared purpose. The eight teams were:
 - Buckinghamshire and Milton Keynes
 - East Sussex and Brighton & Hove
 - Gatwick Diamond and West Sussex
 - Kent and Medway
 - Oxfordshire
 - Solent
 - Thames Valley
 - West Surrey and North East Hants
4. These partnerships were responsible for putting in place a team of experienced business advisors and experts able to deliver high quality support to businesses –of varying sizes and stages of development – on a day-to-day basis. This included SEEDA funded support, as well as other sub-regional and local services – all of which were delivered under the "Solutions for Business" national brand. These partnerships and teams were established with the specific objectives of:
 - developing a broader approach to innovation
 - targeting the top 2,000 high growth potential businesses in the region
 - raising the levels of business to business collaboration and knowledge exchange

¹ South East England Development Agency, *Developing communities of innovation to stimulate economic growth – Invitation to Apply for Grant Funding* (August 2008)

- bringing together the local drivers of innovation.
5. SEEDA originally allocated £20.5 million to deliver these objectives across the eight sub-regional teams. However, the decision to close SEEDA resulted in a curtailment of the programme from July 2010, with final closure in August 2011. Consequently the budget was substantially reduced from £20.5 million to £11.6 million. This premature closure of a programme, that was originally expected to run for three years, had a clear impact on the achievements of the programme, curtailing momentum that was beginning to build and interrupting structures and procedures that were beginning to be optimised. In particular, for those IGTs that had started relatively late, these changes meant that not only were they in operation for less than one year, but that year was characterised by budget cuts and related recruitment freezes.
 6. The UK economic recession that started in late 2008 – just as the IGT programme was being launched – also had implications for the programme as the slow-down and contraction in economic growth meant that a number of potential clients struggled to survive – let alone grow.
 7. However, despite the reduced resources, limited lifetime of the IGT programme and the serious economic recession it has been possible to identify a number of findings about the operation, delivery, impact and value for money of the IGTs.

..Its operation

8. Across the range of different partners and stakeholders consulted there was consensus that the IGT programme had been based on a strong rationale, addressing a multi-faceted market failure that limited the growth potential of companies of all sizes. The programme's intention to move beyond supporting lifestyle businesses and specifically to target those that could significantly contribute to the economic competitiveness of the regional economy was particularly welcome. The programme's focus on coordination and collaboration and to establish communities of innovation were widely seen as vital components to both the success of the programme and local partnership working beyond the lifetime of SEEDA. The programme itself was also felt to have been positively informed by other previous business support programmes (most notably the Enterprise Hub programme).
9. Perhaps the only major concern with the programme's planned operation was whether it was ever going to be feasible to work with 2,000 high growth potential businesses as there was some uncertainty if there was even 2,000 high growth businesses in the south east, and that even if there were it was never going to be possible to engage them all.
10. The partnership approach was seen as an effective means of delivering high-quality business support as it helped bringing together the key local players and created a 'team' with the necessary breadth and depth of experience; the requisite range of skills, competencies and knowledge; and the capacity to be able to identify and work towards addressing needs. The partnership approach was also attributed with reducing local competition between support providers; creating a broad but complimentary knowledge base on which to draw; adding credibility and legitimacy to delivery by enabling issues to be addressed by the most appropriate organisation; and providing access to a much wider network than would have

otherwise been possible. The membership of the partnership (as opposed to its structure) was seen as key to its effectiveness, both in terms of who was involved (which varied between the eight IGTs) but also how they were involved, and their commitment to making the IGTs a success.

11. Similar findings were also true of the delivery teams with partners and stakeholders noting in particular the complementarity of the skills held by different team members; the commitment of the team to delivering the most appropriate and effective solutions to their clients; and the credibility of their experience and skills derived from direct involvement in the management and operation of a business. As a result, the credentials of the teams were widely regarded as one of the strengths of the programme.

...Its delivery

12. Across the consultations and electronic survey with a wide range of partners and stakeholders there was extensive feedback on the effectiveness of the delivery activities – with six broad points emerging:
 - across all eight IGTs, support to businesses was provided, within the context of the five national Solutions for Business (SfB) products, in a tailored and bespoke way, directly addressing the specific needs of individual clients. This required a significant investment of time to understand both what clients wanted and what they actually needed (with the two often being different as many clients needed help and support with issues they had not been aware of). This investment of time and human contact was seen by some as central to the programme’s effectiveness. It did however make the unit cost of delivery expensive;
 - Whilst the support was delivered in line with the SfB portfolio, it was tailored to the individual needs of businesses. This approach was felt to set the IGT apart from other public funded business support provision. The SfB products were never explicitly referred to and the portfolio directors were not put in a position of having to ‘sell’ a particular business support product but could focus their energy on delivering the most effective solution for their client;
 - the IGT programme’s client base has as a whole been focused more on pre-start and early stage companies (with less than £1 million) turnover rather than larger and more mature businesses – which were felt to have been significantly harder to engage than expected. A range of different reasons were given for why this might have been the case, the most common of which were: doubts about whether the offer contained services of interest to large companies. Equally it was felt there was a general reticence about public sector business support and a lack of credibility amongst larger organisations; and difficulties in engaging with larger companies
 - it was apparent across all of the IGTs that identifying high growth potential in companies is difficult, especially in smaller pre-start companies (which formed a large share of the IGT client base). Identification of clients relied solely on the judgement call of the relevant portfolio director, and while on balance consultees argued that the experience and competence of team members enabled them to make

appropriate decisions about selecting client companies, others reasoned that the imperative of recruiting companies at the required target levels may have meant that companies without strong growth potential were admitted

- the IGT programme relied heavily on partner networks for the referral of clients – something that was not the intention at the outset of the programme. In accordance with the principles of the SfB framework, Business Link was to act as the primary access channel for the IGT programme. For a number of reasons this did not happen. Also, IGTs were not permitted under the SfB framework to market their services. So, in order to fill this gap the teams had to press heavily on their partner networks to ensure that a suitable flow of quality referrals – something that, while it took up a significant amount of time and effort, was felt to have paid off eventually.

...Its impact

13. In terms of the quantitative impacts the evaluation identified the proportion of benefits which could be considered additional as a result of the IGT support. The regional net impact of the IGT programme has been estimated at an additional £36.8 million of GVA to the regional economy and an additional £72.5 million of investment raised for businesses in the South East.
14. In addition it has also been possible to identify, through various anecdotes and client testimonials a number of qualitative impacts as the IGT programme was considered to have:
 - provided highly valued support to companies, addressing long-term underlying issues rather than short-term symptoms (such as a poor cash flow)
 - raised investment for high growth companies through a combination of working with individual clients to improve their investment readiness and improving linkages into angel networks and the wider funding landscape
 - increased the speed of growth in terms of GVA, levels of investment and size of business
 - improved the survival chances of clients by providing access to services that they would not have been able to fund themselves; playing the role of critical friend; and mentoring and coaching them through a period of change
 - helped to build and nurture an innovative community across key partners and companies
 - created belief in the value of business support and overcome the scepticism about engaging with public sector support.

...Its value for money

15. Based on an assessment of the effectiveness, economy and efficiency of the IGT programme the IGT programme has broadly been good value for money. The programme has delivered a positive return on investment, albeit at a high unit cost and with mixed performance in terms

of the outputs delivered. However, comparisons with other similar programmes show that this result is typical for RDA investment in enterprise support.

...Its Strategic Added Value

16. The IGTs have added strategic value in the South East in both different forms and different ways. In terms of their leadership and catalytic role the IGTs were seen to have driven forward the development of business networks and communities of innovation. With their focus on peer to peer networking and creating a more cohesive funding landscape also considered to have had a catalytic impact on business growth. The programme was also attributed with a valuable leadership role in the engagement with and enhancement of business angel networks and banks.
17. With regard to synergy and engagement, the IGTs were thought to have improved relationships with and access to various intermediaries; ensured greater alignment across the myriad of different business support providers – in some cases resulting in greater collaboration; created a process of two-way referral between partners; and ensured that there is a shared view across partners of the need to support high growth and innovative businesses. It is early days but there is some evidence that the focus of the programme and its delivery model have raised awareness and understanding among the LEPs of the issues facing high growth potential firms and also on the best way of providing and focusing business support for them. The learning from the IGTs has also fed into BIS' thinking in relation to its soon to be launched Business Coaching for Growth programme.

Conclusions

18. Through this evaluation we have been able to draw the following conclusions about the IGT programme:
 - **identifying high growth businesses is difficult**, particularly when they are at a pre- or early-start stage. While the general consensus was that the **experience, competence and intuition** of the team members enabled them to make appropriate decisions around the selection of clients their **skills could have been supported with the use of relevant data**. It is the intention of the soon to be launched Business Coaching for Growth Programme to combine a data driven approach with personal expertise and given the experience of the IGT programme this is commendable
 - for some IGTs, **the imperative of recruiting clients** – coupled with the difficulty of identifying high growth businesses – **took away from the focus of only working with high growth innovative businesses**. IGTs became caught up in the 'numbers game' as the **achievement of targets became more important than the original rationale** for the programme to: "unlock the potential in businesses with real global ambition"
 - the **limitations imposed** under the SfB framework, in particular the restrictions on IGTs marketing their services, had **implications on the ability of the IGT's to**

engage customers resulting in IGTs **struggling to achieve the level of referrals** that enabled them to be truly selective about who they worked with

- the **positive return on investment** delivered by the IGT programme **could have been increased if the high unit cost of delivery had been reduced**. This is not to say that the programme should have lost its focus on bespoke, tailored support – this was one of its unique selling points (USP) – but rather it could have **improved its cost-effectiveness with greater ‘commoditisation’ of the support provided** making better use of diagnostic tools, standardised solutions and the provision of training programmes (as some IGTs did).
- **further efficiency gains could also have been made through working with groups of companies with similar issues and needs**. An approach that would have also enhanced the delivery of peer-to-peer support and helped foster communities of innovation – another of the programmes USPs.
- the **unit cost of delivery could have been further reduced by delivering the programme through a more centralised, regional team working with a number of local experts** rather than eight separate teams each with their own associated infrastructure/back office
- there was **little collaboration, formal learning or indeed sharing of good practice between the IGTs** and the **initial intention of each IGT leading on a different specialist topic did not work**. In part this was due to the premature closure of the programme and the impact that this had on forcing the delivery teams and associated partners to look inwardly and protect their ‘assets’. However, it does raise the question as to whether such a devolved approach is the most effective use of resources and knowledge
- each of the IGTs took a **different approach to engaging large companies and seeking to drive forward a process of open innovation**. For some the **challenge of engaging and working with large companies was too significant a barrier** – notably harder than originally expected. However, for others **where they were able to engage larger businesses there were significant benefits** to smaller companies, particularly in terms of supply chain opportunities and networking. Had this good practice been better shared across the IGTs (see point above) the benefits could have been maximised
- the IGTs have helped to **develop and foster sub-regional communities of innovation**. The partnership approach has achieved what it set out to do as it not only **created an effective and experienced delivery team but it helped to reduce local competition between solutions providers and had a catalytic effect in creating a sub-regional network and knowledge base**. In doing so the IGTs have **provided access to a much wider network than would have otherwise been possible** (including various intermediaries such as banks and accountants) as well as helping **foster a level of trust and respect between partners and businesses that will be retained beyond the lifetime of the IGT**

- through the **provision of tailored business support, the IGTs have provided highly valued support to companies** that has **helped them to address long-term underlying issues rather than just short-term symptoms**. In doing this the IGTs have also created – or rekindled – **belief in the value of business support** helping to overcome a widespread scepticism around engaging with public sector support. However, despite this there is a danger that the IGT programme – and others like it – have actually **‘spoiled’ the business support market as it has created an expectation that support is free and reinforced a reticence and reluctance to pay for it**
- the **quality of the delivery team has been one of the strengths of the programme**. The teams not only had the necessary support, coaching and mentoring skills but many of them **remained directly involved in the management and operation of a business**. This gave them a **credibility and respect with clients and was central in building trust and openness**
- the **membership of the delivery partnerships rather than the formal structure of the partnership was the greater driver of effectiveness**. In particular **who the members were and how they were engaged as this was the central determinant in not only how committed they were to making the IGT a success but the extent to which they could make it happen**