



---

## **Evaluation of the Saltire Foundation Project**

### **A Final Report to Scottish Enterprise**

## **Evaluation of the Saltire Foundation Project**

### **A Final Report to Scottish Enterprise**

17 June 2011

O'Herlihy & Co. Ltd  
200 Bath Street  
Glasgow  
G2 4HG

Tel : 0141 332 1313  
Fax : 0141 416 0623  
Email : donal@oherlihy.com

# Contents Page

Executive Summary	i
1. Introduction	1
2. Saltire Foundation, Design & Evolution	4
3. Consultations	11
4. Scholars Feedback	28
5. Fellows Feedback	43
6. Firms Feedback	57
7. Economic Impact	70
8. Strategic Issues for the Future	81
9. Conclusions & Recommendations	90
Appendices	
1. List of Consultees	
2. Aide Memoir Scottish Enterprise	
3. Aide Memoir Saltire Foundation	
4. Aide Memoir Babson	
5. Questionnaire – Fellows	
6. Questionnaire – Scholars	
7. SF Organisational Structure	

## Executive Summary

### E.1 Introduction

This report presents the findings of an evaluation of the Saltire Programme which is delivered by the Saltire Foundation. The evaluation was completed in the Spring and Summer 2011 by O’Herlihy & Co Ltd for Scottish Enterprise.

### E.2 The Saltire Foundation & its Programmes

The Saltire Foundation was formed in 2007 to address an observed weakness in the sales and marketing capability of Scottish small, high growth and potential high growth companies that prevented them from competing effectively in the global marketplace. It also aimed to grow the confident entrepreneurial capabilities of our future leaders. It achieves this through running two programmes: The *Scholars Programme* places up to 65 third year undergraduates (at Scottish Universities) on an eight week international internship placement in the USA, Asia or Europe; the *Fellows Programme* enables commercially experienced executives to complete a one year executive development programme comprising around 16 weeks at Babson College Massachusetts followed by a 12 week placement in the USA with a global blue chip corporate and a second 12 week placement with a Scottish SME.

For Scholars, the Foundation aims to provide places to applicants who would not otherwise have access to similar opportunities through their personal or family networks. The Foundation has established a formal link with Robertson Trust and expects that this relationship will strengthen in the future.

Both Programmes involve competitive entry with applications being appraised by a panel of expert personnel. The quality of the applicant is the over-riding appraisal criterion. Feedback from both the Scholars’ and Fellows’ host companies abroad suggest that they are impressed by the comparative quality of the participants on both Programmes and their commitment and drive.

### E.3 The rationale for intervention

#### **Market failure**

The market failure appears to have been the market’s inability to supply a sufficient number of commercially competent individuals, with global commercial experience, to

lead Scottish SMEs and thereby give confidence to investors that the return on their investment will be maximised. In market failure terms, this is an information asymmetry failure. While the Programme has been effective in developing people with these skills, we feel that the market failure is likely to continue to be present for some time given the structural issues in the economy that cause it.

### **Scottish Enterprise Support**

Scottish Enterprise assisted the creation of the Foundation through providing £2,350,000 of start-up support to cover its first two years of operation. It was assumed that the Foundation would attract charitable donations of circa £30m over this period and that it would be financially self-sufficient at the end of the two year period. The formal launch of the Foundation in 2008 coincided with the global banking crisis. Consequently, the anticipated scale of donations did not materialise. Scottish Enterprise provided further funding at the end of the second year of £833,000 with separate ERDF support being attracted of £413,000 to support the 2010 Fellows' Programme.

### **E.4 Methodology**

Our process engaged a total of: 23 partners and consultees in Scotland (mostly face to face); 24 Scholars' and Fellows' host firms in the USA (telephone); 22 Fellows (mix face to face & telephone); 10 Scotland based SMEs (mostly telephone). Scholars were surveyed using an on-line questionnaire that generated a response rate of over 50% (66) which is high - we would note that the quality and clarity of the responses were also very high.

### **E.5 Scholars Programme**

A total of 128 Scholars have been supported on the Programme. Their feedback was very positive and it is clear that they appreciated fully the potential of the opportunity they were given. Specific internship-derived benefits cited by Scholars suggested the internship: was very relevant; was challenging; contributed to their studies and course work; helped them to gain future employment; had a positive impact on their confidence; led to a notable improvement in their commercial skills; helped them to develop strong cross cultural interpersonal skills; enhanced their commitment to their final year studies at University.

The Scholars provided specific details of the *unique* benefits they derived and that they would not have gained otherwise: international business experience; living and working

abroad; enhancing their confidence and ambition; networking; exposure to high level (global) contacts they would not otherwise meet.

Feedback from Scholars' host firms suggests that the Scholars made a positive impact. They were felt to be better educated, more personable and more conscientious than their (international) peers. They appear to have created a very positive image of Scotland amongst their hosts and it is clear from their feedback that the Scottish interns play a positive role in the teams into which they have been placed. Scholars appear to be acting as ambassadors for Scotland.

Scotland based consultees considered that the number of undergraduates supported through the Programme each year could be increased but that it will be important for the Foundation to monitor and maintain quality levels if this is done.

There were a small number of recommendations for improvement, principally around logistics and suitability of accommodation (mentioned by hosts) and the duration of the intern post (by Scholars who suggested it could be longer).

Demand for the Scholars programme is high and the Foundation aims to retain the current levels of competition and participant quality. However, there is a notable under-representation of undergraduates in Science and Engineering subjects, and these are disciplines that could be targeted in future.

The Universities are key to the delivery of the Scholars' Programme and the Foundation should maintain and extend its current links. Separately, Scholars' funding is presently derived through a mix of sponsors' and Universities' donations. The latter comprise different models and we feel there is scope to continue to investigate both a more formal and a more consistent model with all institutions.

Overall, we recommend that the current Scholars design is retained as it appears to operate very well.

## **E.6 Fellows Programme**

A total of 24 Fellows were supported on two Cohorts in 2009 (14) and 2010 (10). Generally, the number of applications for both Cohorts was felt to be comparatively low given the quality of the opportunity on offer. The Foundation and partners felt that the reasons for the low participation were complex but were principally a mix of the economic situation (applicants chose to remain in employment instead of taking a year

out of the employment market in a time of uncertainty) and the structure of the programme which required Fellows to spend the best part of six months abroad. It may also be due to the lack of comparator programmes in the market and the Fellows' Programme relative novelty.

Cohort 1 Fellows in particular (but also several trustees and Scotland based firms) suggested more could be done to raise the profile of the Programme so that firms understand what it comprises and what the Fellows can offer.

Our consultations indicated that sponsors identify better with the Scholars' Programme than with the Fellows' Programme and engaging sponsors with the latter is likely to remain a challenge and a priority in the foreseeable future.

It is clear from our interviews with Fellows that the Programme led to a fundamental change in participants' commercial understanding and that they viewed the Saltire Foundation/Babson approach as being unique. Fellows did not consider that pursuing a conventional MBA or Executive development type programme would have provided them with the same benefits. This was due to: the unique commercial experience of the teaching staff at Babson – they had extensive, first-hand experience of setting up and growing successful businesses of scale; Fellows' exposure to an entrepreneurial culture in Boston that was unlike anything they experienced in Scotland; Fellows gaining experience of working in blue chip, globally oriented firms in the USA.

The Fellows cited specific benefits associated with the experience, namely: comprehensive understanding of the factors needed to grow a global business and how these could apply to Scotland; leadership skills and management confidence; sales and marketing skills – through now having a fundamentally different approach to understanding marketing and managing sales; entrepreneurialism; accessing and using networks.

For the future, we are aware that the Foundation is considering the Programme's design and targeting so that it fits better with the career profiles and aspirations of its key target user groups. The Foundation is considering three key design changes: engaging Scotland based providers of executive education who can work with both the Foundation and Babson to deliver more of the Programme in Scotland; opening applications to those who wish to remain in their current employment; designing a more modular approach that is flexible and more likely to be more attractive to those further along their career path. The revised design looks sound as it addresses key barriers identified by Fellows through our

interviews. The rationale for the Programme was to enhance the sales, marketing and entrepreneurship skills of those at the top of Scotland's SMEs. We consider that adopting a flexible approach when delivering the Programme is likely to maximise its attraction to those the Foundation wishes to engage.

### **E.7 Firms**

Some of the firms in Cohort 1 (Fellows) were very young or pre-revenue. Consequently, firms suggested that the Fellows had limited opportunity to engage with the businesses as they were less clear of their proposed commercial model than more established firms. In future, we would suggest that very young (e.g. pre-revenue) firms are selected with caution.

The 2009 Cohort of Fellows suggested that there would be a benefit to having Fellows and firms meet to discuss their projects in advance of the placement. This would give the firms a better understanding of what the Fellows have to offer before the project brief is finalised. There may also be scope for the Foundation to present more clearly the commercial strengths of the Fellows.

### **E.8 Programmes do not duplicate existing provision**

These Programmes do not duplicate existing activities – while other internship programmes exist, the Scholars Programme is unique in that it provides *global internship* opportunities that are not provided elsewhere. Our consultations and research suggest that the Fellows' Programme has no comparable offer in the market.

### **E.9 Project objectives and targets achieved**

The principal objective for Scottish Enterprise was to facilitate an initiative that would develop Sales, Marketing and *global* commercial skills in participants. The approvals paper summarised a set of objectives that were hoped would be met through creating the Saltire Foundation and supporting its Programmes. Our review suggests that the objectives have all been achieved to some extent and that in most cases, the degree of achievement has been significant.

### **E.10 Project benefits including Economic Impact Assessment**

The key impacts from the Programme are presented in Table E.1 below



<b>Table E.1 Summary Performance Metrics for Saltire Programme*</b>	
Net Turnover to Date	£982,757
Net Cumulative Turnover 2007-2016	£13,465,092
GVA to Date (2007-May 2011)	£683,090
Cumulative GVA 2007-2016	£6,885,121
Net Employment to date (2007–May 2011)	10
Net cumulative Employment 2007 -2016	35
Ratio GVA to Date:Total Public Sector Investment	0.26
Ratio GVA to Date: SE investment*	0.27
Ratio Cum GVA to 2016:Total Public Sector Investment	2.61
Ratio Cum GVA to 2016:SE Investment	2.69

\* All costs and impacts expressed in 2007 prices

These data allow specific performance metrics to be prepared for SE's support, namely:

- The ratio of GVA to Date to SE Expenditure is 0.27:1
- The ratio of GVA to Date to all Public Expenditure (i.e. including £413K ESF support for the 2010 Fellows) is 0.26:1
- Projecting to the future, the ratio of cumulative GVA to 2016 to SE Expenditure is 2.69:1
- Projecting to the future, the ratio of cumulative GVA to 2016 to Total Public Expenditure is 2.61:1.

The effective 'return' to SE on its investment may seem comparatively low but it must be borne in mind:

- A large proportion of the cost was for one-off 'start-up' activities that included Programme design and brand development
- This is a long-term initiative and it will take time before representative 'returns' are derived
- The market conditions declined fundamentally immediately after the Foundation was launched requiring extra Public Sector investment.

#### **E.10.1 Other Benefits**

In addition to the quantitative impacts cited above, other benefits were also derived:

- In one case, the firm noted that the Fellow was instrumental in helping it to attract £500,000 of funding that has enabled the firm to continue trading and to grow – without this investment, its current trading position would be unclear
- In one case, the Fellow was one of two people who worked with the firm to prepare an investors' prospectus – this led to the firm attracting £3M of venture funding and is currently supporting 16 FTE posts.

The full benefit from SE's investment is likely to be derived when the Fellows either launch their own companies or gain senior posts in Scotland-based firms where they can put their new skills and learning into practice. The impact assessments in this evaluation are effectively limited to the Fellows' 12 week placements in Scotland or their input to firms they have formed (1) or worked with subsequently (1).

Overall, we consider the initiative has performed well to date from an impacts perspective.

### **E.11 SROI Conclusions and recommendations**

The brief requested that the Social Return on Investment of the Foundation's activities be explicitly considered. Our evaluation process has established that there is potential for the Foundation to generate higher levels of social value in future and that social value is an important feature for potential donors.

In terms of moving forward, we make recommendations in relation to the social impact agenda, namely: adopt a more structured 'giving back' model; establish an evaluation structure whereby all of the impacts of such an approach are captured; adopt a longitudinal approach to recording the annual progress of alumni; produce a series of strong case studies which clearly describe the journey undertaken by a cross-section of Saltire alumni.

### **E.12 Assess contribution to the equity and equalities agendas**

The Foundation's engagement with the Robertson Trust is an example of how it is making a positive contribution to the SE's *equity* agenda. The Foundation is also proposing to introduce a clear requirement for Fellows (and potentially Scholars) to work with those who have less opportunities (e.g. through mentoring arrangements) and thereby address the economic barriers faced by those from less well-off backgrounds. We consider that both of these approaches will make a positive contribution to the SE's equity agenda.

Our consultation identified a potentially negative contribution to SE's *equality* agenda. It was felt that the historic structure of the Fellows' Programme could discriminate against high achieving female executives who have young children. It is recognised that females continue to play a greater role in rearing children. However, the proposed changes to the Fellows' Programme design, which will allow for greater delivery in Scotland and more flexible engagement, are likely to mitigate the negative constraints that have been evident to date.

### **E.13 Capacity of the Saltire Foundation to continue to deliver the Programme**

There are two fundamental capacity-related issues to be addressed: raising the funds necessary to build a successful programme; having the team, resources and focus within the Foundation to deliver the programmes effectively.

When based at Scottish Enterprise, we understand that the Foundation had access to around 9 staff. It presently has a complement of three full time equivalent resources. The Chief Executive is currently taking responsibility for the redesign of the Programme, for designing and pursuing future business models, attracting funding and managing the team. We feel that this exposes the Foundation to risks: *Capacity related* – in that the Chief Executive or team members become over-stretched; *Continuity related* – should the Chief Executive or team members become ill or otherwise unavailable, there is little operational capacity to continue activities they currently undertake. It would be appropriate for Trustees to consider how these risks might be mitigated.

Trustees felt that the fund raising role in particular should be shared more widely through engaging the trustees, GlobalScots and others. It was also suggested that external professional fundraising resources could be engaged.

### **E.14 The business model**

**Generating sufficient commercial income for the Foundation is the overarching priority for the Foundation.**

Detail of the future funding model is presently unclear. Several avenues are being pursued with different approaches being (correctly) adopted for Scholars and Fellows. Presently, the funding model seems to be to target known 'friends' of the Foundation and encourage them to make an investment. We feel that this will need to be more comprehensively resourced if the growth targets of the new Fellows' offer in particular are to be resourced.

The Foundation has an opportunity to engage local executive education providers in the delivery of the future model. For the Foundation, the challenge will be the agreement of a business model that works for it, Babson and the Scottish academic establishments that are engaged.

### **E.15 Learning points for Scottish Enterprise**

Overall, the project appears to have met its goals (albeit at lower volume) without displacing other initiatives. There are three points that are worth specific mention.

First, some consultees noted that SE's involvement meant that the Foundation had to operate in a rather bureaucratic way that required formal approvals being sought for modest expenditure levels and that formal tendering procedures had to be adopted. Note that they appreciated the need for this to be done given the scale of Public sector investment – but it is useful to note for future projects that this may impair the effective operation of commercially focused projects.

Second, and linked to the point above, the public sector approvals process requires that 'full' approval is gained at the outset of a two or three year project and that a corresponding spend profile is generated (with milestones) that must be met. If a spend milestone is missed, or if the project delivery diverts in a different direction, this is seen as being a weakness/failure of the project. The reality is that new projects of this kind are like new businesses where, within 18 months of formation, around three quarters of new businesses are operating in a different market to the one they initially targeted. Projects might be better to adopt an incremental approach that approves the full budget but allows for smaller, more speculative spend at the start. As the project matures and its success/operation becomes clearer, larger approvals could be sought and approved. This would mirror a typical start-up more closely and would provide appropriate levels of flexibility in the early stages.

Finally, all consultees recognised that this was a long-term initiative (10 years+) and that it would take time for the benefits to be seen. But it was felt essential that the Foundation should be able to show the ways in which the (Scholars and Fellows) experience has enhanced their careers. To this end, it was recommended that a longitudinal study should be initiated that tracks the performance of the cohorts over time and that these benefits are promoted to GlobalScots, Scottish SMEs and the wider business community

In terms of recommendations, we set out in the main report detailing five areas for attention:

- Financial sustainability
- Continuance of the Programme
- Programme Design (Scholars & Fellows)
- Social capital
- Team & Capacity.

#### **E.16 Overall Conclusions**

- The Scholars Programme appears to be very successful both for benefiting the participating undergraduates and in enhancing Scotland's image abroad. We consider that it should be continued and its volume expanded, providing funding is available and quality can be maintained
- The Fellows Programme appears to be on track to generate future impacts but numbers have been lower than anticipated. The proposed design changes that introduce more flexibility to the delivery and that open participation to those who wish to remain with their current employers are likely to enhance the attraction of the Programme. We consider it should continue to be delivered provided the proposed design changes are adopted and recognising that further design changes may be necessary to maximise engagement of the type of executive deemed to offer the greatest potential to Scotland.
- The Fellows Programme appears to be enhancing the skills that were deemed to be missing when the Programme was first designed
- The overarching challenge for the Foundation will be to attract a sufficient level of funding to support Scholars' and Fellows' Programmes in the future. A future funding model should be agreed with Trustees - Scholars' and Fellows' Programmes should only be launched when sufficient funds are in place to deliver them in full.
- The Foundation should consider the resources it requires to deliver a redesigned Fellows' Programme and an expanded Scholars Programme (that engages more Science and Engineering Graduates). We consider that it has limited capacity at present and that this creates an operational risk should any of the staff (especially the Chief Executive) become unavailable.

## **1 Introduction**

---

### **1.1 Introduction**

This evaluation report has been prepared by O’Herlihy & Co. Ltd for Scottish Enterprise and the Saltire Foundation. It presents the findings of a review that was completed between March and May 2011 and that involved extensive consultation with the Saltire Foundation’s stakeholders, individual beneficiaries and participating companies.

### **1.2 Aims of evaluation**

The ITT set out seven principal aims of the evaluation, namely to:

- Review of the rationale for intervention;
- Assess project objectives and targets achieved;
- Assess project benefits including Economic Impact Assessment (as per HM Treasury Green Book Principles);
- Establish Social Return on Investment (SRoI) statements appropriate to act as a baseline for performance management discussions within the charitable field where the Saltire Foundation operates. This should also, if possible, include any SRoI investment calculations which can appropriately be identified for current activities
- Assess Usage, Quality, Demand and other issues
- Assess contribution to the equity and equalities agendas
- Present the key findings and recommendations for the future direction and delivery of the project including how Saltire Foundation can best collect the data and measure performance on, at least, an annual basis.

### **1.3 The Saltire Foundation**

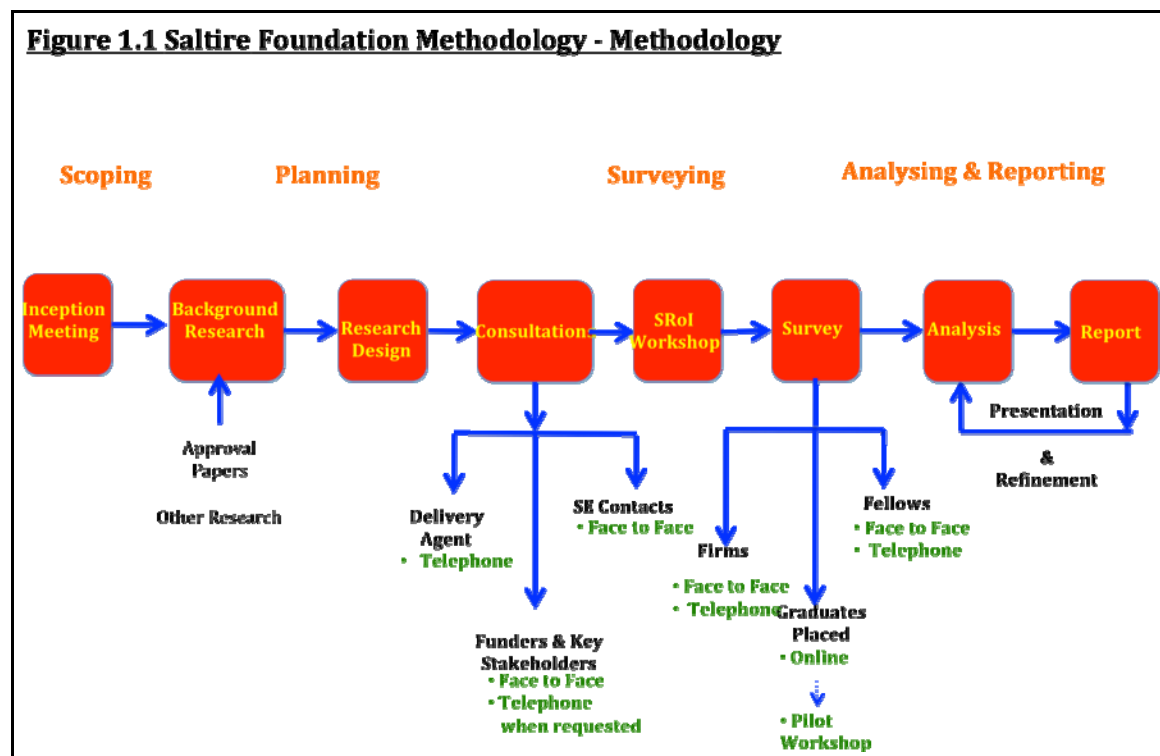
The Saltire Foundation was formed in 2007 to address an observed weakness in the sales and marketing capability of Scottish small high growth / potential high growth companies to compete in the global marketplace; and the need to grow the confident entrepreneurial capabilities of our future leaders. The Foundation manages two Programmes, one for Scholars (undergraduates) that provides them with an opportunity for an international internship and the other for mid-career executives (Fellows) that lasts around a year and comprises teaching at Babson University in Boston, a project with a US based company and a separate project with a Scottish SME. Fellows are required to

remain in Scotland or work abroad for a Scottish SME for a minimum of three years out of the next 5 years after their engagement.

The evaluation aimed to assess the ‘return’ that Scottish Enterprise’s investment generated or is likely to generate in the future, as well as assessing the overall achievement of the Saltire Foundation to date.

### 1.4 Methodology

Our methodology is set out diagrammatically in Figure 1.1 below.



A list of those engaged is included in the Appendix.

Key elements of the process can be summarised below. Our process followed the methodology set out in Figure 1.1 above. We used a mix of face-to-face, telephone and online techniques as set out in Table 1.1 below.

<b>Table 1.1 Process Detail</b>				
	<b>Face to Face</b>	<b>Telephone</b>	<b>On Line</b>	<b>Format</b>
Saltire Foundation	3	-	-	Semi structured consultation
Scottish Enterprise	3		-	Semi structured consultation
Trustees	4	3	-	Semi structured consultation
SF Development Board	1	1		Semi structured consultation
SF Advisory Board	3	-	-	Semi structured consultation
Universities	3	-	-	Semi structured consultation
Scholars' Hosts	-	21	-	Semi structured consultation
Fellows Hosts – USA	-	3	-	Semi structured consultation
Scotland SMEs	1*	9	-	Structured interview
Fellows	12	10	-	Structured interview
Scholars	-	-	66	On Line structured survey
Others	-	2	-	Semi structured consultation

\* Includes firm founded by Fellow

The next chapter presents details on the Foundation.



## **2 Saltire Foundation Design & Evolution**

### **2.1 The Saltire Foundation**

The Saltire Foundation is a Company Limited by Guarantee and Charity, formed in 2007 to manage the delivery of the Saltire Programme. The Saltire Foundation originally received £2,350,000 funding from Scottish Enterprise, designed to cover the first two years of its start-up and operation, after which time it was anticipated that it would be financially self-sustaining. Thus, this funding was viewed as being 'seed funding' to enable the Scholars' Programme to be delivered and the Fellows' Programme to be designed and launched with the medium term goal being to raise external revenue for the activity. Consequently, at the time of the original seed funding approval, SE was expected to exit in March 2010. From the outset, it was assumed that the Foundation would be financially self-sufficient after two years.

The original business model was built on the assumption that the Foundation would attract around £30 million endowment funding from interested donors. Market research was undertaken during the planning phase which indicated that support of this level was possible. Once the Foundation was formed, consultants were engaged to attract the necessary pledges. However, the launch of the Foundation coincided with the global financial and banking crisis of 2008 and the Foundation found that there was a fundamental change in organisations' willingness to commit their funds to an initiative of this kind. Consequently, the level of endowment funding attracted was notably lower. It has also been suggested through our consultations that feedback from the GlobalScot community pointed towards a desire on their part to see commitments being made first by Scotland-based institutions which the GlobalScots would then be willing to match. Given the extremely difficult trading conditions being encountered by firms during this period, few were willing to make any such commitment.

The fundraising strategy was changed in response to the economic climate and a Development Director was appointed in March 2009. A new fundraising plan was prepared that aimed to:

- Raise a minimum of £1m towards commitments in 2010;
- Prove it can continue to raise sums to meet an expenditure of £1.7 to £2.0m per annum from 2010 onwards.

Given these difficult economic conditions, it was not possible to attract the level of financial support required to secure the Foundation's long term future as an independent charity. Consequently, further support was required of SE and it approved £833,000 in late 2009 (bringing the total SE investment to date to circa £3.18 million) over the period November 2007 to March 2011. This extra investment of £833,000 was SE's contribution towards the Saltire Foundation's operation in 2010/11. In addition to SE's investment, the project also attracted European Social Fund support of £413,000 bringing the total public investment to circa £3.59 million. The ESF money was to support the 2010 Fellows cohort (cohort 2).

## **2.2 What market failure was the Saltire Programme designed to address?**

Through combining the information contained in the approval papers with feedback from our consultations, we would summarise the rationale as follows.

Growing more internationally competitive businesses of scale is central to the medium and long term growth strategies of the Scottish Government and Scottish Enterprise. These strategies depend significantly on:

- The availability of risk capital; and
- The availability of human capital i.e. entrepreneurial talent, with the vision, drive and skills to create or transform businesses into global businesses of scale.

The Saltire Foundation was created to address the second of these two critical factors as feedback from the market-place indicated that investors with funds deemed Scotland based investment to be of higher comparative risk to those elsewhere. Their explanation for this higher-risk categorisation was that there was a lack of entrepreneurial business leaders with the global perspective required to make a venture a success. The Foundation's activities were therefore aimed to accelerate the development of Scotland's potential business leaders by offering unrivalled opportunities for them to work with, learn from and leverage from networks with some of the world's leading business players.

In terms of market failure, the position is complex. The approval papers do not appear to include an assessment of the failure in conventional market failure terms. The principal failure appears to have been the market's inability to supply a sufficient number of commercially competent individuals, with global commercial experience, to lead Scottish SMEs and thereby give confidence to (foreign) investors that the return on their investment will be maximised. The reason the market appears to have been failing was

that there were very few SMEs in Scotland that had developed to a 'medium' size on the back of global sales and therefore, there were relatively few opportunities in Scotland for managers to gain this experience here. If the gap was to be overcome, it was necessary for SE to intervene and create a mechanism whereby competent and capable people could develop these skills. This is what drove the development of the Saltire Fellows Programme. In Market Failure terms, this is an information asymmetry failure.

### **2.3 Scottish Enterprise objectives**

The principal aim was to develop a sustainable Foundation that addressed the market failures outlined above. In addition, it was anticipated that the Foundation would be a financially self-sustaining organisation that has a strong image in the market and is recognised as supporting the development of truly outstanding individuals for Scotland.

### **2.4 What is the Saltire Programme?**

Through the commitment of the [GlobalScot Network](#), the Saltire Foundation aims to accelerate the development of Scotland's potential business leaders by offering them opportunities to work with, learn from and network with some of the world's leading business players. The Foundation delivers two separate programmes targeted at very different groups.

#### **2.4.1 The Saltire Fellowship Programme**

*The Saltire Fellowship Programme* is an intensive one-year programme designed for Scotland in partnership with Babson College, MA. Babson was selected from a short list of six European and US based institutions. It is recognised as one of the world's top ranked business schools for entrepreneurship. The core programme focuses on entrepreneurial leadership, business acumen and sales and marketing and has three key phases: a very intensive programme of teaching at Babson College followed by hands-on experience, first, in a blue chip multinational overseas, then in a high-growth entrepreneurial venture in Scotland. On completion, Fellows commit to spend three of the next five years working for a business located in Scotland or which has its Headquarters in Scotland.

The principal programme elements comprise:

- In-depth screening to select appropriate entrants
- 16 weeks<sup>1</sup> of formal teaching – however, the Babson approach is strongly focused on entrepreneurial activity with students studying cases during the evening, working in teams to discuss them the following day and meeting the businesses' principals the following day (to discuss what actually happened) – these are designed not to be textbook case studies
- 12 weeks working with an international blue-chip organisation
- 12 weeks with a Scotland based company.

The Fellows receive a small stipend from the firms but otherwise do not receive any form of financial support during the period – although the Foundation covers their academic, travel and overseas accommodation costs. Those with commitments must therefore make arrangements and ensure that they have sufficient financial reserves to last the duration of the programme.

The programme is designed to provide Fellows with support throughout their participation. While this is delivered through a mix of Babson staff, Fellows are also encouraged to use their peers to discuss challenges, identify solutions and test ideas. This is reflected in feedback from Fellows where individuals noted the value they gained from discussing business problems.

#### **2.4.2 The Saltire Scholars Programme**

*The Saltire Scholars' Programme* offers students from Scottish universities the opportunity to develop their entrepreneurial capabilities through an eight week internship with a leading, globally represented organisation. Students are selected based on an assessment of their potential and the impact the internship will have on their personal and career development. For many, the experience is life changing.

The key partners in this project are:

- Scottish Universities,
- the GlobalScot network and

---

<sup>1</sup> Reduced to 14 weeks for the second cohort

- Large global firms in the USA, Asia and elsewhere who facilitate the internship programmes.

#### 2.4.3 **The Saltire Programme's Operation**

Clear performance targets were set as indicated below in Table 2.1

<b>Table 2.1 Projected Programme Activity</b>		
<b>Year</b>	<b>Undergraduates (Students)</b>	<b>Fellowships (Individuals)</b>
2007/08	10	0
2008/09	20	10
2009/10	50	20

Source: Scottish Enterprise

The project was designed to deliver significant outcomes for the Scottish Economy, Scotland's high growth companies, and participants.

Scottish economy:

- Provide Scotland with a pool of high-calibre confident individuals seeking commercial and specifically entrepreneurial career opportunities;
- Support the creation of more companies of scale by closing the performance gap of growth businesses;
- Increase in export activity and commercial knowledge transfer through stronger international networks. In particular, leveraging the expertise and goodwill of the GlobalScot network into a tangible benefit for Scotland.

Scottish high growth companies:

- Step change improvement in commercial capability by closing the gap in supply of suitable executives;
- More customer focused product development and delivery;
- Better access to international markets and increase in sales and revenue;

Participant:

- Opportunity to gain skills and experience relevant to their ambitions;
- Understanding of international market and to opportunity to build a 'tradable network';
- Access to high quality employment prospects in Scottish based firms;

- Ongoing support and networking via Alumni Group.

Monitoring criteria are included in a Performance Monitoring Framework that has been developed for the Foundation.

## **2.5 Foundation structure**

Appendix 7 provides a diagrammatic representation of the Foundation, its Board and sub-groups. The Foundation had an SE staff member as its Chief Executive from its creation through to September 2010. In addition, a team of SE staff delivered all operational design and delivery activities from its creation through to March 2011. The first full time member of staff employed by the Foundation – Development Director – was appointed in March 2009. The former Development Director was appointed Chief Executive in the Autumn of 2010. The Foundation’s current team comprises three personnel, all full time – The Chief Executive, a Programme & Marketing Manager and a Programme and Marketing Executive. The team operates virtually at present and the Foundation does not currently have a physical presence, although we understand that negotiations are taking place presently to have a physical space in both Glasgow and Edinburgh.

### **2.5.1 Board of Trustees**

The Foundation’s Board of Trustees numbers seven and is presently chaired by Peter Lederer, Chairman, Gleneagles Hotels Ltd. The first Chairman was Crawford Gillies, current Chairman of Scottish Enterprise

### **2.5.2 Saltire Foundation Development Board**

The Development Board considers funding opportunities and financial arrangement for the Foundation. It currently has four members.

### **2.5.3 Saltire Foundation Fellowship Advisory Board**

This Board was brought together to advise on the assessment and recruitment of Fellows. It currently has six members.

**2.5.4 Babson's role**

Babson University designed the content of the teaching element of the Fellows Programme and the learning materials. The University was contracted to deliver two cohorts of circa 20 Fellows between 2008 and 2010, although this timescale was extended by a year due to a requirement to build in time to evaluate and respond to lessons learnt from Cohort 1. A significant element (circa £650,000) of the start-up costs related to the creation of teaching materials

The next chapter presents a summary of the feedback from our consultees.

## 3 Consultations

### 3.1 Scope

Consultations were completed with all key groups relevant to the creation and operation of the Saltire Foundation including:

- Saltire Foundation Staff
- Scottish Enterprise
- Scottish Universities (Scholars' Programme)
- Saltire Foundation Trustees
- Saltire Foundation Advisory Board
- Babson College.

We summarise below the key issues arising from these consultations under the aide memoir headings agreed with SE. The feedback from Babson has been handled as a stand-alone section given their pivotal role in delivering the Fellows' programme.

### 3.2 Rationale for the Programme/Foundation

Overall, the Foundation was considered to have had a clear rationale when formed based on the failure to develop strong commercial leadership skills among the leaders of SMEs in Scotland. This weakness was felt to remain. Both the Scholarship and Fellowship Programmes were felt to address these weaknesses. As mentioned in the previous chapter, we consider that the market failures, which the Saltire Foundation was designed to address, remain. This position is likely to continue in the medium term and will require a steady supply of skilled Fellows in sufficient volume.

The Foundation's Programmes were not felt to duplicate other public or private sector initiatives in place. The Scholar's Programme is unique as it provides opportunities for *global* internships while the design and delivery of the Fellows' Programme is unique.

Consultees were keen to emphasise the long-term nature of the Saltire Foundation's challenge and the timescale during which benefits of the Foundation's activities were likely to accrue.

From an evaluation viewpoint, the assessment of the Scholars' programme was considered to be more straightforward as it had been running for longer (formerly in the form of Tomorrow's Leaders International) but the Fellows' Programme poses more of a challenge – it may take five to 10 years before the real benefits are identifiable.



### 3.2.1 Scholars

The rationale for the Programme has evolved (to an extent) over time. The aim is to target undergraduates in their penultimate year of study who have the potential to benefit from exposure to a different business/social culture. In its early application, the Scholars' Programme did not take account of an undergraduate's personal circumstances or socio-economic background. Consequently, there were many who had benefited from other forms of internship and experiences previously. It was felt that the added value of the Saltire Programme was limited in these cases.

Following contact with the Robertson Trust<sup>2</sup> ([www.therobertsontrust.org.uk](http://www.therobertsontrust.org.uk)), the Saltire Foundation increased its focus towards suitably qualified/motivated individuals who were unlikely to gain an opportunity of a Saltire-type internship through another route (e.g. through family and friends' links). It is important to note that the Foundation applies stringent criteria to all candidates and that the bias in favour of those students from less advantaged backgrounds is only applied *after* their successful progress at the earlier selection stages. The focus on less advantaged students is an evolving one but it is clear from our consultations with Trustees and GlobalScots that they support the Trust's engagement. We return later to this issue (Chapter 8 and Chapter 9) where we consider how the Foundation might measure its progress in this activity.

The focus on less advantaged students is supported by the Trustees. Our consultations with the Foundation noted that while it might wish to support more of these candidates, relatively few succeeded in progressing past the early selection stages as they did not meet the minimum quality level required. This is a challenge the Foundation continues to address.

The Scholars' Programme was considered to develop a global perspective amongst Scotland's undergraduates that were deemed to be weak in Scotland and that this had a negative impact on the performance of graduates in the job market and on their contribution to the firms with whom they worked. However, the role some Global Scots

---

<sup>2</sup> The Robertson Trust is an independent Scottish grant-making Trust that was established by the Robertson sisters in 1961 and promotes the values of their family firm, namely: honesty, integrity and willingness to help people in trouble or need. The Trust supports a significant number of undergraduates in Scotland who would not otherwise have the resources to participate in higher education.

play in encouraging Scholars to experience the local culture (through engaging in extramural activities) was felt to be a powerful attribute of the Programme and one that might be developed further in the future. This wider engagement was felt to be essential for the Scholars' personal development.

Two of the consultees suggested that most/all of the Foundation's resources should be invested in the Scholars' Programme. Two others suggested that all of the funding should be invested in the Fellows' Programme, but in general, the consultees felt there would be merit in continuing the current approach of supporting two Programmes. In both these sets of responses, the suggestion was based on a view that the Scholars programme was very successful. Those saying it should be the focus of the Saltire Foundation considered that the greatest return on investment would be achieved through Scholars, given the numbers. Those suggesting that the Fellowships should be the focus tended to feel that the Scholars programme could be taken over and delivered by the universities, whereas the Fellowship programme was unique, met a significant need and needed dedicated support.

### **3.2.2 Fellows**

The rationale for the Fellows' Programme is discussed in depth above.

All consultees were aware that there is a long-term challenge of developing an understanding amongst Scotland's SME Leaders of how to grow medium sized global companies. Consultees and the Chief Executive agreed that the Fellows' Programme was a first formal step towards addressing the problem – albeit that its design would likely require refinement. It is critical that both the Fellows' and Scholars' Programmes are seen as being top rate opportunities and that the Foundation retains the competitive application process to ensure that those engaged are of the highest calibre available.

There was recognition that the relatively low number (circa 70 in 2010) of applications to the Fellows Programme indicated that the current design or targeting may need to be adjusted so as to make the initiative more attractive to the target group. The design changes proposed by the Chief Executive were felt to be sound, providing the financial model made the new approach viable.

The consultees recognised both Babson's reputation in the field of entrepreneurship teaching and the benefits of 'immersing' Fellows in the Massachusetts approach to business start-up (described by Fellows as the entrepreneurial eco-system). There was a

view that staff teaching at Babson tended to have more experience of business start-up and entrepreneurial growth than their counterparts in Scotland. Specifically, it was felt that at Babson, the staff had first hand experience of growing £100 million businesses and that this was a key factor in making their offer unique. We return to this point in Chapter 5 as the experience of teaching staff was constantly identified by Fellows as being a critical success factor of the Fellowship learning.

### **3.3 Nature of engagement with the Programme/Foundation**

#### **3.3.1 Scholars**

The Foundation tends to work through the Universities' Careers Offices as the channel through which to provide information to potential participants.

There are bi-lateral arrangements with selected Universities covering the funding of Scholars' places. These range from no financial support through to one-off contributions covering the duration of the current programme (five years) through to a per-capita award by the University to the Foundation for each successful applicant.

Direct marketing activity was not viewed by consultees as being especially valuable for attracting Scholars to the programme. Rather the current approach of direct promotion to students was viewed as being more effective.

#### **3.3.2 Fellows**

The operation of the Fellows' and Scholars' Programmes are notably independent from the consultees' perspectives. Our consultations with Trustees highlighted clear individual preferences and interests in each of the Programmes, similar to those described at the end of 3.2.1 above – individuals tend to have better knowledge of one or other of the programmes and tended to talk about the Programme about which they were most familiar.

### **3.4 The approach adopted by the Programme/Foundation**

#### **3.4.1 Saltire Foundation**

It was striking in our consultations that the feedback split between the Scholars' and Fellows' Programmes. For Scholars, the view was that it was a successful programme in its own right and that it was effectively a stand-alone approach that largely worked.

The Fellows' Programme attracted a different form of feedback and tended to point to specific areas where changes might be made or where challenges were encountered (Chapter 5). This reflected its relative 'novelty' and the recognition that it had encountered challenges since being launched.

There was a view among Trustees that a more structured and targeted approach could be adopted to fundraising and that there was an opportunity to engage Trustees and associated supporters to assist. It was also suggested that there is evidence that some comparator organisations have been particularly effective in attracting funding for their cause. This has been achieved through adopting an intensive programme of pursuing target supporters and offering a novel approach for them to engage with the Saltire Foundation.

### **3.4.2 Scholars**

The process of promoting the Programme to undergraduates and their selection starts around January/February. Saltire Foundation Marketing staff attend the annual careers' fairs at this time to promote the programme. Advertising/promotional information is made available to Universities' Careers Services, Student Unions etc. It has been noted that most applicants tend to be from Business and Marketing disciplines. There is notable under-representation from Engineering and the Sciences and consequently the Foundation has also encouraged staff members in specific departments to promote the Programme to their students and to encourage those they feel would benefit most. One of the Universities' Careers personnel voiced concern at this approach as they felt it may lead to academic staffs' favoured students being put forward.

Students must complete an Application Form. Historically, it was mandatory for students to attend an Information Briefing before making an application but this requirement has been relaxed recently in response to feedback from University Careers Services. In one of the Universities, it was felt that this adversely affected the quality of the applications being submitted – some students did not appear to understand the nature of the Programme to which they were applying. One University provides advisory sessions to assist their students in completing the application so as to ensure that all of the relevant information is included in the submission.

Institutions screen applications from their students before passing a short-list to the Saltire Foundation.

Those on the (full) short-list are invited to attend a 'speed interview' with a Panel comprising personnel from Saltire/SE, and previous Scholars.

Those who successfully make it past this stage are then presented to potential placement firms. Firms usually receive several CVs of which they select one (assuming they have one post available). Firms undertake telephone interviews with the final shortlist of candidates for each project and then they (the firms) make the final decision.

### **3.4.3 Fellows**

The Fellows Programme has supported two cohorts. The process to date has used a mix of marketing media which were felt to have had mixed effect. One challenge has been to communicate the uniqueness of the Saltire offer – there is nothing similar in the market-place.

The media based marketing was complemented by raising awareness through those active in the field of entrepreneurship development. Fellows make an application and are invited to a series of assessment interviews. These are designed to identify individuals with the rounded personality, motivation and experience to make best use of the Programme.

The Foundation had a reasonable level of applications for Cohort 1 given that it was the pilot and that no exemplars of Fellows or the projects could be provided. It was anticipated that the numbers applying for the second Cohort would be greater. In reality, they were lower. Consultees were not clear why this was the case but it may have been an effect of the economic conditions where people felt less secure and preferred to remain in their employed roles.

The issue of how best to attract future Fellows was identified as a priority by consultees, but there were few concrete suggestions on how this might be achieved.

## **3.5 Evolution of the Programme/Foundation to date**

### **3.5.1 Scholars**

There has been relatively little in the way of design or implementation changes to the Scholars' Programme. Based on the consultation feedback, this is due to the relative attractiveness of the offer to GlobalScots and the supportive response the Foundation has received on both the Scholars they host and the project work they undertake. GlobalScots seem to identify strongly with their role as hosts and offer interns a genuinely different

learning opportunity to that which they might otherwise receive. This includes organising extra-curricular activities for Scholars.

While the broad design has remained unchanged, there has been an increased focus by the Foundation on the activities of organisations such as the Robertson Trust. Similar charities and organisations could be engaged in the future. The Saltire Foundation could provide a channel for these organisations' leadership development activities.

The Programme was felt to have a good profile in Scotland and to have a fundamental and positive impact on the successful interns. It changed their approach to life.

### **3.5.2 Fellows**

The Foundation has formed strong links with organisations engaged in entrepreneurship development in Scotland (such as the Hunter Centre at Strathclyde University and the Entrepreneurial Exchange). However, Scotland based academic institutions do not appear to have been engaged actively thus far – based on our consultations with the Chief Executive, this is likely to change in the future.

To date there has been no substantive change to the design of the Fellows Programme other than the shortening of the Programme at Babson from 16 to 14 weeks and changes to the accommodation arrangements of Fellows. Given the challenges in attracting the optimum profile of Fellow, the Chief Executive has undertaken a fundamental review of the design jointly with Scottish Enterprise and Trustees. This is covered in more detail in Chapter 8.

It was noted that firms' projects, that were core to their business operations, appeared to work best.

## **3.6 Future development and targeting**

### **3.6.1 The Saltire Foundation**

There were three broad thrusts to the feedback on the evolution of the Foundation. First, the contribution of Scottish Enterprise was recognised as having been very beneficial and that the Foundation needed to move forward to the next stage of its operation. Its focus and approach to implementation must change as a consequence as would the culture of the organisation. That said, it was also considered important for the Foundation to maintain a close, positive working relationship with SE and encourage SE to continue to support its operations.

Second, the Foundation should make the attraction of Funds/revenue a priority. This was felt to be a fundamental task that was of paramount importance and that should engage all levels of the Foundation's structure (e.g. Trustees, supporters, staff). There were several suggestions pointing to the need to adopt a focused and strategic approach to fund raising and attraction. In its current form, the Fellows' Programme was felt to be commercially unsustainable. The Foundation should proceed in running further Scholars' and Fellows' Programmes only when they are certain they have funding available to support them.

Third, the consequence of moving from a position of being fully funded by the public sector to being a self-sustaining commercial unit means that the Foundation must plan its operations carefully so as to ensure its cash position is maintained in a positive state. It must have a structured approach to attracting funds and managing the business effectively through effectively delivering the two (or more) Programmes in the future.

Linked to the importance of attracting funding for future operations, there was felt to be scope to attract high level PR expertise to enable the Foundation to raise its profile and promote its success and contribution to Scotland. This suggestion complements feedback from Fellows suggesting that there is scope to enhance awareness of the programme amongst Scotland's Business and Financial communities.

There were mixed views on whether the Foundation should focus its attention (e.g. concentrate only on the Scholars' or the Fellows' Programme), but the consensus view was that the Scholars Programme was very successful and that if the Foundation's resources were constrained in future, then it should concentrate its effort on this activity until sufficient resources were acquired to support the effective delivery of another Fellows cohort.

It was felt essential that the Foundation's activities were shown to be effective and it therefore needs to monitor the Fellows and Scholars success. The current evaluation was felt to be a good step, but probably too early.

It is anticipated that the role, structure and operation of the Advisory Boards will need to be reviewed fundamentally so as to fit closely with the new business model.

It was suggested that the Saltire Foundation's proposed engagement of Scottish Business Schools may facilitate their cooperation in a way not previously seen. Given the value of Babson's expertise to the overall experience of Fellows, consultees suggested that the

Foundation could valuably identify different ways of 'levering in' Babson's expertise to Scotland-based institutions' delivery. On balance, there was a clear desire to have Scotland-based institutions engaged in a constructive and productive way.

### **3.6.2 Scholars**

There was a consensus (but not a unanimous) view that the volume of the Scholars' Programme could be increased without sacrificing quality and that this could be done comparatively quickly (over the next three years). This view appeared to be based upon consultees' personal observations and experiences of other internship programmes rather than being informed by specific information on the delivery of the Scholars' Programme by the Saltire Foundation.

The process of promoting the Programme and selecting applicants was felt to be relatively resource intensive. It was suggested by one consultee that it may be possible to use on-line approaches both to promote the programme and to assist in the pre-selection (and thereby minimise the selection workload).

One University made a specific suggestion that attendance at briefing sessions should be mandatory as it appears to enhance the quality of applications put forward. This view was inferred by the other institutions consulted who considered it to be good practice and to enhance the quality of students' applications

The current funding model, where some Universities contribute financially to support their Scholars' places, was not universally understood or deemed to be attractive – specifically, one University based consultee felt that it could open the Saltire Foundation to accusations of being driven by the funding. Glasgow University suggested that it would look favourably at offering other types of (non-cash) support to the Foundation.

Building on the point made earlier, it was suggested that a longitudinal study of Saltire Scholars and Fellows should be initiated so as to compare their career performance to that of their peers over time.

### **3.6.3 Fellows**

Direct marketing appears to be of limited effect in attracting suitably qualified Fellows.

The structure and duration of the programme was felt to deter a significant proportion of the target group given that it requires them to be away from family at a point when their children are young. Separately, the challenge of encouraging a successful executive to



leave their company (and the country) for the best part of a year may be unrealistically great. This may point to the benefit of targeting a slightly younger group for the full time programme and reducing their time away from Scotland while complementing this with a different programme for more experienced personnel (perhaps more modular) – both of these issues appear to be addressed in the current re-design.

Three consultees considered the duration/structure could be particularly challenging for mothers who might wish to apply.

*Links to other initiatives*

There may be scope for the Saltire Foundation Fellows' Programme to complement the activities of Scottish Enterprise's:

- Proof of Concept Programme
- Enterprise Fellowships
- Companies of Scale
- Aspect
- High Growth Start-Up Unit
- Co-Investment Team
- SE's Commercialisation activities.

There was a consensus view that the Foundation should charge Fellows to participate. It was felt that this would increase the image of the Programme being a valuable experience and would reflect its comparative positioning with international MBA programmes.

There were two sets of suggestions around the geographic focus of the Programmes, in particular the Fellows' Programme. Presently for the Foundation, 'International' was seen to mean primarily USA – this appears to reflect the dominance of Global Scots being based in the USA and the view that Scottish firms would need to be successful in the US market if they were to grow. However, consultees also noted the marked shift in trade to the East and the frequently cited rise in the prosperity and activity of the BRIC (Brazil, Russia, India and China - or more recently, MINT – Mexico, Indonesia, Nigeria and Turkey) countries. They suggested that the Fellows could be valuably exposed to these

geographies so as to understand better their business cultures<sup>3</sup>. There was a view that exposing Fellows to other cultures should not be limited to the BRIC/MINT regions – it was also suggested that MBA programmes at European Universities (e.g. INSEAD) offered students a very different but valuable insights.

We are aware that Babson has suggested including a BRIC Learning journey as part of future programmes. This was felt to be a positive suggestion.

The second geography-related suggestion related to using European based institutions to provide a European perspective and to reduce delivery costs. Specifically, one consultee queried whether there was scope to engage INSEAD and thereby reduce cost.

The current Entrepreneurship support infrastructure in Scotland was felt to be somewhat fragmented. It was suggested that the Saltire Foundation could play a lead role in facilitating joint working across different organisations. Our consultations with both the Foundation and the Universities who have been engaged in looking at how they might be engaged in future programmes suggests that the Foundation is already playing a facilitative role.

It was recognised that the current targeting, or rather the engagement of the target group, was not as effective as it could be. On balance (and there were a range of views on ideal numbers with some suggesting 8-10 and other 20-25) it was felt that the Fellows' Programme should support larger cohorts, for example 20-25. Consultees felt that something about the current promotion of the programme or its structure appears to make it unattractive to the people it most wished to engage. In particular, females and older executives did not appear to apply in significant numbers. Most consultees were aware of the proposed Programme design changes and felt that these were good moves and were appropriate as the next stage of the Foundation's development.

In our consultations, we identified a view amongst SE and some of the Trustees that the first cohort was stronger than the second. We would note that feedback from both Babson and some firms suggest that the second cohort were as strong or stronger than the first, albeit that the second cohort had less commercial experience.

---

<sup>3</sup> The Scholars' Programme offers a range of internship opportunities in Asia. It will be seen in the following chapter that Scholars value very highly the opportunity to experience other cultures and that this learning causes a fundamental shift in their personal and professional outlook

### 3.7 Goals/priorities for the future

Consultees identified a number of future priorities

- Financial sustainability and security was felt by all to be the principal goal
- Only commence delivery of a Programme where funds are in place to deliver it successfully
- Small focused team, ideally delivering both Programmes, but if necessary focusing on the delivery of the Scholars' Programme in the short to medium terms
- Fellowship Programme would be small numbers but high quality and highly competitive. Saltire should be seen as being similar to a Rhodes Scholarship or Kaufman Fellowship Programme – it should differentiate its Fellows and must be seen as being genuinely distinctive for the duration of their careers
- The profile of the Foundation and its programmes should be raised in the commercial *and* political spheres.
- The Global Scot network should be engaged more actively, with more individuals being targeted and pursued for support
- Responsibility for the Foundation's development and growth should be allocated to individual Trustees and not limited to the executive team
- The Foundation should have clear views on how its success would be defined and put in place system/process to capture these benefits. Specifically, it should put effort into identifying firms who have experienced beneficial change
- A range of business schools would be involved in delivering the Programmes.

### 3.8 Babson College Feedback

#### 3.8.1 Background

Telephone interviews were undertaken with the Dean of Executive and Enterprise Education, the Director of Entrepreneurship and the Senior Director of Business Development at Babson Executive Education. The combined feedback from these consultations is set out below.

#### 3.8.2 Programme Design

The Fellows' Programme is geared towards developing an entrepreneurial skills set. It is unique as it falls between a conventional MBA syllabus and an entrepreneurship course.

The design differs from their main programme of executive teaching which focuses on Executive Development short courses and mainstream MBAs. Their core clients operate in Financial Services, Corporate Global operations and Retail. The aims of these courses

are to improve corporate business skills. The Saltire Programme focuses on entrepreneurship and globalisation. There has been comparatively little demand in the USA for this type of teaching historically, but it has started to grow recently.

The Saltire Fellows' Programme format is much more intensive than other Babson courses, with taught classes running each day from 830 to 1700 coupled with evening and weekend work. By comparison, banks' Executive Development Programmes last a *total* of three weeks and are structured around three one-week blocks.

Separately, the 16 week term at Babson coupled with the 12 week Externship A placement was considered to be a long time for Fellows to be away from home – this was felt to be a specific issue for the Saltire Foundation target group who tend to be older than the typical Babson MBA student. There was felt to be scope to break up this element of the programme into bite sized chunks and this had been discussed with the Foundation.

Building on the possibility of changing the structure of the taught element of the Programme, there was also felt to be scope to engage Scottish Business Faculties so as to allow Fellows to complete part of their studies in Scotland. Babson is increasingly delivering their content on-line and this is becoming a primary teaching and learning medium. This medium could be used by the Saltire Foundation in future.

Babson is increasing the reach of the entrepreneurship development activities. Complementing the views of other consultees, there was felt to be scope to consider placements in territories other than the USA. These could reflect the growing importance of BRIC nations and the differences in business culture in Asia Pacific.

### **3.8.3 Fellows' Selection & Programme Delivery**

Babson attended the first cohort assessment centres and were involved in the selection of candidates. In the second year, Babson submitted a proposal for participating in the selection process – but it was deemed too costly/not financially viable for SF to support. Baseline data on candidates from both cohorts was shared with Babson before the Fellows started, to aid in understanding the different personalities of group members and their motivations for being on the Programme.

Saltire Fellows were felt to be more 'hungry to achieve' than their peers at Babson. This seemed to reflect the personal sacrifice they made to attend.

There was a notable difference between the two cohorts. The first cohort comprised a significant number of strong personalities. This created a dynamic of challenging the status quo within the group and had a mixed effect on team dynamics – they struggled to form an effective team. The second cohort had fewer ‘individuals’ and they appeared quickly to operate effectively as a cohesive group. They also had more realistic expectations and seemed to assimilate the challenges more quickly and effectively. We return to this issue later when considering the contribution of the group and the ideal individual/group profiles for future cohorts. Overall, the calibre/competence of those selected was considered by Babson to be similar across both cohorts, although it was noted that the second cohort had less commercial experience. Babson noted that they were of similar profile to those participating on the entrepreneurial programmes.

The first cohort resided on campus while the second was based off campus. Feedback suggests that being off campus was a better arrangement.

The Programme has focused on engaging those aged between 25 and 32. However, there have been older participants (e.g. 42) who performed very well. Therefore, there is scope to engage a larger proportion of older participants on future programmes – their experience and diversity were viewed as a strength.

Babson also suggested that there could be benefit in allowing Fellows to remain in their employment while participating. They felt that this would provide a different and more flexible route that would engage more people.

#### **3.8.4 Fellows’ implementation**

Babson noted that communication between Scotland and Boston has continued to improve over the course of the three years. They considered that it was ‘good’ this year in particular. This may be a function of the dynamics of the two cohorts – the first were a ‘needier’ group who were more demanding of Babson and the Foundation. This was characterised by the number, nature and range of requests from the groups to Babson staff. For the first cohort, Babson staff were constantly responding to Fellows’ issues ranging from course content to food and accommodation. The second cohort were more self sufficient/independent.

The team at Babson felt that the clear vision of the Foundation’s current Chief Executive and the focus on achieving key goals was very constructive and was likely to significantly impact on the future success of the Programme and the Foundation.

There may be an issue around project matching. Feedback from Fellows suggests that they would have welcomed more input to the project selection and project scoping. They would also prefer to have projects that were more explicitly linked to their skills and previous experience. They also suggested that the project scope and direction frequently changed once they embarked on the placement with the firm. Feedback from Babson emphasised the importance of taking students out of their comfort zones. We can see the benefits of both perspectives.

### **3.8.5 Benefits for Babson**

Babson summarised the benefits they derived through being engaged with the Foundation as being:

- Babson staff enjoy teaching Scottish people. People have very positive views of Scotland and the Scots
  - They noted that it was very easy to attract entrepreneurs to speak to Saltire Fellows given their Scottish heritage
- Babson are making a positive impact on the Scottish economy.
- The Scotland model has provided a basis for Babson's conversations with other Governments.
- The Programme is financially attractive to the College.

Babson would like to be involved more post-programme when the Fellows return to Scotland. Presently, this contact is maintained on an ad-hoc basis. They felt there was scope for Babson to act as advisers to Fellows as their ventures expand.

Based on our consultation, we interpret that there would not be a structured change in the model for this but this would be clarified by firms. Separately, Babson's engagement could be facilitated with more formal links between Babson and Scottish academic institutions. This is likely to be achieved through the new operating model proposed by the Foundation.

### 3.9 Issues Arising

#### 3.9.1 **Babson**

It is clear from our consultations with Babson that they value highly the Saltire Programme and their role in delivering it. They feel they could make a contribution to the recruitment and selection process and have more interaction on the matching of Fellows to firms.

There was a view that it was essential to have a period of ‘immersion’ for Fellows and that this should not be lost in a future re-design (a view shared by Fellows too – Chapter 5). However, it was also recognised that the structure of the current Programme potentially deterred many suitable applicants and that this is something that might be reviewed. They suggested that it might be appropriate to run the future Externship A placements in parallel with teaching at Babson, recognising that this would mean placements with firms in the greater Boston area. This might have implications for the engagement of Global Scots (as there are unlikely to be a sufficient number locally *and* Babson recognise that engaging Global Scots across the USA is a key goal for Scottish Enterprise). Babson have very good links to businesses of all sizes within the local area.

Babson recognised that this is a long-term cultural change initiative. They were interested to see how impacts might be identified in the immediate to short terms that would signify the likely success of the Programme and in this regard they were interested in understanding this evaluation’s methodology and potentially discussing this further.

#### 3.9.2 **Other Undergraduate Internship Programmes**

Internship programmes have been in place for some time. For example, Glasgow University has been running its Club 21 Programme<sup>4</sup> for 10 years and it now has 160 registered employers (up from 95 last year). The University and employers value the additional benefits the Club 21 Programme brings: Employers access to the University’s Principal; Employers access to academic staff (and vice-versa). The University used to host a Club 21 dinner annually for employers. However, with the significant increase in those engaged, they are proposing to organise a number of smaller events in future.

---

<sup>4</sup> <http://www.gla.ac.uk/services/careers/studentsgraduates/club21/>. The Club 21 Business Partnership Programme is a work experience programme based at the University of Glasgow Careers Service.

The University works with each firm individually to define what the firm aims to derive through engaging an intern. They also screen applications to each employer. The consultee was strongly of the view that the selection should be made by the employer – however, currently Scholars are interviewed by firms from a short-list and the successful candidate offered the internship. While the interview is not completed face to face, we feel that the current Saltire process is appropriate given the geographic/time differences that exist between Scotland and placement destinations.

The University has pursued the idea of a students' Learning Log and they proposed that this approach would be adopted by Saltire when engaged in its pilot.

Some of the undergraduates who were successful on the Saltire Programme had previously completed a Club 21 internship. Given the Foundation's shift in emphasis discussed above towards those from less advantaged backgrounds, the proportion of those benefiting from two types of internship may decline in future.

The next Chapter presents feedback from Scholars



## 4 Scholars' Feedback

*"The entire experience was/and still is the greatest thing I've ever done. It gave me a great sense of independence, confirmed that I was doing the right subject, and gave me such inspiration to do well so I could continue working on projects like mine."* (quote from Saltire Scholar)

This Chapter presents a summary of the findings from our survey of Saltire Scholars.

### 4.1 Population and sample.

Contact email addresses were available for 62 students from 2010, and 66 students who had placements between 2007 and 2009.

We contacted these 128 undergraduates by email. A total of 66 students replied, giving a response rate of 51.5%. This is a very high response rate for an online survey: online surveys tend to produce lower response rates, typically in the order of 10% of those surveyed. A 51.5% response rate means that a confidence interval of 8.42 would apply to answers, given that the sample was a random sample of the population. While the respondents to this survey were not a true random sample – people with something positive or negative to report are more likely to respond – it is a high response rate from students who appear to feel strongly about their experience.

Of the replies

- 33 were from students who had placements in 2010,
- 14 from 2009 students,
- 14 replies from 2008 students,
- 3 replies from students who said their placement had been 2007, and
- 2 replied with invalid years.

### 4.2 Location.

The geographic distribution of Scholars was:

- Half of the 66 respondents (33) had their placements in the U.S.A.
- A further 20% (13) had placements in the Asia/Pacific area, and
- 30% (20) had placements outwith these areas.

Fifty six per cent (37) students said that the placement was their first time living outside the UK apart from holidays. Forty four per cent (29) said that they had previously lived outside the UK.

We asked students what they would have done if they hadn't had a Saltire placement. 73% (49) said that they would have spent that summer in Scotland – 39% (26) said they would have got an internship/externship in Scotland and 34% (23) said they would have got a summer job in Scotland. Eighteen percent (12) students said they would have worked or got an alternative internship/externship abroad, and 8% (5) said they would have done something else.

### 4.3 Current status.

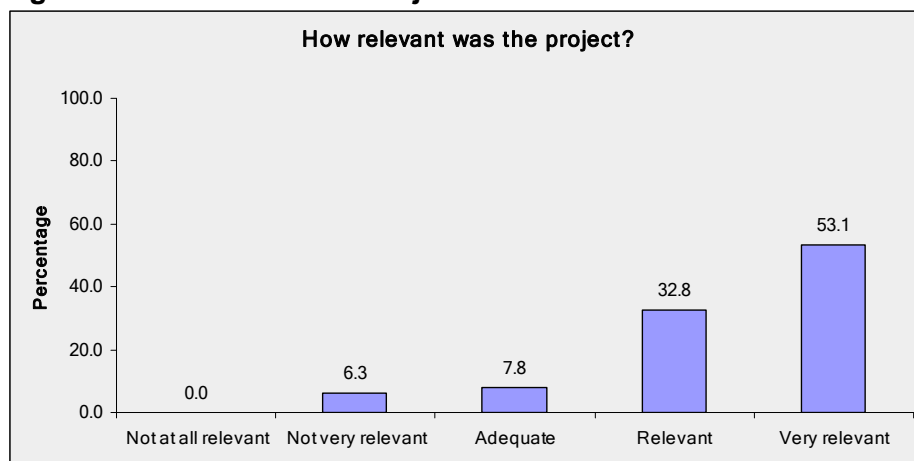
We asked respondents to describe their current status

- 60% (41) were full time undergraduate students.
- 30% (20) were in full time employment,
- 6% (5) were in postgraduate education and
- 4%(3) were in part time employment.

### 4.4 The Project.

We asked about the relevance of the project students undertook (Figure 4.1).

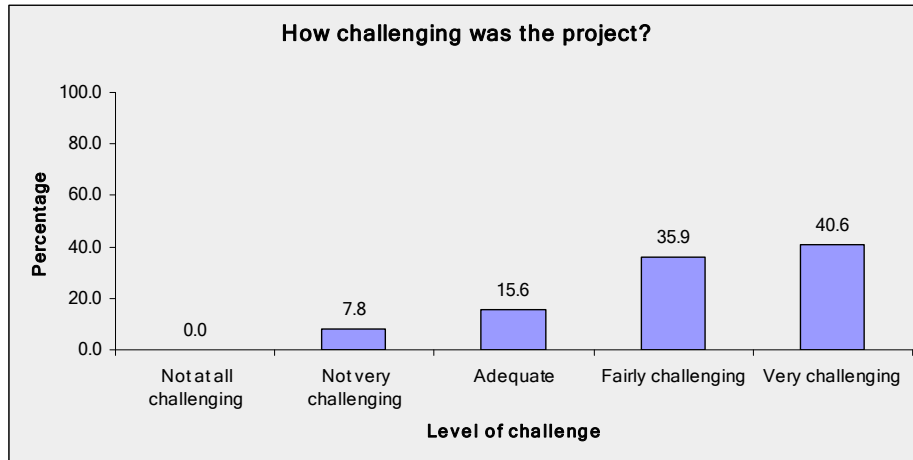
Figure 4.1 – Relevance of Project



Sixty four people answered this question. The majority (53.1%) said that their project was “very relevant”. Only 6.3% of people answering this question felt that their project was “not very relevant” and nobody said that it was “not at all relevant”.

Also on the projects, we asked how challenging it had been (Figure 4.2).

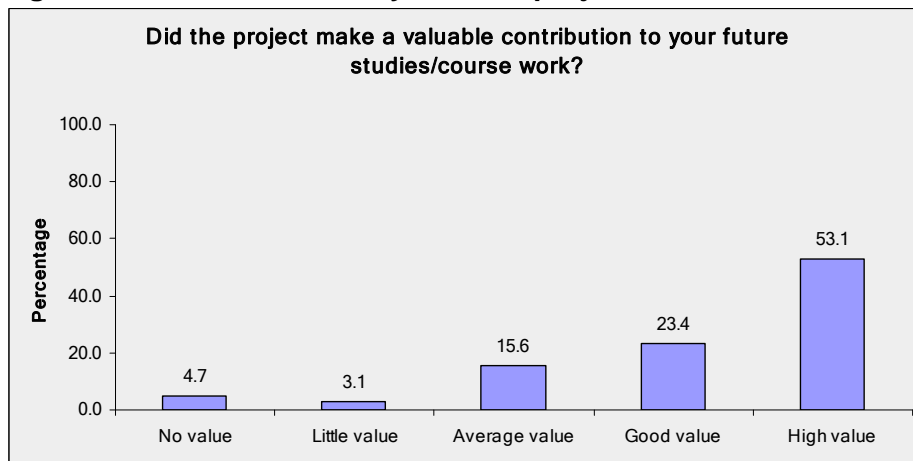
**Figure 4.2 – How challenging was the project?**



Again, of the 64 answers to this question, the majority selected the most positive answer: 40.6% said that the project had been “very challenging”. Similarly only 7.8% said that their project had been “not very challenging”, and nobody said that it had been “not at all challenging”.

In terms of longer term effects from the project, we asked to what extent it had made, or was likely to make a valuable contribution to future studies or course work (Figure 4.3).

**Figure 4.3 – The contributory value of projects to studies/course work**



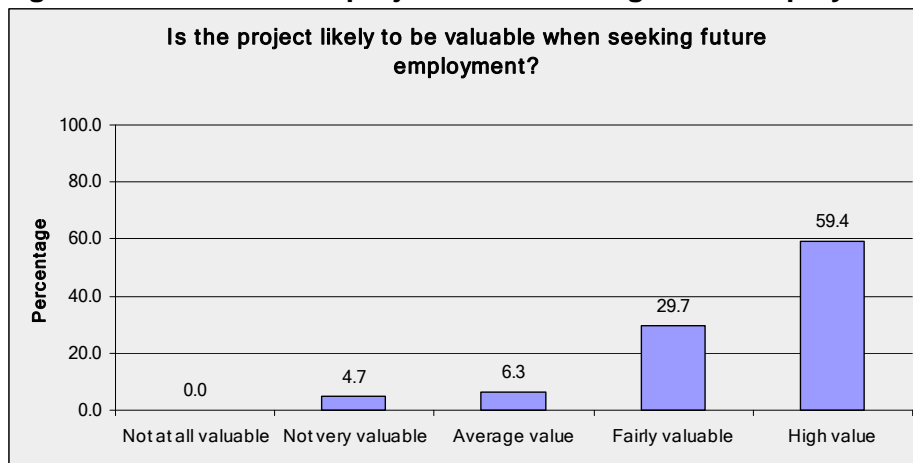
The respondents felt the project would make a valuable contribution – combining the responses who said that its contribution would be “good value” or “high value” to their

studies, 76.5% selected one of these two options. Only 7.7% said that it would be “no value” or “little value”, and 15.6% said that it would be a contribution of “average value”.

We asked students to rate which areas they felt had benefited: 75% mentioned that it helped them see the practical application of theory, and 60% said that it had helped improve their time management skills.

Additional to its effect on their course or studies, we asked to what extent students believed it would be useful when seeking future employment (Figure 4.4).

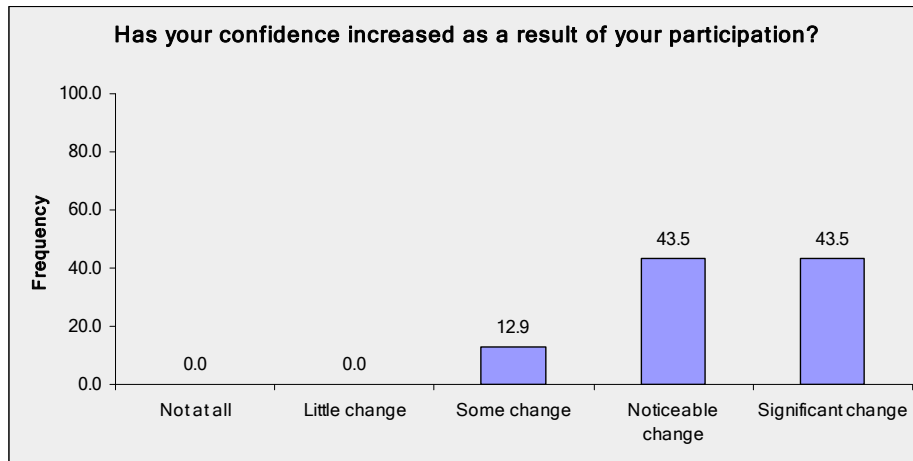
**Figure 4.4 – Influence of project when seeking future employment**



Respondents were very much of the opinion that it would be valuable, with just under 60% (38 of the 64 students who answered the question) saying that it would be of high value when seeking future employment.

In terms of how participating in the Saltire programme had benefited them personally, we asked about any changes to their confidence levels.

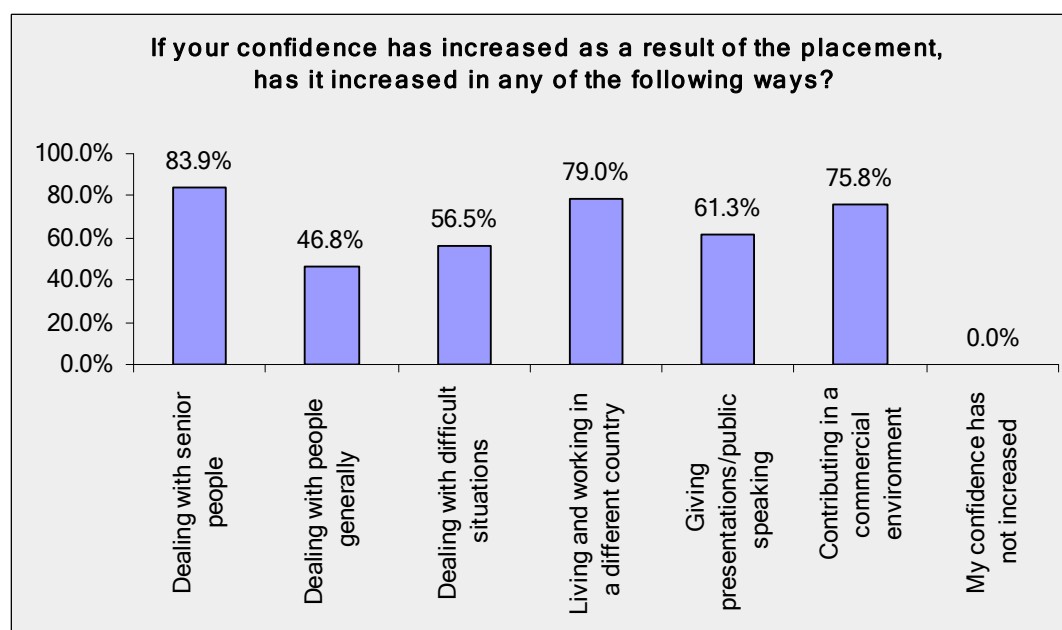
**Figure 4.5 – Impact on Scholars’ confidence**



A total of 87% of respondents said that there had been either a “noticeable change” or a “significant change” in their confidence as a result of participation. All of the 62 people who answered this question said that there had been an increase in their confidence as a result of participation.

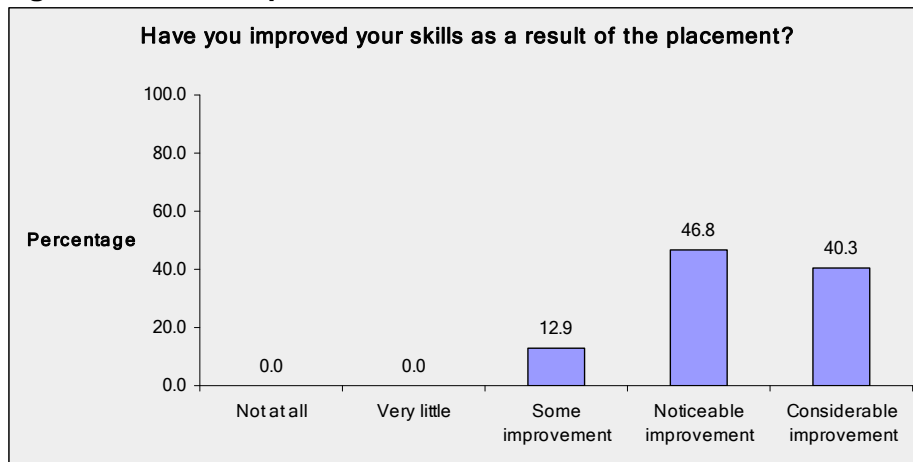
We asked in which specific areas they felt more confident. The majority of respondents (84%) said that they felt more confident “dealing with senior people”. Seventy nine per cent said that they felt more confident about “living and working in a foreign country”, and 76% said that they felt more confident “contributing in a commercial environment”. The full set of responses are shown in Figure 4.6 below.

**Figure 4.6 – Ways in which confidence changed**



We asked whether participation had resulted in improved skills as a result of the experience (Figure 4.7)

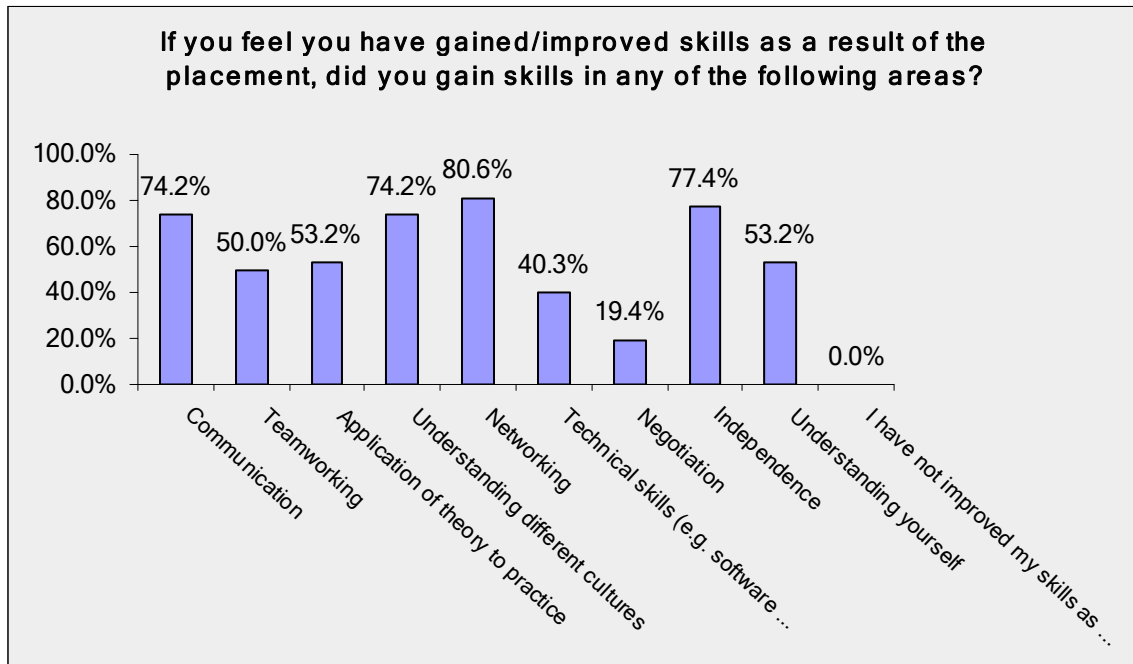
**Figure 4.7 Skills improvement**



Again, all of the 62 people who answered this question said that their skills had been improved to some extent through participation. The largest group (46.8%) said that there had been a noticeable improvement in their skills, and 40.3% said that there had been a “considerable improvement” in their skills.

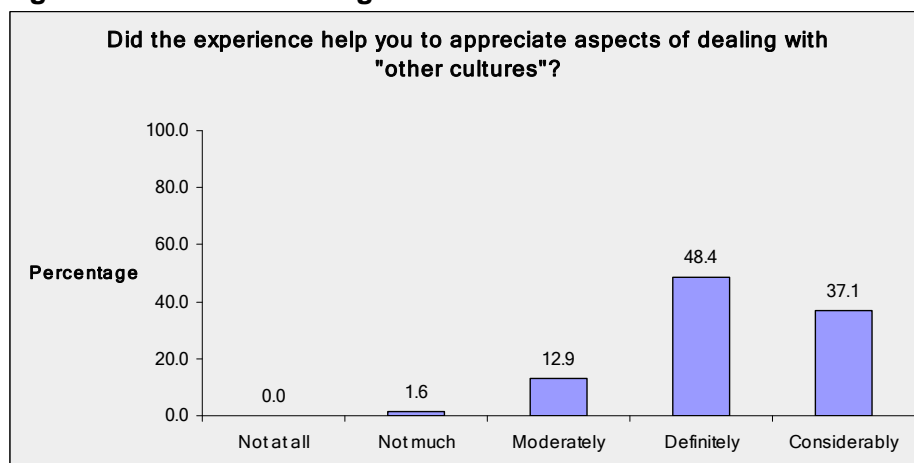
We asked which skills had been most changed by participation. “Networking skills” were the most frequently mentioned, by 80% of the 62 students who answered. The related areas of “Communication skills” and “understanding different cultures” were mentioned by 74%. Being able to “apply theory to practice” and “understanding yourself” were mentioned by 53%, and “team-working” was mentioned by 50%. The full set of responses are shown in Figure 4.8 below.

**Figure 4.8 – Skills gained**



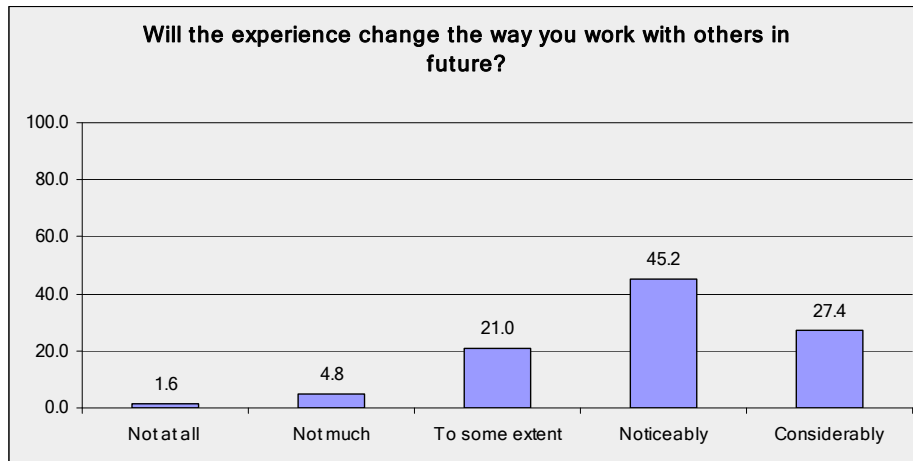
Since placements often involved dealing with very different environments in terms of, for example, work ethics, socialising and food, we asked whether the Saltire experience had resulted in a new appreciate of dealing with different cultures (Figure 4.9).

**Figure 4.9 - Understanding Other Cultures**



In terms of the longer-term impact of the placements, we asked whether students believed that they had changed in terms of how they would work with others in the future (Figure 4.10).

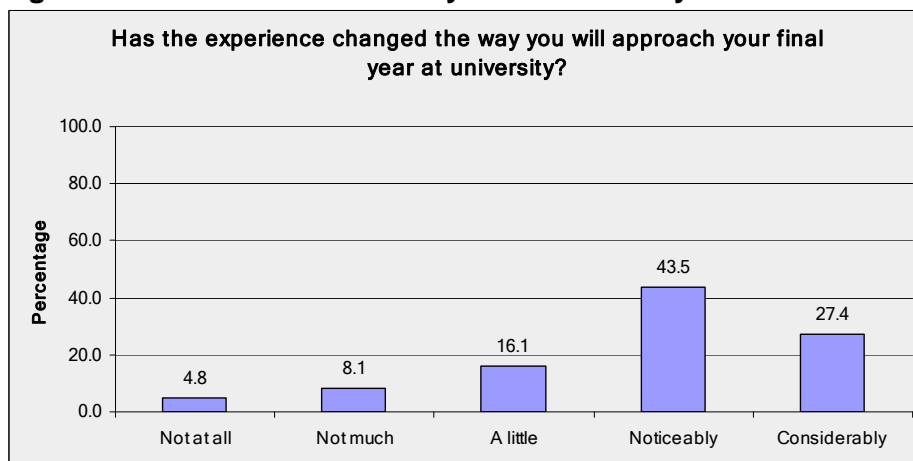
**Figure 4.10 – Impact on future working relationships**



The majority of responses indicated that people believed that their way of working with others had changed. Indeed, 93.6% (58 of the 62 who replied) mentioned some positive change, with over one quarter (27.4%) saying that their way of working with others had changed “considerably”. Only four out of the 62 respondents selected “not at all” or “not much” in terms of the level of change. The largest group (45.2% or 28 respondents) said that there had been a “noticeable” change.

Finally, we asked about how much the experience would impact on the way they approached their final year at university. Again, the most frequently selected response was “noticeably”, selected by 43.5%, with 27.4% selecting “considerably” (Figure 4.11).

**Figure 4.11 – Influence on Final year at University**



Following on from graduation, we included some questions about what kind of impact students felt their placement would have on their future careers.



Firstly, we determined how many respondents had gained work since completing their placements. This would include part-time work for those who were continuing their further education. Forty-eight people (72% of the total sample<sup>5</sup>) said that they had gained employment, and of those, 30 (62.5% of people saying they had gained employment) said that there were specific aspects of the programme that they believed had helped them gain that employment. Forty nine respondents indicated that their participation had provided them with a referee, while the free text answers indicated that the quality/profile of referee was much higher than they would have achieved through a traditional summer placement.

We asked them to state in more detail exactly what they felt had helped. There were a wide range of answers to this question, under a number of broad themes.

Firstly, contacts and networks. Responses included:

- “Vital contacts. My supervisor during my internship recommended me to my current employers”,
- “Huge benefit of international networking which would have been difficult to achieve without the programme”,
- “the alumni events and opportunities afterward” and
- “I will actually be working in Scotland with a contact I met in Sydney that will allow a new start-up to generate in Scotland”.

Secondly, a number of students had gone on to work full-time or take up other roles within their placement company:

- “I commenced employment with the Wood Group after graduation in 2009”,
- “I have been working for my host company part-time and expect to continue in a graduate position after graduation” and
- “I have been employed by my host company since 2009”.

Confidence in one’s own ability to live and work abroad were mentioned:

---

<sup>5</sup> This proportion is similar to figures cited in *Underemployment of Scottish Graduates, Mosca I, Wright RE – Impact of HE on Regional Economies Paper, Oct. 2010*

- “I am currently working abroad in China. Without Saltire I don't think I would have had the certainty that I could cope with all the different ups and downs that comes with this”,
- “living and working in a foreign country”,
- “Independence through working and living abroad” and
- “The opportunity to work in an international environment significantly increased my personal and professional confidence”.

People also mentioned that the programme distinguished them from their peers:

- “Good topic for interview discussion”,
- “Added work experience to my CV which I needed to secure a traineeship”,
- “Having the experience of an international internship in a relevant industry really helped to differentiate me from the crowd”,
- “Work experience, having a good name on ones CV”,
- “The fact the programme is well regarded and acts as a filter for a lot of employers”.

In addition, many people mentioned that it had helped them realise what they wanted to do or aim for. “Stronger sense of what I wanted to do” and “I also have a better idea of where my strengths are, and I know exactly the kind of job I want to pursue now”.

Several responses mentioned that being associated with “The Saltire Foundation” is a benefit: “The Saltire Foundation's good reputation... differentiates me and makes me more employable” and “once they see you've achieved and completed a Saltire placement, they have a lot more interest in your application”.

Separately, in response to the question *If you felt the project was likely to be valuable when seeking future employment, do you believe it will contribute in any of the following areas?*, 95.3% of the 64 who answered the question said that “international experience” would be valuable to them, and 82.8% said that it had “provided me with business skills”.

Separately all respondents (100%) would recommend Saltire to another student.

#### **4.5 Additionality for Scholars – the road not travelled**

The final questions for Scholars related to the ‘road not travelled’ and reflect the additionality associated with their engagement on the Programme. We set out below a structured summary of their feedback. These are powerful and eloquently presented

personal statements and we have not sought to edit them other than removing the names of companies/individuals. The statements present a Scholar's perspective of the ways in which Programme benefitted them personally. Each bullet-point relates to an individual's feedback.

The benefits Scholars derived fell into five broadly defined categories

- Gaining business experience
- Living and working abroad
- Enhancing their confidence and ambition
- Networking
- Exposure to high level (global) contacts they would not otherwise meet.

The feedback is summarised under each of these headings below.

#### **4.5.1 Business Experience, especially International**

- The chance to work in an organisation which leads its market, the opportunity to make contacts with important business people in Scotland and globally, and the confidence gained from making an impact in a global organisation.
- International experience, massive networking opportunity, greatly improved business awareness
- The impression made upon me has been of a global commercial enterprise involved in an operation of complexity which turns on the contribution of each person and of each team within that enterprise. Were any one to cease to play their part or to lose their focus, then the team as a whole could suffer as a consequence. That impression will remain imprinted upon me. It was my privilege to play a role in the Operations team.
- The internship was a dream come true in the sense that I never would have gained so much experience and exposure in one particular industry in any other way.
- I very much appreciated the opportunity to do something that did not just require academic ability and intelligence, but that was a real on-the-job, hands on internship, which made me gain an insight and shaped my decision to apply for a very specific Masters programme.
- I now live and work in Japan and am continuing to improve my language skills and cultural knowledge. I feel the Saltire program started that ball rolling and in the future I will be comfortable in an international business environment.

**4.5.2 Living and working abroad.**

- Experience of working in my chosen industry in a new country - [name removed] is very different in [name removed] than in the UK so it was good to have more knowledge and be able to offer alternative solutions as per experience I'd gained in the UK.
- An unbelievable opportunity to see into another world, and the doors that ambition and perseverance can open.
- International experience, living in another country (semi-alone).
- What I appreciated the most was the opportunity to travel constantly and to experience the different working cultures of the companies I was visiting. Having someone there from the company to talk me through all the technical aspects as well as to answer all my questions was incredibly valuable.
- The ability to experience both living and working in a different country, allowing me to become more aware and open-minded.

**4.5.3 Confidence and Ambition.**

- "I truly believe that I would not be as confident and as ambitious had I not completed this journey with the Saltire Foundation. It gave me the ability to have a greater understanding of the importance of Scotland's role in international business and how I can have an emerging role as my experience widens. I would not have been able to get a grasp of working in a multicultural environment and appreciate the small, yet significant components of a multinational workforce had I not been awarded this opportunity. Ultimately, I would not have developed the skill set to succeed in terms of a leadership role in a company had I not been out with [name removed]. I now endeavour to strive to reach my potential with [name removed] as I embark on my graduate programme with them."
- I started to believe in myself and my skills - and that anything was possible if I only tried hard enough. I was one of the few non-Scottish interns and I now feel an even deeper connection to Scotland and a certain responsibility to succeed because someone else did believe in me.
- The entire experience was/and still is the greatest thing I've ever done. It gave me a great sense of independence, confirmed that I was doing the right subject, and gave me such inspiration to do well so I could continue working on projects like I was.
- The confidence knowing that I can succeed allowed me to apply for graduate jobs that I may not have applied for before. It gave me wealth of experiences to talk about during graduate interviews that I believe stood me out from the other graduates as well as having a global employer on my CV. The Saltire Foundation

have since been in touch with great opportunities like workshops with other employers. I have now got a graduate job with Apple, and although it was not from a direct link with Saltire, I do feel the skills I gained during my internship helped me secure the job.

- Undertaking an internship with [name removed] challenged me on a variety of levels, and enabled me to grow personally in ways I had not anticipated. I have grown in confidence as to my abilities and, as I look to the future, I feel that I am now ready to take on a whole new range of challenges.
- It was a unique opportunity that underpins my pro-activeness and desire to grow and develop.
- More independence and a will to succeed, more ambition, a feeling that I can and will start my own business and become successful
- I would never have had the confidence to move away from Scotland and start my career abroad without the Saltire experience.

The last bullet-point raises an interesting challenge for the Saltire Programme, namely whether developing a global perspective amongst undergraduates leads to them being more like to leave Scotland to work abroad on graduation. We return to this issue in our conclusions and recommendations.

#### **4.5.4 Networking.**

- Network of friends and contacts through the other scholars and alumni who have been a big support through my final year and with applying for graduate employment.
- International opportunities and networking capabilities. I also don't believe I would have been able to obtain a medical engineering related placement anywhere else.
- amazing networking opportunities with both the Saltire Foundation and my host company, becoming part of the alumni group and engaging with scholar activities,
- Exposure to a wonderful group of people, from the guys at the company, to the Saltire Foundation people, and also the other scholars.
- Networking with people in industry and also with fellow Saltire scholars and forming relationships which will be beneficial in the future.

#### **4.5.5 High level contacts.**

The final factor is perhaps the most striking as it presents a factor that differentiates Saltire from other forms of internship on which Scholars might participate:

- International work experience and invaluable networking opportunities with high net worth individuals.
- confidence from meeting and working with a range of people at all levels of management, great exposure to all the different departments to get an overview of what everyone else does
- It was also eye opening to enter a world of employees much older than I am, and to see that I can contribute on or even above their level, in areas that they perhaps have not learned about. To be respected by your seniors, when you are still an undergraduate is a very empowering feeling,
- I now have a large network of well-regarded and high achieving business people which has helped with university and in looking for future jobs.
- Working alongside senior business figures was hugely beneficial, enabling me to learn from them and experience business at the top level. I have never heard of any other internship/placement which enables the participant to interact with senior employees at such a high level.
- In my opinion very few internships offer this level of exposure to important work (and in a big company) and so the work felt meaningful.
- The contacts with people not only in my office, but the chance to meet people high up in the company from overseas
- Working for such a high calibre company and getting access to top level management to mentor me. This presented opportunities that I could not have got elsewhere and showed me both the day to day operations of the company alongside seeing the high level strategic decisions being taken.
- I would have never interfaced with employees of significant status and more over, worked alongside them. By gaining this experience it automatically makes you work harder and in the end gain more confidence in my own abilities to succeed.
- High level contacts (CEO etc)
- Whilst I was over there, I built strong relationships with industry leaders and gained some lifelong friendships in the process. It opened my eyes up to the opportunities that are out there, helping me figure out what I want from my career and the steps involved in getting there.
- Working with high level management in an international work environment is not an opportunity open to everyone.

#### **4.5.6 Possible changes suggested by Scholars**

There were two principal suggestions put forward for how the Scholars might be enhanced. The first was that the current placement duration of eight weeks could be extended so that students could gain an extended period in-country. Our interviews with

host-firms suggests that many support longer term internships for other types of intern, so this may be possible should financial resources and logistics permit.

Second, those who were based in remote locations suggested that it would have been good to have more than one student in a given location as this would help to reduce isolation and loneliness. We can appreciate the benefit of this suggestion but can also see that an important part of the Scholar's experience is to work in a different country and cope with the change. Being separated from your friends and countrymen is part of this experience.

The feedback from Scholars can be compared to that from Fellows as presented in the following chapter.

## **5 Fellows' Feedback**

### **5.1 Introduction**

Our aim was to interview all of the Fellows by telephone using a semi-structured Aide Memoir. The Aide Memoir comprised four principal sections:

- An assessment of influence of the Programme on ten independent, leadership competencies that were identified by Scottish Enterprise and the Saltire Foundation, namely
  - Understanding how to build a successful company
  - Sales & Marketing Skills
  - Entrepreneurialism
  - Assessing Business Risk
  - Ability to think strategically
  - Understanding Global Corporate Operations
  - Confidence in the ability to lead others
  - Confidence in the ability to build a successful company
  - Fellows' ability to apply their global business experience to Scottish SMEs
  - Exploiting professional networks to which Fellows gained access
- The goals Fellows' aimed to fulfil through participating on the Programme
- The likelihood of the Fellows acquiring similar benefits through a route other than Saltire
- Benefits Fellows considered were derived by the firms in which they completed their externships.

We set out below both our approach to completing this element of the research and to the findings that we can draw.

### **5.2 Survey**

#### **5.2.1 Population, sample and response rate**

There were a total of 24 Fellows in two cohorts. The first cohort comprised 14 individuals (12 males, two females) while the second comprised 10 (five males and five females). The first cohort participated in the Programme during 2009 while the second cohort's term ran from September 2010 and is due to finish in summer 2011. Interviews with the second cohort were undertaken face to face when the group were in Scotland on a fortnight's training between the completion of their USA externship and the commencement of their externship in Scotland.



All of the second cohort (2010) was interviewed face to face.

Twelve of the 14 Fellows from the first cohort were interviewed, mostly by telephone. The two who were unavailable were either on extensive travels (1) or simply too busy (1).

### **5.3 Analysis of change in competence**

Through our interview process, we encouraged the Fellows to provide an assessment of their competence on a ten point scale (where 1 represents no competence and 10 represents fully competent) at two points in time:

- Just before starting on the programme
- On completion of the Programme (Cohort 1) or 'now<sup>6</sup>' (Cohort 2).

We discuss these findings in two stages. First, we consider a graphical representation of the feedback and the messages it provides on where the Programme appears to be having most effect. Second, we analyse the data on competence change across the two cohorts in more depth.

#### **5.3.1 Graphical representation of competence change**

For ease of interpretation, these are presented below in graphical form - Fig 5.1 presents the average scores for Cohort 1, Fig 5.2 presents the average scores for Cohort 2 and Fig 5.3 presents the scores across both Cohorts.

To interpret the feedback, the profiles shaded in blue (central section) is the 'map' of how Fellows score their competencies at the start of the Programme. The area in yellow represents where they consider their competencies to be on completion of the Programme. The area between the blue and yellow areas indicates the extent of change across the range of ten metrics.

We would note that as Cohort 2 were interviewed part way through their programme, it is possible that their scores for both the Babson experience and Externship A (USA) will be biased in favour of these activities. It is also possible that the rating scores will change once they experience the challenge of undertaking projects with Scottish SMEs.

---

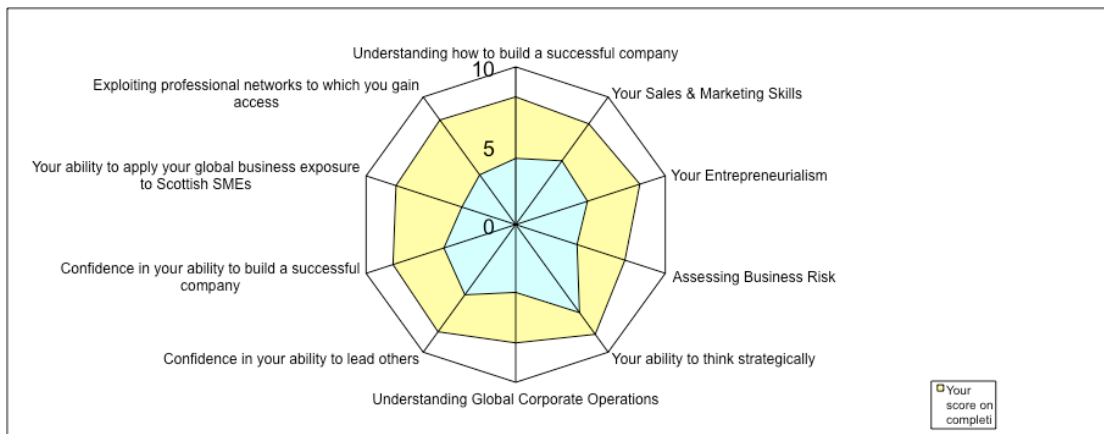
<sup>6</sup> Cohort 2 were about to start their externship placement in Scotland

This timing effect should be borne in mind when reviewing the comparative scores later in the chapter.

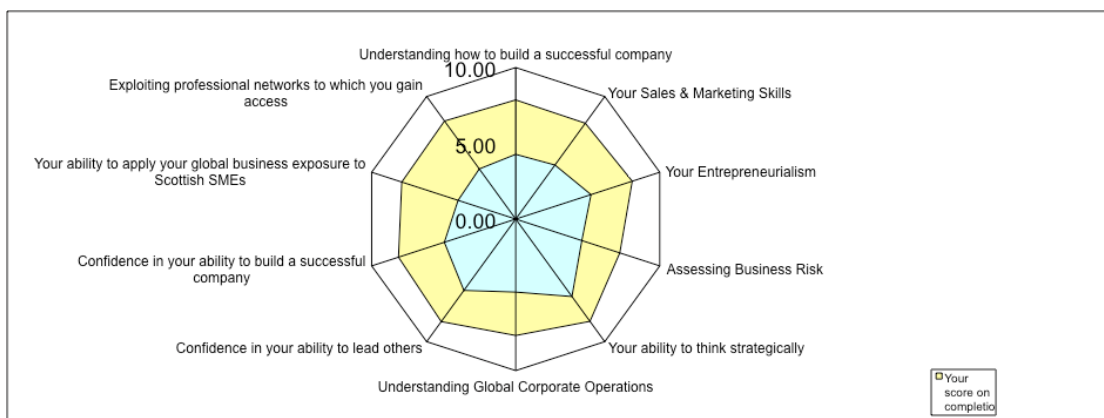
**Figure 5.1 Cohort 1 Average Scores (12 respondents)**



**Figure 5.2 Cohort 2 Average Scores (10 respondents)**



**Figure 5.3 – Full Sample (Cohort 1 + Cohort 2) Average Scores (22 respondents)**



The graphical representation presents some powerful findings across both cohorts:

- All Fellows recorded positive changes in their overall skills and competency levels.
- There is a high degree of consistency of the profiles for each Cohort – this is somewhat counter-intuitive given that Cohort 1 were considered to have more commercial experience than Cohort 2
- The greatest areas of positive change is the learning acquired around ‘global’ aspects of business, Sales and Marketing and to a lesser extent Entrepreneurialism – in the case of the latter, the Fellows considered they were already starting from a good base
- Fellows appear to consider their baseline competencies for Strategic thinking were already strong at the point of starting the Programme – this is probably the single most striking aspect of the graphical representation of the changes in score
- Fellows also felt that they were comparatively good leaders at the start of the Programme.

### 5.3.2 Detailed analysis of the competence change

Table 5.1 below provides the numerical values underpinning each of the average score for the ten radar characteristics along with their corresponding changes. Splitting the feedback by Cohort allows the differences in scores across to two groups to be reviewed and produces some unexpected findings.

The average competence score on starting the Programme is 4.8 while that on completion is 7.9. This implies an average uplift of 3.1 or 65%. While this is not a quantifiable assessment of competence, it does show a consistent level of improvement and that the Programme is having a notable and positive impact on Fellows’ competencies.

It is evident that there is a subtle difference in the profile of scores between Cohort 1 and Cohort 2. Feedback from Cohort 2 suggests that this group considered themselves more competent at the start of the Programme in *Sales & Marketing* and their *Ability to Think Strategically* - this is the cause of the comparatively low ‘change’ scores in these two factors as presented in Table 5.1 above. As mentioned above, this may be influenced by the timing of the survey with Cohort 2.

Table 5.1 – Average Competence Scores and corresponding change across Cohorts 1 & 2

	Your score on completion of the Programme	Your score immediately prior to starting on the Programme	Change Cohorts 1 + 2	Change Cohort 1	Change Cohort 2
Understanding how to build a successful company	7.86	4.27	3.59	3.33	3.9
Sales & Marketing Skills	7.82	4.41	3.41	3.83	2.9
Fellows' Entrepreneurialism	8.09	5.23	2.86	2.33	3.5
Assessing Business Risk	7.23	4.59	2.64	2.17	3.2
Ability to think strategically	8.34	6.32	2.02	2.29	1.7
Understanding global corporate operations	7.68	4.82	2.86	2.58	3.2
Confidence in Fellows' ability to lead other	8.36	5.82	2.55	2.25	2.9
Confidence in Fellows' ability to build a successful company	8.14	4.95	3.18	3.00	3.4
Fellows' ability to apply global business experience to Scottish SMEs	7.91	4.00	3.91	3.50	4.4
Exploiting professional networks to which Fellows gained access	8.00	4.09	3.91	3.58	4.3

#### 5.4 Fellows' Goals

There were a broad range of objectives they aimed to achieve through participating on the Programme that were put forward by Fellows. These are summarised below:

- Practical commercial understanding and skills
- Confidence to know how to grow a business
- Access Global Networks
- Know how to run their own successful business
- Access Scottish networks
- Gain sales and marketing skills
- Gain more polish to practical skills learned through their career

- Achieve a change in career direction.

## **5.5 Fellows – Alternative options to Saltire Programme**

Saltire Fellows were asked about alternative options to the Saltire Programme and the extent to which these had been considered. The responses group into three sets as follows:

- Those who identified alternatives and who had actively considered them (circa 30%)
- Those who identified alternatives but had not actively considered them (circa 60%)
- Those who were unable to identify any alternatives to the Fellows Programme (circa 10%).

In terms of the first group, in all cases the alternatives had been MBA or other academic-based programmes. In most instances these were Scotland-based although four fellows had scoped out overseas options – including INSEAD and Harvard.

Two primary reasons were provided for not selecting this alternative route. One of these was cost, as the alternative involved significant financial investment which was taken care of as part of the Saltire programme. (The relative pros and cons of this are considered elsewhere in the report). The other was that the alternatives – particularly the Scottish-based MBA programmes – were too theoretical and lacked the strong practical business dimension of the Fellowship Programme – provided through both the Babson model and via the two externships<sup>7</sup>.

For the second group (those who had not pursued identified alternatives), although they considered the available MBA programmes as alternatives to the Fellowship programme, they had not given them any serious consideration. Primarily this was due to a perception that they had little interest in pursuing a ‘standard academic offer’ and that the Fellows programme offered them much more than this.

---

<sup>7</sup> One participant undertook the programme at a point where a number of colleagues embarked upon MBAs in Scotland and he compared their consequent career development in the interview. (His was considerably more advanced!)

For the third group, although aware of MBA and other leadership programmes they did not classify them as genuine alternatives to the Saltire Fellows Programme. Consequently, they considered the latter as a unique opportunity.

## **5.6 Anticipated Roles on completion**

Fellows from both Cohorts put forward similar anticipated roles:

- Top flight job in a Scottish SME (salary £80K+ - this view was particularly prevalent amongst Cohort 1)
- Be a successful leader of a start-up
- Be engaged to build an SME into a globally successful company
- Understand how to build SMEs through acquisitions
- No clear role.

We would note that for Cohort 1 in particular, there was a common view at the outset that they were being trained to be an elite group within the Scottish Commercial sector. This view was strengthened by feedback given to them at the early stage induction to the Programme where they recalled being told that ‘recruiters and head-hunters would be queuing up to place them’. This raised a big expectation amongst the group of the profile of the positions they would be likely to gain on completion. Those on Cohort 2 did not appear to share this perspective.

Almost all of the Fellows joined the programme expecting the experience to have a significant impact upon their careers. However, a number of factors influenced the shape of their expectations. Key amongst these were:

- Their personality and attitude to risk
- Their previous experience and career point
- The type of company they were with and their industrial sector.

Some participants came in with a completely open mind. For these Fellows, the programme was viewed as a catalyst in their career with unforeseen outcomes. At the outset they knew they wanted a major shift but were unclear what this would consist of. In the words of one 2009 Fellow:

“ At the start I really had no preconceptions. I went in open minded, but I knew that the outcome would be some kind of step change.”

These people represent a small but notable minority in the two cohorts to date. A larger group consists of those who were looking to make an impact by finding a key post within a dynamic high growth small business. Within this group we can see two sub-sets, the first of which is those participants from corporate backgrounds who wanted a career change and viewed Saltire as a means to help achieve this. The second consists of Fellows whose prior background was with smaller firms but who hoped to boost their career within the sector through programme participation.

The third discernable group are those who envisaged that they would return to a similar role within the same or a comparable organisation, but in a more senior position. In terms of just how much advancement they expected to gain, one respondent explained that he expected to return to his original company but “as a Project Manager – about two steps up from where I was at the start.”

In addition to their specific career expectations, some Fellows identified attitudinal changes and enhanced competences that they had hoped to affect through programme participation. The core recurrent themes included increased confidence levels, improved networking skills and stronger sales and marketing expertise – all considered in the preceding section.

### **5.7 2009 – Roles achieved**

All of the 2009 Fellows (Cohort 1) reported back on their achieved roles. While most conveyed satisfaction with the roles that they had actually secured at the point of interview, there was a consistently expressed view that the Programme concluded on a low note. As mentioned above, their expectation was that they would be in high demand by firms, that their skills would be recognised and valued and that the Fellows Programme would be strongly promoted and consequently widely appreciated.

Separate feedback from Cohort 1 Fellows also suggests that their early induction into the programme (post-selection) emphasised their high profile and that of the Fellows programme. This seems to have raised an expectation on their part that there would be considerably more interest in them when they graduated and that Scottish Enterprise/Saltire Foundation would actively promote their success.

Their feedback suggests that they struggled to reintegrate on their return. We feel that this is an important element of feedback as the Fellows’ Programme aims to ‘reposition’ capable executive-grade personnel – the networks of which they were a part on starting the Programme may be quite different to those which they *need to be part of* on

completion. This points to the proactive role that the Saltire Foundation can play to facilitate the 'reintroduction' of Fellows on their return to Scotland and on completion of the Programme.

A core group of Fellows have proceeded into key senior positions within high growth small companies. In a number of cases, 2009 Fellows have acquired these positions within companies with which they undertook their externship B placement. They include one Fellow who was instrumental in securing a significant overseas investment in one of Scotland's most dynamic green energy manufacturers. This was after his externship contribution had significantly altered the company's business plan and, as a consequence, its core business model. Another Fellow was influential in attracting an inward investment to Scotland. A third oversaw a significant refinement of the Sales and marketing processes of one of Scotland's fastest growing SMEs.

A strong factor in the post-programme progression has been the impact of network access established through involvement in the Saltire Programme. One consultee, who had found her position as a result of such networks, observed that all of the Fellows in new jobs had acquired these through contacts derived from the programme.

The 2009 group also included Fellows from a large corporate background who have continued to work in that sector, in some cases with the same company. In that one instance the Fellow has advanced to a high senior position, based overseas and leading a joint venture in the oil and gas sector. In this, and each/most of the other cases from the 2009 cohort, Fellows ascribe a significant proportion of their accelerated career path to the benefits derived from programme participation.

## **5.8 Overall benefits derived**

The overall benefits identified by Saltire Fellows can be categorised into those which were attitudinal and those which related to the techniques of business.

Several attitudinal benefits recurred often. The first of these was improved confidence levels, which was a salient characteristic of most Fellows' feedback. A number of respondents went further around this theme by explaining that this growth in confidence arose from factors which included:

- having a better understanding of their own strengths and weaknesses – and knowing how to address the latter (this was especially apparent amongst Cohort 2 (2010)); and



- comfort with their own management style – through exposure to others’
- knowing how to sell and understanding how to undertake marketing effectively.

Another attitudinal benefit – again already discussed above – was a heightened global awareness. A third commonly identified benefit was the enhanced entrepreneurial behaviour. Cohort 2 (2010) constantly referred to the importance of understanding the “entrepreneurial ecosystem”. This was attributed to many aspects of the programme, as we discuss further below.

Fellows also identified a number of benefits which were specifically business-related. One of these was a fundamental shift in their understanding of what sales and marketing comprised, which was noted as a strong feature of the overall programme, particularly the Babson input, as we discuss elsewhere. A number of participants with science backgrounds described this aspect of the programme as being revelatory, providing them with a much better understanding of the role and value of sales and marketing within business. In these instances, Fellows exhibited substantial shifts in their ‘radar’ scores.

A related benefit was the ability to communicate more effectively with customers through greater clarity of the sales and marketing function but also from a deeper understanding of the customer-oriented business model. One of the 2009 Fellows observed that although he had originally identified customer communication as a key strength, his entire perspective of this had been transformed by his participation in the programme. Another captured the shift in understanding by explaining that he was technically trained but always struggled with sales. The breakthrough at Babson was they encouraged him to see his role as being a consultant to the customer to help them make the right purchase, rather than being the salesman of a product which the customer may not want. This underpinned a constant message at Babson that Sales and marketing is about identifying the customers needs/wants and offering the product or service that best meets these. Many Fellows noted the tendency for Scotland’s start-ups to develop clever technology offerings first and then look for a buyer subsequently.

Also linked to the shift in understanding Sales and Marketing was the recognition of the value of testing early your assumptions on the customer’s needs. This way you avoid unnecessary effort in mis-designing a product or service.

The final important benefit cited was access to networks – and an understanding of how to use them. For three participants, who confessed that networking was not their strongest suits, the inclusion of very practical exercises at Babson had been hugely

significant. This had covered exposure to and an opportunity to practice techniques like breaking into an ongoing conversation and terminating an exchange in order to move onto speaking with others.

## **5.9 Benefits unique to Saltire**

There is a strong message that many of the benefits derived by participants were seen as being unique to the Saltire Programme. The aspects of the programme which respondents identified as shaping these are as follows:

- The intensity of the experience, particularly the front end period in the United States where a strong group dynamic was created
- Linked to this point, the fact that participants were pushed from their *comfort zones* and required to perform at a high level outside their normal environment. (Those who compared this to MBA programmes noted this as a distinctive benefit compared to the alternative)
- Exposure to an *entrepreneurial eco-system* (in the US) which included exposure to experienced successful business people, **un**successful business people, investors, venture capitalists and other important business players
- An experiential learning model – no exams and a focus on learning by doing
- Externships at high level – which together with the overall package provided optimum access to a network of potential supporters and colleagues
- Access to a Scottish network of entrepreneurs that is being enhanced through the activities of the Foundation.

## **5.10 Suggested programme changes and benefits that would be derived**

Respondents identified a number of suggested changes designed to improve the future Fellows programme.

One was to extend the global dimension of the programme beyond the United States. Several Fellows observed that despite this being a positive experience, a truly global programme in 2011 should look further afield. In particular it should take account of the growing importance of Asia and should also provide exposure to business cultures in non-Anglophone countries. This suggests that the proposals from Babson to include short Learning Journeys in emerging markets would fit well with Fellows' observations.

Another suggestion was to augment the sales and marketing component of the programme. Although we have seen that this was identified as an area producing strong

benefits, a number of participants would like to see even more time devoted to this element of the Programme. This was partly derived from a belief that this remains a key area of weakness amongst many Scottish businesses.

A third improvement suggestion related to the design and allocation of the Externship projects. A small number of Fellows from both Cohorts felt that the Scottish-based projects could have been improved by involving them more at the design stage – rather than the projects being presented as finished articles for selection. This would have allowed Fellows to contribute to the design stage and would also have given them a better understanding of the projects and the culture of the firms. They also felt that this would have improved the matching process between Fellows and projects, which they felt had been rather ad hoc. Based on feedback from firms (Chapter 6) this may also address issues with firms' lack of understanding of what Fellows can offer. In terms of sequencing, there was a suggestion that a short initial placement with the Scottish company, jointly working up the project prior to Babson, might be universally beneficial. This also complements feedback from Babson indicating that joint teaching/firms-based project work could be beneficial.

Finally, several Fellows suggested that there is scope to improve the marketing of the programme. In particular, it was felt that the current message does not do enough to differentiate the model from other leadership and MBA programmes. The view was that this is a unique opportunity but is not currently marketed to prospective participants as such.

## **5.11 Benefits derived by Externship firms**

### **5.11.1 In USA**

From the Fellows' perspective it is not always easy to identify immediate short term benefits from a three month externship, although in some cases it has been suggested that in the longer term there may be tangible outcomes from some of the work undertaken. Several Fellows noted that in receiving three months free consultancy input the US businesses had already made savings to their HR bill. In terms of projects, few/none of the Fellows was able to identify concrete benefits derived from their project-based activity. However, some of the projects which might yield results in the longer term included:

- Co-ordination and development of a business plan for the establishment of a cell-therapy plant in Latin America which is now being used as the basis for investment raising by the company
- Feasibility study into the purchase of two biomass companies
- A market entry strategy for a major blue chip energy company
- Opening an office in Scotland serving a firm's EMEA markets.

A full analysis of the economic impact to participating firms is contained in Chapter 7.

### **5.11.2 In Scotland**

Examination of the Externship B placements faces the same issues around the limited duration of the working relationship and the fact that not all of the benefits will immediately be apparent. Amongst the projects conducted by Fellows were assignments relating to market appraisal, business planning and the development of sales and marketing strategies. In some cases these were conducted for companies at very early stages of development, so assessing impact is challenging, as we discuss further below. However, feedback from Fellows indicates that some of this initial activity was beneficial to host companies around, for example, clarifying markets, refining the business strategy and avoiding otherwise costly and time-consuming errors down the line.

In addition to these there are some quite specific benefits which were derived from the Fellows' Externship placement. These have included:

- A market assessment exercise for a company's In Vitro Development (IVD) products which, through the Fellow's direct input, expanded beyond Brazil into China and India and which has led to a contract deal in China
- Writing a business plan which shifted the host company's business from the manufacturing to the supply of wind turbines – instrumental in securing significant investment and growing the business to 16 employees, but the business is still pre-revenue and, although asked, did not provide future projections
- Working with the firm to provide detailed technical input to their product, gain introductions to key customers in the USA (using the Fellow's networks) and developing a Sales & Marketing strategy for the USA – the Fellow was clear that he could not have successfully undertaken this without his learning from the Saltire Foundation.

## **5.12 Would Fellows Recommend Saltire**

All of the Fellows would strongly recommend participation in the programme to their peers. In terms of the key benefits which they feel future candidates will gain the following were frequently raised:

- Increased levels of self-confidence
- Ability to shape an opportunity
- Access to unique networks
- Immersion in the Babson experience – out of your comfort zone
- Career acceleration.

The following chapter presents the feedback from firms.

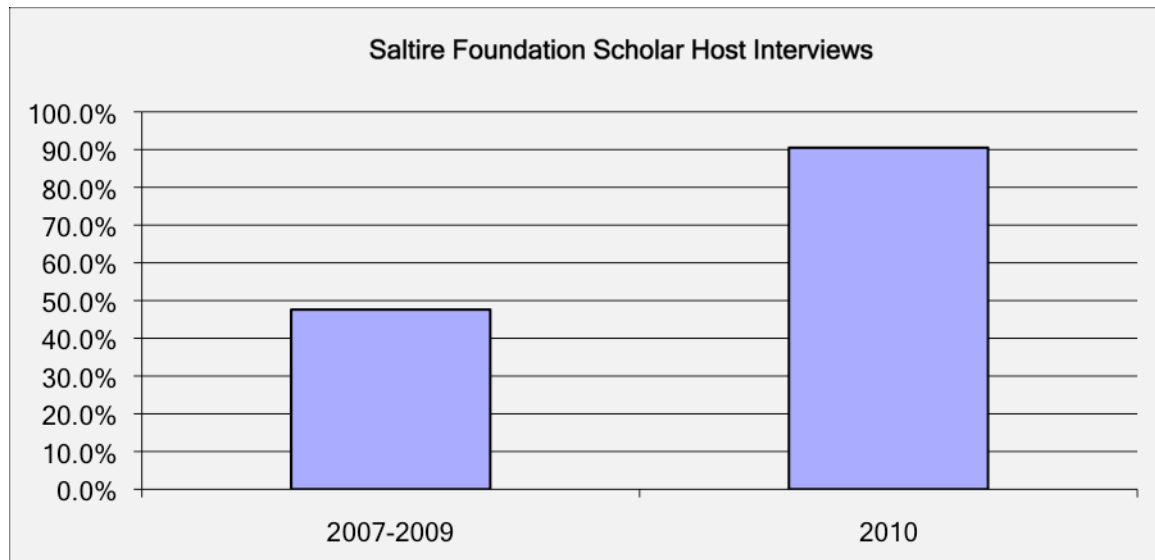
## 6 Firms' Feedback

### 6.1 Scholar Hosts

A total of 28 firms were identified as having supported Scholars' internships. The actual number of firms was slightly higher, but the 28 represent those firms where the management contact had been actively involved in overseeing Scholars' projects.

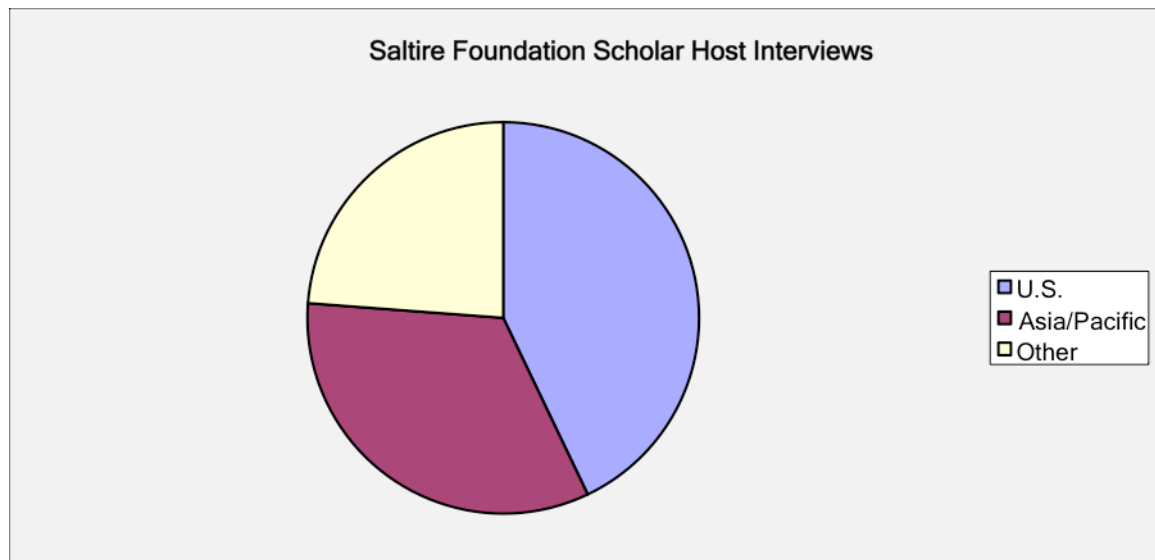
A total of 21 interviews were conducted (75% of population) giving a confidence interval of 10.89 at 95% Confidence Level. We feel that this is a robust sample.

The data in Figure 6.1 indicates that the interviewees had hosted interns from 2007 through to 2010, but with the bulk of those being supported this year. Note that there were 10 firms in the 2007-2009 group and 19 firms in the 2010 group.



Two of the 21 companies also supported Fellows. Eight of the interviews (38%) were GlobalScots.

There was relatively comprehensive geographic coverage of the territories covered by the Scholars Programme (Figure 6.2) with 43% being based in the USA, a third being based in Asia and just under a quarter being elsewhere.



Six of the firms started their intern programmes since 2007 indicating that Saltire may have been the catalyst for the firm to take interns. Four firms support clear international programmes and three indicated that their typical internship placements lasted between six months and a year.

Fourteen firms have an established and structured programme in place to support interns. These programmes tend to be tailored to the needs of the longer term placements.

Eighteen of the contacts noted that they had heard of the Programme through a GlobalScot or the GlobalScot network.

All of the respondents were clear of the structure and operation of the Programme. One of them noted that there was some clarification needed on costs structures.

#### **6.1.1 How did the undergraduates compare to others**

Our interviews aimed to get feedback from firms on the comparative quality of the Saltire interns. The feedback was very positive and, reassuringly, supported the Scholars' feedback on their experience of the firms in which they were placed. We set out below a range of typical responses – these are not verbatim quotes, but should be viewed as accurate descriptions of employers' feedback:

- Excellent and the Scholar excelled in their role - They are important ambassadors for Scotland and present Scotland in a good light.
- Both were excellent in terms of attitude and learning
- No others to compare.
  - He got his head down - young keen and competent

- They were 'fantastic' and the Geneva office were delighted. They interviewed five and would have been happy with any of them. Have since recruited one of the five.
- No direct comparison - but they were very good. If they are typical of young Scots, then Scotland has a bright future
- Saltire Foundation interns were less specialised but were high quality
- We got a good match for our needs. Compared to other local interns, Saltire Scholars were much better. All the firm's contacts were positive. There is a sense of entitlement by local interns - as if they are entitled to internships but Scholars were more enthusiastic and intelligent and saw the internship as a big deal. They were realised the opportunity to work hard, learn and were more humble
- Eager, harder working, more engaged in comparison with local US students
- All six candidates were strong – we chose two. Impressed with both who compared very strongly against US and global interns.
- More rounded and mature than the US students. As good as the interns from the best US universities. See them as a source of talent to complete projects
- Was good from the start but even better now that Saltire Foundation understand our 4x2 week system. Impressed by their maturity and education. Our firm has employed three of them, not because they use the interns as a fishing net, but because interns have chosen to apply for vacancies. The Scholars are internationally minded but get engaged in the local culture too.
- Saltire Foundation interns are the most desirable. The Saltire Foundation selection worked well - they are the best we have had
- Well behaved, grownup, independent, took guidance well. Only took a week to get going, had useful knowledge (some interns do not). Also has an Indian intern who is a bit further along - going for his Masters
- Good maturity and commitment - a bit homesick, hard working, threw themselves into it. He also gets interns from Lausanne (hotel school) and the Saltire Foundation ones were just as good and were popular.

Overall it is clear that the feedback is very positive and that the Saltire Scholars impress their hosts noticeably. They also compare very favourably with interns from other global locations (not just the USA).

#### **6.1.2 Surprises**

- Everything is free - firms might be encouraged to pay a bit more
- Scholars' competence - how quickly they caught on



- Saltire Foundation arranged the accommodation - she was sharing with a man
- Level of maturity and critical thinking skills (4)
- How excited they are about working for an insurance company - most US interns don't find insurance exciting. A sign of good selling by Saltire Foundation
- One intern stood out. He got involved in local sports in China and got a lot out of the local contacts
- Our local office was a bit suspicious. The project was to look at process costs and the local office wondered if they were going to be losing jobs to a lower-cost location
- the enthusiasm of the interns had a very positive rub-off effect on the employees that they worked with.

There were two areas for development identified, namely:

- Intern was not quite sure what she was coming for.
- Interns did not really understand how a global company worked.

#### **6.1.3 Cultural differences**

- Chinese way of working can be a surprise - eg sleeping during work breaks. The China interns had problems getting about outside the office - they really needed a Chinese-speaking contact in the [name removed] office to phone to ask for local help
- Language - interesting to see some of the interns having to adapt their accents for the un-tuned American ear
- German working environment has less interaction between employees outside of work, and it was a lesson to our German employees that integration of new work colleagues requires interaction beyond the immediate workplace.

#### **6.1.4 Benefits to firms**

Eleven firms indicated that they derived tangible benefits through the Scholars' projects

Four firms cited a cost saving benefit of having to engage someone else to complete the project activity. This reinforces the view that Saltire Scholars are working on projects that are commercially relevant to the business.

A further two firms noted that the Scholars' projects would lead to a future enhancement of their activity and would therefore have a financial contribution. They could not make an attribution of the potential scale of the benefit at this time.

#### **6.1.5 Overall view of the Programme**

Generally, firms considered the programme to be very good.

There were two suggestions that it could be promoted better, both within Scotland (to universities and potential participants) and to the GlobalScot network

Three GlobalScots suggested that they would be willing to support more placements.

## **6.2 Fellows Externship A (USA)**

Three host firms were interviewed (separately from Trustees who were also interviewed and representing Fellows hosts).

#### **6.2.1 Understanding of the Programme**

Generally, those consulted had a good understanding of the purpose, focus and structure of the Fellows' Programme.

#### **6.2.2 Previous experience of Executive externships**

Firms generally did not have other executive development programs of this kind operating within the business. Thus, the Saltire Programme was the first opportunity for them to engage in an Executive Development programme that engaged external placements. This is not to say that they don't have experienced staff members working on research projects similar to those of the Foundation - Firms have 'internal' staff undertaking MBA programmes that include in-house project activity. The critical difference for Saltire is that it allows to firm to get highly qualified and highly motivated staff who are not immersed in the firm's culture and therefore are likely to have objectivity.

#### **6.2.3 The Fellows Projects**

Firms noted that Fellows and businesses must each get something out of the projects if they are to be successful. This supports the view expressed in our Consultation feedback (Chapter 3) that projects that were meaningful for the businesses appeared to be more

successful. It is clear from those whom we consulted that the Externship A projects were of high importance for them in a commercial sense.

In one case, the firm opened an office in Scotland. This decision was significantly influenced by the Fellows' project but was not wholly attributed to their work. The project identified that the firm would gain access to a volume and quality of skilled staff in Scotland that they could not find easily elsewhere, especially in the USA. This was a key attractant.

The match of Fellows' competencies to the project specification generated discussion as there were mixed views on the benefit to firms of having Fellows work in areas of which they had little or no previous commercial experience. Consultees did not have a clear view on the best approach - in one firm, the first pair of Fellows had strong engineering backgrounds which helped them liaise with technical staff. The second pair of Fellows were also working on a technically detailed project but had no engineering experience. In this case, the output from the project appears to have been extremely influential. It provided a clear and strategic direction to the business on how to enter the potentially new and lucrative market. The firm had been looking at this area for some time and the GlobalScot did not anticipate that the Fellows would deliver the quality of output that was produced. He noted that they took a very different approach to analysing and solving the problem than the firm would have done and that this may have given them the different perspective that was required. The pair presented their findings to senior executive staff, executives in other parts of the company, a new director that was appointed as the project was completed, and subsequently (when they returned to be UK) by teleconference to a separate executive team.

#### **6.2.4 The relevance/importance of the project to the business**

One firm was looking for a base to serve new geographic markets in the Middle East and on conclusion of their Global search, chose Glasgow. This new start-up currently employs five people and is moving from their incubation space to a larger, more appropriate office in Glasgow city. It is anticipated that this business will grow consistently. The firm's target is 20% per annum.

Both of this firms projects were of strategic importance to the firm. The first considered the location of a new European office and this has resulted in a facility being opened in Scotland. The second considered the process for launching new products. The latter is likely to have medium term revenue implications for the firm.

Other project examples cited above show that project findings can be disseminated far beyond the scope of the Fellows' direct line report.

#### **6.2.5 General satisfaction**

The firms were very satisfied with both groups.

Firms commented on the notable differences between the first and second cohorts. Specifically, the first cohort appears to have comprised individuals with stronger technical CVs and more commercial experience. However, the lack of these characteristics in the second cohort does not appear to have undermined the quality of their output and the stronger interpersonal links between team members seems to have been preferred by firms.

One felt that the second pair of Fellows exhibited a little more camaraderie and that they blended into their teams more effectively on placement. The whole team environment was considered to work more effectively with the second group.

It was suggested that projects are more likely to be successful if boundaries are set for the scope of the Fellows' work. One consultee noted that they gave the first cohort effect of "Carte Blanche" and that they went too far off course. In terms of our review, we feel that this is likely to reflect both the enthusiasm of the Fellows and the desire by host company staff for the project go well. This is typically true where the Fellows' manager is subordinate to a more senior GlobalScot - they want to make sure it project goes well both for Fellows and for the firm.

#### **6.2.6 Observations and Suggestions for change**

It is recognised that the programme was designed to shift Fellows "180° from their comfort zone". This is being achieved through placing people on projects of which they have little previous experience either technically or commercially. One consultee suggested that it may be that Fellows might derive more benefit through being shifted "90°" as opposed to the present "180°" as this would be less disruptive but would still stretch them as individuals.

The same consultee suggested that good leadership does not necessarily come from those who were most vocal or who have the highest personal profile/presence. Equally and from their experience of working with Fellows, those who feel they are good

entrepreneurs are often not as strong as those who have more self-doubt about their abilities.

### 6.3 Fellows Externship B (Scotland)

The data provided the names of 15 firms that have engaged Fellows in Scotland:

- eight firms that have engaged Fellows only
- four firms that have engaged Fellows and subsequently recruited them
- three firms who have not been involved in the Programme but who have recruited Fellows on completion.

One of the firms has since been taken over and the contact has left the organisation while a contact has left a second firm too. Of the remaining 13, ten were interviewed (one of whom was not engaged on the Programme). There have been a number of cancellations and two further interviews are set for next week. Four contacts are proving to be unobtainable but are being pursued.

#### 6.3.1 How they first heard

Generally, the mode of contact with the firms was through their SE Account Manager. However, two of the firms were aware both of the programme and of Fellows participating on it – they were very keen to engage a Fellow on one of their projects.

#### 6.3.2 Importance of project (before engagement, now)

Projects were generally important for the firm. We asked whether the importance of the project had changed as a result of the output – i.e. had the findings indicated or addressed issues that were of greater priority than the firms had anticipated when drafting the specification. In the event, this was not the case – the priority did not change.

Table 6.1 Firms Rating of the Saltire Project's Importance				
Of no importance	Low importance	Average importance	High importance	Very high importance
		2	3	

The topic areas being addressed by the projects had typically been recognised as being an issue for the firm for between a year (four firms) and 18 months (one firm).

### **6.3.3 Objectives**

There was a clear theme running through all five projects of a requirement for a market/commercial assessment. This need was typically beyond a standard market report, rather a desire to understand the firm's offer (and in one case, their business model) and identify how they could best position their offer with their customers.

In three cases, the firms were early stage technology start-ups and the assessment represented an appraisal of their fundamental *raison-d'être*. It is evident that there is a strong 'technology push' approach being adopted by these firms – they have overseen a technical development that they feel is unique and are looking to see how they can generate a commercial return on their breakthrough. It is striking that this approach is at odds with what the Fellows note is one of their key learning points from Babson – namely, spend most of your effort understanding the customer need and shape your offer to meet this need.

### **6.3.4 Key Fellows' characteristics (before, now)**

The Firms identified the key characteristics that they sought in Fellows. These included:

- Strong people/interpersonal skills – 4
- Strong intellect -3
- Strong commercial skills – 3
- Strong and deep technical understanding of their product – 2
- Understanding Risk – 1
- Entrepreneurial Attitude – 1
- Good at data analysis – 1.

The comment on 'strong intellect' complemented feedback that noted the requirement to get up to speed very quickly, assimilate the firms activities and have a strong grasp of concepts (which one firm described as having 'a high clock rate').

### **6.3.5 Null hypothesis & Alternative route to impacts**

All of the firms indicated that the project would have taken longer to complete had they not engaged in the Saltire programme. The 'delay' ranged from six months to two years. Three firms indicated that they would have attempted to use existing staff to complete the project but given their very small size and relatively apparent lack of commercial knowledge, we feel these timings are very optimistic.

One firm was clear that the Fellow brought a unique perspective to the firm that they simply did not have in-house and would have found difficult if not impossible to acquire externally (in Scotland). If they had failed to get the Fellows' input, they would have missed critical issues with their product's design, it would have been likely to fail on customer test and that this would have been catastrophic for the business.

Generally the feedback indicated distinct areas where firms derived benefits. Where firms were less positive about the value of Fellows (i.e. where they did not derive the benefits they anticipated), this tended to be caused by a lack of clarity on the firms' parts as to the value of Fellows, their skills and the areas where they can add most value to firms. This points to the importance of both selecting to right firms to participate and briefing them on how best to extract the benefit from the Fellows that are allocated to them.

#### **6.3.6 Openness to external personnel**

Three of the firms would have attempted to use in-house resources but, as we mentioned above, these were stretched and of limited capability in the areas required to compete the project effectively. We consider that they would have been unlikely to gain the same type of input if they had followed an in-house route.

#### **6.3.7 Benefits derived**

There was a full spectrum of benefits derived by firms, ranging from none to significant strategic realignment.

For two of the firms, the market assessments did not appear to hit the mark. In one case, this was due in part to a lack of clarity, on the firm's part, in terms of the market it was targeting and the nature of its offer. The firm felt the Fellow could have been more engaged – they were relatively remote from the business. This 'remoteness' was echoed by the second firm too – here the Fellow had relatively little contact with the firm and undertook the bulk of the research exercise away from the premises. This was felt to reduce their understanding of the firm, its products and the unique buying processes of their customers.

For two firms, the benefits were notable. In one case, the Fellow's input helped the firm to take forward a product idea and launch it in the market. The Fellow had significant input to the product specification and its channel to market. In the second case, the Fellow influenced the firm's acquisition process, accelerated the acquisition programme

*but* identified that targets were over-valued. The firm did not make a purchase that it would otherwise have likely made. This was deemed to have been beneficial for the firm

For the final firm, the Fellow made a very significant input. This firm was taking forward a technology product, but was unclear of the optimum channel to market both in Europe and USA. The Fellow:

- identified improvements that could be made to the product's design
- devised a promotional strategy that ensured that the firm engaged the appropriate buyers (it was a B2B sale)
- analysed and devised a sales and marketing strategy for the USA
- used his networks to gain access to a key US based customer (the firm was clear that this was fully additional)
- accompanied the firm on sales visits and advised on the contents of the sales 'pitch'
- influenced the firm's attraction of venture finance (and potentially further rounds in the future)

It was notable that the firms in which the Fellow made a positive benefit were those who described the Fellow as having been actively engaged with the management team. In the first two cases above, firms tended to describe the Fellows' inputs as being more akin to an arms length consultancy assignment.

### **6.3.8 Quantitative metrics**

There was a full spectrum of benefits cited by firms, ranging from none to distinctive commercial success.

- No benefit to date or anticipated – two firms
- Modest benefit to date, more significant future benefits anticipated – two firms
- Significant benefit to date, these benefits lasting for the future – one firm.

In addition to the firms cited above, we also interviewed a firm that was not engaged in the Programme but that recruited a Fellow. They cited significant financial benefits to the Fellow's input to date that would continue in the future.

Detailed analysis of the quantitative impacts are presented in Chapter 7.



We would note that the assisted firms tended to be small, early stage technology businesses. One has still to launch commercially. The small scale of these businesses is likely to limit the short to medium term economic impact and make longer term impacts harder to estimate (as the firms do not have an established trading record). This suggests that the targeting of firms may be an issue and we return to this issue later in the report.

#### **6.3.9 Influence of Fellows benefits within firm**

As was implied from discussion on benefits above, the fellows' influence tended to be greatest when they integrated with the management team. This observation supports a separate comment by one of the Externship A Host firms (in the USA) that the two cohorts of Fellows operated in quite different ways, with Cohort 2 integrating better. His view was that this produced a better all-round result.

These findings suggest that the Fellows will have most success when they 'integrate' themselves within the firms' teams and use these positions to understand the subtler aspects of the firms' offers and how they meets the needs of their customers.

This may point to an opportunity for the Saltire Foundation to encourage Fellows to engage actively with their Externship B projects and to be more 'engaged'.

#### **6.3.10 Recommend Saltire**

All of those interviewed would recommend the Programme and support its aims. The key benefits they felt would be derived include:

- Extended interview opportunity with an extremely talented cohort of individuals
- Superb resource that can bring new ideas to your business providing you know how to engage them properly
- Very well educated staff to introduce new knowledge and ideas for the business
- Access to new (international) networks
- Highest class of technically competent people who also have commercial knowledge.

**6.3.11 Other comments**

There are opposing suggestions of what Saltire Fellows have to offer firms ranging from:

- (where it worked well) firms who feel that there is a lack of understanding by firms of what Fellows have to offer - several firms suggested that Saltire Foundation should have sold these people as 'gold stars' who have unique skills and insights that can be mined so as to fast track the growth of their businesses
- (where it didn't work well) firms who felt that the Fellows were over-sold as being super-effective executives who could bring real change to an organisation but who were less distinctive in reality - but they were still valuable resources.

The reality is that the Fellows can probably be both - which depends on how they engage with their projects and placements.

The next Chapter presents our findings on Economic Impact

## **7 Economic Impact**

### **7.1 Introduction**

The assessment of impact of the Saltire Programme is comparatively complex as:

- The Programme comprises two activities targeted at very different groups, undergraduates and experienced commercial executives – for impact purposes, we have focused on the Fellows’ projects as the undergraduates are working outside Scotland and, for both Fellows and Scholars, only the performance improvement of firms based in Scotland can be included in our economic impact calculations – if Scholars’/Fellows’ projects lead to a performance improvement of firms in the USA or Asia or elsewhere, this can be noted but cannot be included in the assessment of GVA
- Both Fellows’ and Scholars’ programmes are designed to lead to a long term positive change in the leadership competence of indigenous Scottish firms – it was recognised when the Scottish Enterprise approval paper was prepared that this was a long term initiative and that sustained effort would be required over a relatively long period before the likely ‘return’ would be evident. This evaluation is being completed approximately one year after the first cohort of Scholars have completed their programme and part way through the second cohort’s programme. It is therefore comparatively early to be undertaking an assessment of impact
- Finally, at this point in time, the assessment of impact can only be based on: the Fellows’ projects with Scotland based firms; the benefit firms derive when Fellows join a firm on completion of the Programme; the impact associated with new ventures established by firms on completion of the Programme.

Given the current cohort of Fellows had yet to start their placements with Scotland-based firms, the impact assessment could only be based on the activity of the first Fellows’ cohort (that comprised 14 Fellows). That said, it can be seen below that the influence of the Fellows has been notable.

## 7.2 Population & Sample

Details of our population and sample are set out in Table 7.1 below.

Table 7.1 – Population & Sample			
Firm Type	Population	Sample	Reason for non-participation
Fellows hosted but not employed by firm	8	5	Unavailable – 2 Contact left firm – 1
Fellows hosted and employed by firm	4	3	Unavailable – 1
Firm not a host but employed Fellow on completion	3	1	Unavailable – 1 Could not make contact with firm – 1
Firm established by Fellow	1	1	-
<b>Total</b>	<b>16</b>	<b>10</b>	

Thus the total population was 16 of which ten were interviewed.

## 7.3 Additionality flowing from SE support

There is a set of ‘additionality adjustments’ that must be applied to the impact figures given by firms using SE’s preferred question set. The analysis is set out in a separate workbook that has been supplied to SE.

A five year timeframe was used to estimate the potential future impact – this can be extrapolated to cover future years if required. The data presented is therefore a combination of benefits to date and future projections. Some of the firms that were included in the sample were comparatively small and had a ‘technology’ or defensible IP that formed a core aspect of their business proposition. The life cycle of these firms’ products tends to be short – typically less than 24 months. Consequently, when asked to estimate the sustainability of sales, firms tended to be relatively confident in projecting forwards up to three years, but were less certain for years four and five. They did not provide projections beyond the 5 year timeframe. This is not to say that these firms will not derive benefits in the medium to longer terms as a result of the SE support. Rather, firms indicated that the current products will provide a platform from which it can build new products/services in the future.

### 7.3.1 Deadweight

Deadweight refers to the level of targeted outputs/ outcomes that would have occurred if firms had not benefitted from the Saltire Programme’s input. The level of deadweight was derived from interviews with each of the firms citing a benefit.

Deadweight is generally low as the Fellows were working on projects that were important for the firms and where they either did not have the skills or the resources in-house to complete them effectively.

### **7.3.2 Displacement**

Displacement relates to the number or proportion of project outputs, which might be accounted for by reduced outputs elsewhere in the target area, in this context Scotland.

Displacement can take two forms, *product market displacement* and *factor market displacement*. Product market displacement is where supported firms take market share from their local competitors (in this case Scottish competitors), while factor market displacement is where they take land (buildings), labour (employees) or capital from other local (Scottish) competitors. For the Saltire Programme, product market displacement is the pertinent of the two types.

Displacement adjustments were informed through our interviews with firms. These interviews confirmed that displacement is mostly low (although one case is very high) as the activities being pursued by firms generally led to growth in new markets outside Scotland. Thus, the additional sales are not being derived in Scotland at the expense of other Scottish firms, nor at the expense of Scotland based firms that are currently selling into the *foreign* markets targeted by those assisted through Saltire.

### **7.3.3 Leakage**

Leakage refers to the number or proportion of project outputs external to the project target area (Scotland). Leakage is generally very low as, in most cases, all of the benefits are being derived by teams who live and work in Scotland.

### **7.3.4 Substitution**

Substitution impacts arise when a firm substitutes one activity for another to take advantage of public sector assistance, for example, using SE support to substitute a subsidised employee for an existing unsubsidised worker. Substitution has been informed by the firms' interviews and was universally negligible.

### **7.3.5 Multipliers**

Multiplier effects are the wider positive downstream benefits associated with an increase in demand. In this analysis, multipliers have been calculated using Type II Multipliers

published in the Scottish Government’s Input Output Tables (2007 data). The multipliers used have been applied on a case by case basis as presented in Table 7.2 below. The firm’s reference number refers to the separate spreadsheet provided to Scottish Enterprise that sets out our calculations.

<b>Table 7.2 – Multipliers</b>			
<b>Firm Number*</b>	<b>Reference</b>	<b>Industry Group</b>	<b>Type II Output Multiplier</b>
1		99 Telecommunications	1.52
2		No Impact	-
3		No Impact	-
4		No Impact	-
5		No Impact	-
6		107 Computing Services	1.68
7		107 Computing Services	1.68
8		No Impact	-
9		92 Hotels, Catering, Pubs etc	1.56
10		43 Pharmaceuticals	1.51

\* As used in the Impact Spreadsheet

### 7.3.6 **Discount Rate**

A Discount Rate is applied to all revenues accrued after the base year (2007 in this case) to take account of the depreciating ‘time value’ of money when assessing the gain in turnover. A Discount Rate of 3.5% has been used which is in line with HM Treasury guidance, and has been applied to costs and benefits from the date of commencement of the project. All benefits are expressed in 2007 prices as this was the year when the funding was initially provided.

### 7.3.7 **Calculating GVA**

Our survey questionnaire captured information from firms on the proportion of their additional sales that was accounted for by bought-in goods and services. This allows an approximation to be made (at the level of the firm) of GVA. As with sales impacts noted above, these calculations are completed on a firm by firm basis and the figures are expressed net of additionality.

### 7.3.8 **Optimism Bias**

There is a demonstrated, systematic, tendency for project appraisers to be overly optimistic. This is a phenomenon that affects both the private and public sectors. Many project parameters are affected by optimism – appraisers tend to overstate benefits, and

understate timings and costs, both capital and operational. To redress this tendency, appraisers should make explicit adjustments for this bias. This can take the form of increasing estimates of the costs and decreasing, and delaying the receipt of, estimated benefits. Adjustments should be empirically based, (e.g. using data from past projects or similar projects elsewhere), and adjusted for the unique characteristics of the project in hand.

A general guidance note published by the Department for Communities and Local Government identified some parameters for optimism bias adjustments. The sample for this exercise was limited to 75 projects, selected from Regional Development Agencies, English Partnerships and other regeneration agencies. For outputs the guidance recommends project appraisers should consider using 40 per cent underperformance as the starting point (the upper bound) for their sensitivity analysis of standard physical regeneration and revenue-based projects. However, this boundary can then be adjusted towards zero in recognition of project-specific factors that suggest that more accurate predictions have been made.

Separately, we understand that Scottish Enterprise has reviewed previous evaluation evidence and estimated that firms over-estimate future benefits by around:

- 34% in two years
- 50% in four years and
- 66% in six years.

For our analysis, we have used a combination of these metrics and applied the Optimism Bias so as to take account of the firms' track record in achieving sales:

- Where the firm is generating revenue and provided a figure for 2010, we applied no Optimism Bias
- Where the firm is generating revenue and provided an estimate for 2011, we applied 10% to take account of the current difficult trading conditions
- Where the firm is not generating revenue currently but provided figures for sales at some point in the future, we applied a high Optimism Bias factor, typically 40% for 2012 and 50% for 2013 – 2016
- Where the firm is currently generating revenue, we applied an Optimum Bias factor of between 20% and 33%, with our choice being informed by the depth of reasoning the interviewee could provide on their projections.

## **7.4 Assessment of impact based on interviews**

Based upon our interviews, five firms provided an estimate of the quantitative impact associated with the intervention. Of the five, three firms<sup>8</sup> suggested that the Saltire Programme brought forward the project activity – had the firms not participated on the Programme, they suggested that they would still have completed the project but at a later date. For the purposes of our calculations, one firm indicated that they had advanced their project by up to one year and we have recorded their first year of turnover increase as being attributable (and applied 100% deadweight to subsequent years). The second firm citing impact was of reasonable scale (£30M turnover) and noted that it was adopting a growth strategy. We have assumed that this firm would have achieved the 10% growth in sales, that they attributed to the Fellow's Programme, within two years - we have recorded their uplift in turnover for the first two years but have applied 100% deadweight to subsequent years' calculations.

In two cases, the firms were clear that they would not have undertaken a similar project as the Fellow brought skills or knowledge which the firm lacked and which they could not have sourced elsewhere. Specifically, these firms felt that Fellows were trained to analyse markets in a unique way and had contacts and perspectives that allowed them to provide a differentiated form of support to that available in-house or through external consultants. In one of these two cases, the firm indicated that the Fellow's input was significantly influential both in attracting funding that has enabled the firm to continue to grow – without this funding, the current trading position of firm is questionable. We have assumed full additionality in both of these cases.

### **7.4.1 Impact Assessment**

We present the summary of the gross impacts identified by firms (Table 7.3 at end of Chapter). Of the ten firms interviewed, five identified some form of financial impact over the next five years. Table 7.4 presents the Turnover, Employment and associated GVA impacts net of additionality factors and expressed in 2007 prices. Note that up to March 2011, the Foundation was largely reliant on public sector funding with the bulk of this (just under 90%) being sourced from Scottish Enterprise. The annual breakdown of SE's expenditure was:

---

<sup>8</sup> Two of the firms provided impact data



- 2007/08 - £496,120
- 2008/09 - £900,001
- 2009/10 - £967,011
- 2010/11 - £833,000.

We did not use a scale factor (to aggregate impacts to the level of the population) given the small sample.

The key impacts are summarised in Table 7.5. These indicate<sup>9</sup>:

- Net turnover to date is £982K
- The cumulative net turnover projected to 2016 and including that achieved to date is £13.5M
- Employment to date is 10
- The cumulative net employment projected to 2016 and including that achieved to date is 35
- GVA to date is £683K
- The cumulative net GVA projected to 2016 and including that achieved to date is £6.9M.

These data allow specific performance metrics to be prepared for SE's support (assuming that all expenditure and income is expressed in 2007 prices when assessing the return on GVA), namely:

- The ratio of GVA to Date to SE Expenditure is 0.27:1
- The ratio of GVA to Date to all Public Expenditure (i.e. including £413K ESF support for the 2010 Fellows) is 0.26:1
- Projecting to the future, the ratio of cumulative GVA to 2016 to SE Expenditure is 2.69:1
- Projecting to the future, the ratio of cumulative GVA to 2016 to Total Public Expenditure is 2.61:1.

Before drawing a conclusion on whether this is a 'good' level of return, there are some key points to note regarding our assumptions:

---

<sup>9</sup> All at 2007 prices

- In the two cases where timing additionality has been applied, the benefits cited by the firms have been limited to length of 'advancement' (the projects were brought forward 12 and 24 months respectively)
- The impact includes an assessment by firms' of their future sales projections - as stated above, we have adjusted these by between 25% and 50% to take account of Optimism Bias
- The GVA collected in this review relates to the 2009 Cohort alone as the 2010 Cohort had not commenced their Externship B placement at the time of survey – however, we have included the 2010 public sector inputs (costs) in our calculation of SE's return on investment – this provides a prudent assessment of the return and this approach is in line with current SE policy.

Taking these factors into account, we would suggest that our analysis has been relatively prudent. The effective 'return' to SE on its investment may seem comparatively low but it must be borne in mind:

- A large proportion of the cost was for 'start-up' activities that included Programme design and brand development – these will not be as high in the medium term
- This is a long-term initiative – all of those consulted (both within SE and amongst partners) emphasised that it was important to take a long term view and that it would take some time before representative 'returns' were derived
- The market conditions declined fundamentally immediately after the Foundation was launched – this made it necessary for the Public Sector to invest extra public funding in the project which reduces the ROI to SE
- The real benefit from SE's investment is likely to be derived when the Fellows either launch their own companies or gain senior posts in Scotland-based firms where they can put their new skills and learning into practice. The impact assessments in this evaluation are effectively limited to the Fellows' 12 week placements in Scotland or their input to firms they have formed (1) or worked with subsequently (1).

Overall, we consider the initiative has performed well from an impacts perspective.

#### **7.4.2 Other Benefits**

In addition to the turnover and employment benefits cited by firms, two firms also noted benefits that have not been accommodated within the impact spreadsheet. These

impacts were attributable to the Fellow who had played a role in helping them to attract investment:

- In one case, the firm noted that the Fellow was instrumental in helping it to attract £500,000 of funding that has enabled the firm to continue trading and to grow – without this investment, its current trading position would be unclear
- In the second case, the Fellow was one of two people who worked with the firm to prepare an investors' prospectus – this led to the firm attracting £3M of venture funding and is currently supporting 16FTE post.

Summary of Turnover Impacts as presented by firms.

<b>Table 7.3 Turnover Benefits Cited by firms*</b>										
<b>Firm Reference</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1					£750,000	£1,000,000	£1,300,000	1600000	£2,000,000	£2,000,000
2		Pre-revenue, no additionality								
3		Trading, no impact								
4		Trading, no impact								
5		Trading, no impact								
6				£1,500,000	£3,000,000	£3,500,000	£4,000,000	£4,500,000	£5,000,000	£2,000,000
7					£0	£500,000	£1,250,000	£2,000,000	£2,500,000	£2,000,000
8		Investment Achieved								
9				£200,000	£750,000	£1,500,000	£1,500,000	£1,750,000	£2,000,000	£2,000,000
10					£250,000	£750,000	£1,500,000	£2,500,000	£3,500,000	£2,000,000

\*These data are not adjusted to take account of additionality factors. Data from 2013/2014 has been extrapolated as firms were less clear of what the on-going impact would be although they were clear that the legacy benefits would last up to five years

<b>Table 7.4 Expenditure and Impact Summary*</b>											
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Totals</b>
SE Investment	£496,170	£869,401	£901,221	£751,283							<b>£2,267,792</b>
ESF Funds				£372,485							<b>£372,485</b>
Net Employment benefit	-	-	-	10	22	1	1	0	1	0	<b>35</b>
Net Turnover Benefit	-	-	-	£982,757	£2,934,020	£1,568,242	£1,467,392	£1,867,515	£2,362,529	£2,282,637	<b>£13,465,092</b>
Net GVA	-	-	-	£683,090	£1,929,989	£761,767	£945,158	£1,133,383	£1,431,734	£1,464,751	<b>£6,885,121</b>

\*All financials at 2007 prices

<b>Table 7.5 Summary Performance Metrics for Saltire Programme</b>	
Net Turnover to Date	£982,757
Net Cumulative Turnover to 2016	£13,465,092
GVA to Date	£683,090
Cumulative GVA to 2016	£6,885,121
Net Employment to date	10
Net cumulative Employment to 2016	35
Ratio GVA to Date:Total Public Sector Investment	0.26
Ratio GVA to Date: SE investment**	0.27
Ratio Cum GVA to 2016:Total Public Sector Investment	2.61
Ratio Cum GVA to 2016:SE Investment**	2.69

\*\* This assumes that 88.5% of the GVA is attributable to SE's expenditure and 11.5% to ESF. Note that the GVA recorded was derived from firms engaged in Cohort 1 alone. This Cohort did not receive ESF assistance (Cohort 2 only). Thus the partial attribution of benefits is a prudent approach to the analysis and is in line with SE's standard impact assessment methodology

## **8 Strategic Issues for the Future**

### **8.1 Introduction**

This Chapter sets out a set of issues that relate to the future operation of the Foundation. These observations are built on the evaluation findings and on the consultations we have undertaken with Trustees and other key stakeholders. They also include observations based on our consultations with the Saltire team.

### **8.2 Model**

The 'model' that has been operational to date is a function of the significant investment support made available by Scottish Enterprise and to a lesser extent European Social Fund monies. The SE financial support ended on the 31<sup>st</sup> March 2011 but there is a small proportion of legacy funds remaining that the Foundation can use to continue its activities.

The model operating thus far is relatively straightforward comprising the following broad income and expenditure areas:

- Income
  - Scottish Enterprise funding
  - ESF funding
  - Contribution from Personal Sponsors (towards Fellows and Scholars)
  - Contributions by Universities to support interns from their institutions
- Expenditure
  - Marketing and promotion
  - Babson – materials and teaching
  - Fellows travel & accommodation
  - Scholars travel, accommodation and allowance
  - Management overheads.

The 'offer' comprises two programmes targeted at two distinct groups – namely final year undergraduates and mid-career successful managers/leaders. The Scholars Programme is viewed as operating well, is understood by host firms and GlobalScots and is comparatively easy to 'sell' to potential supporters. It also attracts a large number of high quality applicants. Consultees and the Chief Executive do not see a need to alter what is viewed as a winning formula. The principal change in the future would be to increase the numbers from circa 60 to a target of 100 per annum, while maintaining or increasing the quality of participant.

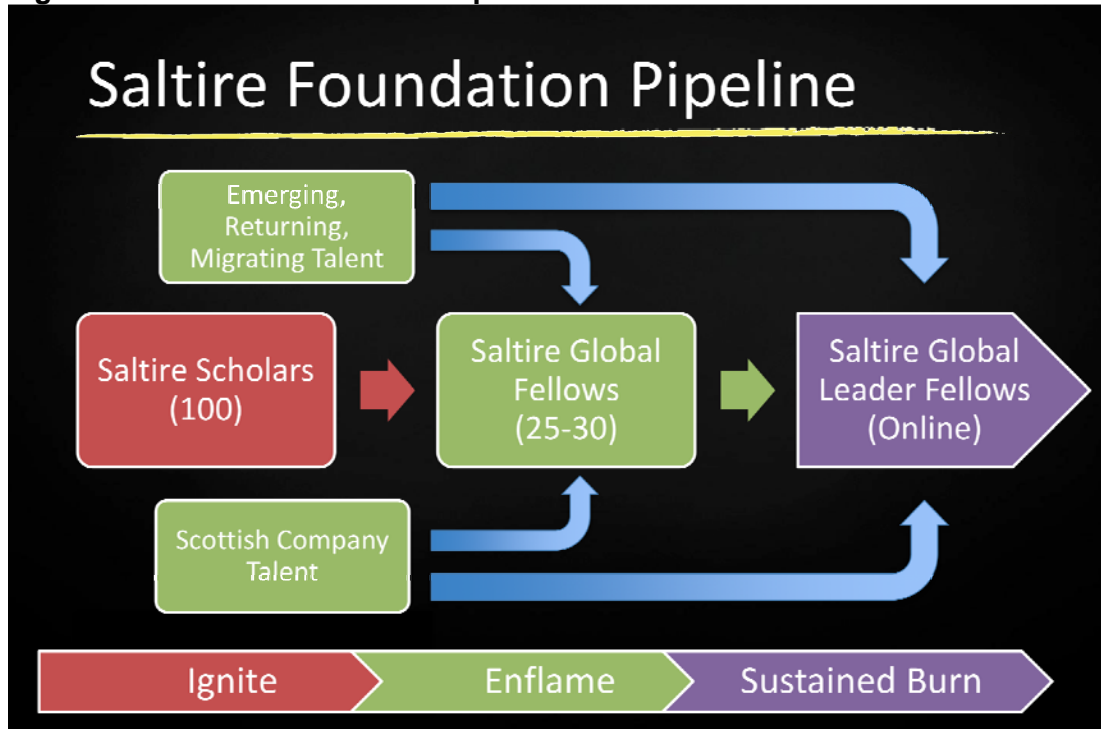
The Fellows Programme has struggled to attract the numbers and calibre of executive. This is considered to be due to a mix of potential applicants not understanding what it has to offer coupled with the level of disruption required to Fellows' personal lives in order to participate. These challenges have pointed to a change in structure that have been discussed with selected Trustees and viewed positively by them (based on our consultations).

The proposed new model (which has still to gain full approval in June 2011) for the Fellows' Programme:

- Targets younger managers (late 20s instead of mid 30s – 'Saltire Global Fellows)
- Introduces more Scotland based work through investigating the possibility of local teaching provision with Scottish Universities and Business Schools (working jointly with Babson)
- Considers engaging mid-sized Scottish firms to put forward Fellows
- Considers more flexible teaching provision (through using on-line media) for more experienced personnel (Saltire Global Leader Fellows)
- Introduces the concept of a Leadership development spectrum covering a large portion of a person's career, not just two distinct inputs in time (as at present – Scholars & Fellows)
- Different forms of sponsorship.

This overall programme is presented in Figure 8.1 below.

Figure 8.1 – Saltire Foundation Pipeline



Source: Saltire Foundation

### 8.3 Resources to implement model

Based on our consultations with Trustees and our observations that the design of the current Fellows' Programme is likely a principal factor in reducing the number of applicants, the proposed changes to the overall design seem sensible. It is clear that the Chief Executive has analysed the challenges and proposed changes that have been tested with Trustees, Babson and Scottish Enterprise.

Separately we have reviewed the existing cost structures and revenue flows. Based upon a cash flow forecast provided by the Foundation, it is clear that it would propose to maintain a healthy cash positive position to the end of 2012 (the limit of the current cash flow model). The Foundation attracted pledges or commitments to donate. These are summarised below in Table 8.1.



**Table 8.1 – Pledges and Private Income Received (2008-2017)**

<b>Year</b>	<b>Commitments Pledged</b>	<b>Actuals Received</b>
2008	£87,143	£87,143
2009	£147,581	£147,581
2010	£344,638	£126,489
2011	£190,932	
2012	£154,932	
2013	£151,783	
2014	£55,000	
2015	£15,000	
2016	£15,000	
2017	£15,000	

There has been a fall off in funds received during 2010. Analysis suggests that this is due to a mix of timings effects (e.g. 2010 pledged funds are likely to be received in 2011) and non-receipt of funds.

In future, the Foundation’s survival will be reliant upon the attraction of private funding – this is reflected in feedback from Trustees who recognise the central importance of all of those associated with the Foundation taking a responsibility for promoting its benefits. We return to funding issues in our Conclusions and Recommendations chapter.

We appreciate that the operation to date of the Foundation’s model has been driven largely by the availability of Scottish Enterprise support. Given that fundamental changes are being proposed to the Programme, and that these remain to be formally approved by the Trustees, it is understandable that information on the detailed resources required to implement the new model have still be identified. Our view is that thought should now be put to this area in addition to developing a plan to generate revenue.

We have reviewed two other SE funded projects that are similar in nature, structure and evolution to the Saltire Foundation. Both of these stalled due to not being able to adjust to the transition following SE support and in particular, to attract the necessary revenue to support a commercially sustainable operation.

Feedback from Trustees identified a clear priority relating to the Foundation’s future operation – that it must concentrate on attracting a reliable income stream. This was felt to be the responsibility of the Foundation, not just its Chief Executive or executive staff. There is scope for the executive team to put in place a structured process setting out its process to attract funds and to show how it can use the Trustees and other external resources to best effect.

At this stage, while we are clear of the proposed changes to the offer and that the future delivery will be extended in scope and coverage, we recognise that the funding model is less well developed.

The Chief Executive has made it clear that he would not pursue another Fellows' Programme unless sufficient funds are in place for its completion. This concurs with views consistently expressed by consultees.

## **8.4 Team Structure**

Building on the need to map out the resources required to support successful implementation of the Foundation, we would also note the need to have a team structure to deliver the increased activity (larger cohorts of Scholars and Fellows). The current operation is dependent on the pivotal role of the Chief Executive, supported by two Programme and Marketing staff. The team currently operates 'virtually'.

The Foundation needs to have more structure and form with clear responsibilities, performance targets and reporting lines.

## **8.5 Capturing the social return created by the Saltire Foundation**

### **8.5.1 Introduction**

The brief requested that the issue of the social value<sup>10</sup> created by the Foundation be considered within the evaluation study. In response to this, our process has focused on two principal questions:

- Is any social value created by the Saltire Foundation's activities?
- If there is social value, how is it best captured and articulated?

In the charitable sector, there has been a growing focus on organisations' ability to identify and articulate the social value of their activities. Here, the term *social value* refers to the non-economic benefits generated by organisations which would otherwise have a cost to wider society. The increased focus on this has partly been in response to a tighter financial environment where public sector expenditure is diminishing and there is greater scrutiny of its uses. Another related driver has been the growth of opportunities

---

<sup>10</sup> Here 'Social value' does not equate to the soft skills development (increased confidence, improved networking skills etc) acquired in particular through the Scholars Programme and discussed on pages 27 and 28.

for charitable organisations as providers of public services. In this scenario, not-for-profit bidders are increasingly expected to be able to articulate their results – and in particular any savings to the public purse - as a result of their interventions.

A number of techniques are being applied to better enable charities to do this. These demonstrate some shared features, one of which is their reliance upon the existence of a counterfactual, allowing for assumptions about what might have happened without the benefit of an intervention. The second is that they draw upon established cost benefit analysis (CBA) approaches to produce estimates of the economic impact. An example of the first is the recent Audit Commission report which estimated the costs of youth exclusion to the UK<sup>11</sup>. The process utilised in this case involved modelling the societal costs of dealing with the consequences of youth exclusion (teenage pregnancies, imprisonment, unemployment, health costs etc) and applying them to fictionalised case studies of individuals. This approach involved using proxy financial unit costs drawn from Government sources to calculate the estimated savings resulting from successful interventions.

The second distinctive approach is known as the Social Return on Investment (SROI) model. This also uses financial proxies drawn from Government sources to calculate the savings generated by effective interventions. However, critically, the SROI model differs through its involvement of stakeholders who identify the benefits derived from their own perspective. It also differs by placing a monetary value on all of these benefits which allows for a financial expression of the overall social impact.

Assessing how appropriate these techniques are for the Saltire Foundation requires consideration of whether its activities generate social value and if so what form this takes.

#### **8.5.2 Does the Saltire Foundation generate social value?**

The discussion of the Foundation's social value has focused around the levels of both the individual and wider society. At the individual level, the principal arguments relate to the benefits derived by participants from poorer socio-economic backgrounds. Its transparent meritocratic model means that the Foundation's opportunities are open to all, regardless of background. In fact, we note that the intake to date on the Scholars' Programme has

---

<sup>11</sup>[http://www.york.ac.uk/media/spsw/documents/research-and-publications/NEET\\_Final\\_Report\\_July\\_2010\\_York.pdf](http://www.york.ac.uk/media/spsw/documents/research-and-publications/NEET_Final_Report_July_2010_York.pdf)

included young people whose access to higher education has been supported by bursaries aimed at disadvantaged young people.

The discussion about wider societal impact has largely linked into the enhanced trajectory of such individuals. In particular it has considered the effect they may have as role models for others – for example pupils in their former schools or young residents in disadvantaged areas. However, at both the individual and societal level there are challenges in relation to calculating any social impact generated by the Foundation.

Looking firstly at the individual level, any social return model must take account of the savings made from changed behaviours and weigh these against the costs of that intervention. For example, a number of studies in the public domain show that there are significant savings to be made from deterring a young gang member from a life of crime. A successful intervention leading that individual into a college course, an apprenticeship or employment is likely to avoid costs relating to the police time as well as to that of the courts. It is also likely to include incarceration costs<sup>12</sup> and the health-related costs of violent behaviour, as well as the welfare benefits saved. These savings will be considerable, particularly if we have strong statistical evidence about the likely path that individual would otherwise have taken, combined with evidence that the attribution level assigned to the intervention was high. Provided the intervention costs are reasonable, the return on investment is likely to be impressive. The SROI approach in such instances can be used to provide an *SROI ratio* which confirms the return on every pound invested<sup>13</sup>.

So, where organisations are making a timely intervention which channels a client down a very different – and more productive – pathway the social return on investment will probably be high. For example, where the Prince’s Trust is supporting young offenders to channel their talents into starting their own business, the payback will be significant. However, even though the Saltire Foundation supports some young people from disadvantaged backgrounds, there are a number of technical challenges around identifying any social value and consequent return on investment. These include the fact that:

---

<sup>12</sup>For example, it costs £32,000 per annum to accommodate someone in Polmont YO1

<sup>13</sup> For example the SROI study of Columba 1400 – which provides leadership for disadvantaged young people showed a return of £2.50 for every £1 invested  
<http://www.philanthropycapital.org/download/default.aspx?id=961>

- The timing of the Foundation's intervention is unlikely to have been the defining factor in the most fundamental change in that individual's life. At the point of entering the Scholars programme they will already have had a successful undergraduate career, so a more important attribution to this will be any bursary support provided upstream
- The difference for any individual at this point is unlikely to be expressed as savings to the public purse. At the programme entry point these are not young people engaging in delinquent activity or who are heading for a life on welfare benefits. Instead, they are on track to complete their degree and to enter the labour market. It may be that due to the Foundation's intervention their perspectives will shift with implications for their career, but the most likely result is increased value – an economic rather than a social impact.

In terms of the wider societal impact, there has been much discussion about the role of Saltire alumni as positive role models for young people across Scotland. In relation to the social impact debate, this might apply to the potential for positive role models to influence and shape the views and aspirations of others. In particular, there is potential for these positive case studies to encourage young people from equally disadvantaged backgrounds to go further. This might be measured in a number of ways – for example increased participation in further and higher education or higher rates of entrepreneurial activity. Although challenging, there are ways of doing this – considered below – which the Foundation should consider.

### **8.5.3 Moving forward – the Saltire Foundation's social value**

Looking ahead, three linked issues appear important for the Saltire Foundation in relation to this discussion.

The first is about the open and meritocratic nature of the programme and ensuring that this is understood to a wide and diverse audience, consisting of potential donors, public sector investors, Scottish companies and prospective Saltire Foundation participants. That the programme supports the career development of young people from all walks of life – including disadvantaged backgrounds – is important to articulate clearly. However, it is important for the Saltire Foundation to evidence this which can be done through effective monitoring and longitudinal tracking of participants over time. We return to this point in 9.6.

Secondly, as we note in this section, the social impact of the Foundation's programmes are likely to be limited in measurable terms, particularly when set against their costs. However, looking ahead there is a potential role for the Saltire Foundation in collaboration with other partners (such as the Prince's Trust) to promote social mobility by providing a recognised pathway for young entrepreneurs from disadvantaged homes. Such an approach would also reduce the fragmentation amongst publicly funded agencies supporting young entrepreneurs which has been identified by several consultees in this process.

The third relates to the principle of 'giving back' which has been a prominent feature of several stakeholder consultations. This would mean establishing a more structured programme to ensure that Saltire alumni use the benefit of their experience to support others further down the ladder. Consultees have suggested a number of ways in which this could be structured, ranging from inputs to schools to each being assigned a Prince's Trust start up to mentor. While there may currently be examples of youngsters being influenced through contact with Saltire participants, these are too informally structured to allow for the capture any resulting benefits – social or economic.

We return to the implications of this, and the options for the organisation, in our concluding chapter.

## **9 Conclusions & Recommendations**

### **9.1 The rationale for intervention**

#### **9.1.1 Rationale**

The principal rationale for the intervention was that there was a lack of individuals with appropriate sales, marketing and general commercial skills that are necessary to build successful global businesses. The programme's concept was initiated by the International Advisory Board which noted that while there was risk capital available, investors would not invest in Scotland-based opportunities as they were not confident that the skilled personnel were available to grow firms to their full potential.

In terms of market failure, the position is complex. The approval papers do not appear to include an assessment of the failure in conventional market failure terms. The principal failure appears to have been the market's inability to supply a sufficient number of commercially competent individuals, with global commercial experience, to lead Scottish SMEs and thereby give confidence to investors that the return on their investment will be maximised. The reason the market appears to have been failing was that there were very few SMEs in Scotland that had developed to a 'medium' size on the back of global sales and therefore, there were relatively few opportunities in Scotland for managers to gain this experience here. If the gap was to be overcome, it was necessary for SE to intervene and create a mechanism whereby competent and capable people could develop these skills. This is what drove the development of the Saltire Fellows Programme. In Market Failure terms, this is an information asymmetry failure.

While the Programme has been effective in developing people with these skills, we feel that the market failure remains, and is likely to continue to be present for some time given the structural issues that cause it.

#### **9.1.2 The choice of Babson**

Babson is recognised as being a world leader in the teaching of entrepreneurship. Feedback from Fellows suggests that the experience they gained was unique and they emerged as being different, more capable executives with a global perspective and specific skills around assessing global markets and identifying how they might be accessed by a Scottish SME.

### **9.1.3 Programmes do not duplicate existing provision**

These Programmes do not duplicate existing activities – while other internship programmes exist, the Scholars Programme is unique in that it provides *global internship* opportunities that are not provided elsewhere. We found no examples of initiatives similar to the Fellows’ Programme and both Babson and firms indicated that it was unique.

### **9.1.4 A dilemma for the Foundation?**

Our consultations highlighted a dilemma. Feedback from Scholars indicates that the experience makes them more confident about working outside the UK and more likely to seek opportunities to work abroad. While this might seem to go against the aims of the Foundation, we believe that it is a positive outcome (albeit that it may be viewed as a negative externality in market failure terms). Our view is informed by the original rationale – it was driven by a lack of executives with global market experience. By inference, in order to gain this experience, people must work in a globally focused business. The Scholars Programme gives undergraduates their first exposure to this environment. They may choose to work abroad subsequently, but those who do simultaneously become attractive assets for Scotland and might be ambassadors for the country abroad or choose to return later in their career to live and work here. Regardless, we consider they should be viewed as an asset.

## **9.2 Assess project objectives and targets achieved**

The principal objective for Scottish Enterprise was to facilitate an initiative that would develop Sales, Marketing and *global* commercial skills in participants. The Programme should give participants a better understanding of global markets and build high level commercial networks, especially in the USA. It should also produce more entrepreneurial people and provide a step-change in participants’ competencies and provide participants with a genuinely different experience to anything else available in Scotland.

The approvals paper summarised a set of objectives that were hoped would be met through creating the Saltire Foundation and supporting its Programmes. We present these objectives in Table 9.1 below and also provide a view on their respective achievement and an explanation of our reasoning.



<b>Table 9.1 Summary of Objectives</b>	<b>Degree of Achievement</b> <small>(None, Low, Moderate, High, Full)</small>	<b>Explanation</b>
<b>Scottish Economy</b>		
Provide Scotland with a pool of high-calibre confident individuals seeking commercial and specifically entrepreneurial career opportunities	Full	Both Scholars' and Fellows' Programmes are competitive and develop personal, professional and commercial qualities in staff that raise their competencies significantly
Support the creation of more companies of scale by closing the performance gap of growth businesses;	Low	There is relatively little evidence of significant scale growth but this is likely to be due to the timing of the evaluation. Fellows will take time to fulfil their full potential
Increase in export activity and commercial knowledge transfer through stronger international networks.	High	Firms tend to engage Fellows to undertake (export) market development activities
<b>Scottish High Growth Firms</b>		
Step change improvement in commercial capability by closing the gap in supply of suitable executives;	Moderate to High	As more Fellows and to a lesser extent Scholars come through the Programmes, the achievement of this objective should increase. It has achieved a step change amongst those who have participated to date.
More customer focused product development and delivery;	Moderate to High	The importance of a customer focused approach is evident from the feedback from Fellows. The principle has been applied in a limited number of cases to date
Better access to international markets and increase in sales revenue	High	All of the Fellows indicated a focus on international markets when undertaking projects with firms. It may take time for a corresponding increase in Sales to be observed.
<b>Participant</b>		
Opportunity to gain skills and experience relevant to their ambitions	Full	Fellows and Scholars cited this as an achievement
Understanding of international market and to build a 'tradable network'	Full	Fellows showed how they were now able to achieve this objective and gave examples of how they achieved this when working with firms
Access to high quality employment prospects in Scottish based firms	Moderate	There appears to be limited capacity within Scotland firms to 'absorb' Fellows and to an extent Scholars. Firms need to be educated on what a Fellow can bring. Fellows cited difficulties 'reintegrating' to the commercial base.
Ongoing support and networking via Alumni Group.	High	Most Fellows have developed strong networks. Scholars too cited how their networks had expanded

Our review suggests that the objectives have all been achieved to some extent and that in most cases, the degree of achievement has been significant. Given the nature of the intervention (which seeks to develop a change leadership competence which requires to be assessed over the long term), our view is that the Foundation has been effective to date, despite the very difficult trading conditions it encountered on formation.

We would note that the route to achieving objectives is very different for Scholars and Fellows – with Scholars, the Programme can be seen to shift their perspectives fundamentally, open their minds to new opportunities and encourage them to strive for higher targets both in their studies and their careers. With Fellows, the Programme gives them an entrepreneurial/commercial perspective and access to global networks that they felt was not available elsewhere.

### *Fellows*

It is clear from our consultations with Fellows that the Programme led to a fundamental change in their approach and that they viewed the Saltire Foundation/Babson approach as being unique. Fellows did not consider that following a conventional MBA or Executive development type programme would have provided them with the same benefits. This was due to:

- The unique commercial experience of the teaching staff at Babson – they had extensive, first-hand experience of setting up and growing successful businesses
- Fellows' exposure to an entrepreneurial culture in Boston that was unlike anything they experienced here
- Fellows gaining experience of working in blue chip, globally oriented firms in the USA.

The Fellows cited specific benefits associated with the experience:

- Comprehensive understanding of the factors needed to grow a global business and how these could apply to Scotland
- Leadership skills and management confidence
- Sales and marketing skills – through now having a fundamentally different approach to understanding marketing and managing sales
- Entrepreneurialism
- Accessing and using networks.

Fellows were clear that the Programme had changed their understanding of the corporate environment fundamentally. This in turn had changed their perspective of both themselves as individuals and their roles as future business leaders.

### Scholars

Specific benefits cited by *Scholars* in regard to the internship were that it:

- Was very relevant
- Was challenging
- Contributed to their studies and course work
- Helped in gaining future employment
- Had a positive impact on their confidence
- Led to a notable improvement in their skills
- Helped them to develop strong cross cultural interpersonal skills
- Enhanced their commitment to their final year studies at University.

The Scholars provided specific details of the benefits they derived that they considered were unique to the Programme and that they would not have gained elsewhere:

- Gaining business experience
- Living and working abroad
- Enhancing their confidence and ambition
- Networking
- Exposure to high level (global) contacts they would not otherwise meet.

Scholars were surveyed using an on-line questionnaire. The response rate was very high at 50% and we would note that the quality and clarity of the responses were also very high.

### **9.3 Assess project benefits including Economic Impact Assessment**

The key impacts from the Programme are presented in Table 9.2 below

<b>Table 9.2 Summary Performance Metrics for Saltire Programme</b>	
Net Turnover to Date (2007 – May 2011)*	£982,757
Net Cumulative Turnover to 2016	£13,465,092
GVA to Date (2007 – May 2011)*	£683,090
Cumulative GVA to 2016	£6,885,121
Net Employment to date	10
Net cumulative Employment to 2016	35
Ratio GVA to Date:Total Public Sector Investment	0.26
Ratio GVA to Date: SE investment**	0.27
Ratio Cum GVA to 2016:Total Public Sector Investment	2.61
Ratio Cum GVA to 2016:SE Investment**	2.69

\* All costs and impacts expressed in 2007 prices

\*\* This assumes that 88.5% of the GVA is attributable to SE's expenditure and 11.5% to ESF. Note that the GVA recorded was derived from firms engaged in Cohort 1 alone. This Cohort did not receive ESF assistance (Cohort 2 only). Thus the partial attribution of benefits is a prudent approach to the analysis and is in line with SE's standard impact assessment methodology

### 9.3.1 **Other Benefits**

In addition:

- In one case, the firm noted that the Fellow was instrumental in helping it to attract £500,000 of funding that has enabled the firm to continue trading and to grow – without this investment, its current trading position would be unclear
- In one case, the Fellow was one of two people who worked with the firm to prepare an investors' prospectus – this led to the firm attracting £3M of venture funding and is currently supporting 16FTE post.

These data allow specific performance metrics to be prepared for SE's support, namely:

- The ratio of GVA to Date to SE Expenditure is 0.27:1
- The ratio of GVA to Date to all Public Expenditure (i.e. including £413K ESF support for the 2010 Fellows) is 0.26:1
- Projecting to the future, the ratio of cumulative GVA to 2016 to SE Expenditure is 2.69:1
- Projecting to the future, the ratio of cumulative GVA to 2016 to Total Public Expenditure is 2.61:1.

The effective 'return' to SE on its investment may seem comparatively low but it must be borne in mind:

- A large proportion of the cost was for one-off 'start-up' activities that included Programme design and brand development
- This is a long-term initiative and it will take time before representative 'returns' are derived
- The market conditions declined fundamentally immediately after the Foundation was launched requiring extra Public Sector investment

The real benefit from SE's investment is likely to be derived when the Fellows either launch their own companies or gain senior posts in Scotland-based firms where they can put their new skills and learning into practice. The impact assessments in this evaluation are effectively limited to the Fellows' 12 week placements in Scotland or their input to firms they have formed (1) or worked with subsequently (1).

Overall, we consider the initiative has performed well from an impacts perspective.

#### **9.4 SROI Conclusions and recommendations**

In Chapter 8 we discuss the importance of the Foundation being able to articulate the wider benefits it produces. At this time, we also noted that although the Saltire Foundation may generate social value, it is not possible to articulate the level of this using any of the established processes. The key reasons for this are:

- The comparatively small proportion of participants to date coming from deprived backgrounds
- The fact that those participants have been heavily supported by other funds (e.g. the Robertson Trust) at more critical points in their lives – so attribution levels from the Saltire Foundation would be low
- To date the programme has drawn down significant investment so the relative returns at this early stage will be unfavourable.

However, this evaluation process has established some important points around this debate. The first is that there is the potential for higher levels of social value in future. The second is that this is an important feature – for example for potential donors – and it is one which the Foundation should seek to capture and articulate clearly.

In terms of moving forward, we would make the following recommendations to the Foundation in relation to the social impact agenda:

- Adopt a more structured ‘giving back’ model which might include
  - Establishing a formal agreement that all Scholar Programme alumni contribute a specified number of hours to ‘giving back’ through a programme that could include an input to school enterprise programmes<sup>14</sup> or through mentoring young entrepreneurs from deprived backgrounds
  - Strengthening the relationship with like-minded organisations (for example PSYBT) to create a distinctive support pathway to which young disadvantaged entrepreneurs could aspire. As well as the possibility of mentoring support from Foundation participants, this could include ‘jointly badged’ events and, over time, access to some of the Foundation’s supporting activities for scholars
- Establishing an evaluation structure whereby all of the impacts of such an approach would be captured. The principal focus of such a framework would be on capturing the impact of the Foundation’s inputs. An SROI model might be an appropriate means of doing this, which would require engaging with all stakeholders to identify arising benefits. Alternatively, the organisation could adopt a more traditional model. As a minimum the framework – whichever process is adopted – would have to agree what was being measured amongst the beneficiaries, and track progress against an established baseline conducted at the outset.
- Adopting a longitudinal approach to recording the annual progress of alumni which takes account of their activities and the wider benefits arising from them (for example business generation and job creation in deprived areas)
- Producing a series of strong case studies which clearly describe the journey undertaken by a cross-section of Saltire alumni with a view to them becoming role models for members of their community.

---

<sup>14</sup> For example, through the Scholars Programme establishing formal support links with one or more schools in deprived areas

## **9.5 Usage, Quality, Demand**

### **9.5.1 Usage**

#### *Scholars*

The Scholars Programme has provided up to 62 places per annum with between five to ten times this number of applications. Its profile is growing and the detail of its content is being understood by undergraduates and careers departments alike. Feedback from the consultees gave a mixed view on whether participation rates could be increased without compromising quality. On balance, the view was that volume could be increased but that it will be important for the Foundation to monitor quality levels. There were specific recommendations around how the Programme should be promoted – principally, attending an information session should be mandatory for all applicants.

As shown above, feedback from Scholars indicates that they gain significant value from their placements and this is helping to enhance the reputation of the Programme amongst their peers.

Overall, we recommend that the current Scholars design is retained as it appears to operate very well.

#### *Fellows*

Fellows numbers have been lower than anticipated and the Foundation is looking at the design and targeting of the programme so as to have it fit better with the career profiles of its key target group. Our view suggests that this appears to be due to three principal factors:

- The requirement to have sufficient resources in place to support themselves and their families for the duration of the programme
- The requirement to be away from Scotland for around six months – those with young families would find this especially challenging
- The requirement to leave their current employment to participate – this may be a particular challenge for those who are progressing well in their current employment and who have no desire to leave, but who have a desire to develop themselves and the business.

The economic downturn is an additional factor that may have influenced applications. The tightening labour market may have dissuaded applicants (even those who were high flyers) who feared they would lose their foothold in the career ladder.

These observations point to the likely value that will be achieved through the proposed changes to the design of the Fellows' Programme:

- Engaging Scotland based providers of executive education who can work with both the Foundation and Babson and deliver more of the programme in Scotland
- Opening applications to those who wish to remain in their current employment
- Designing a more modular approach that is likely to be more attractive to those further along their career path.

The rationale for the Programme was to enhance the sales, marketing and entrepreneurship skills of those at the top of Scotland's SMEs. Adopting a flexible approach is likely to maximise the attraction of the Programme to those the Foundation wishes to engage.

#### **9.5.2 Quality**

##### *Scholars*

Quality is a critical criterion of both Programmes. For Scholars, it is the principal selection criterion – is the applicant of a standard to excel in the placement? Providing this criterion is met, only then will the Foundation seek to select those who would not otherwise gain access to such an experience.

It is important to note that Scholars' hosts, some of whom manage international internships, commented on the quality, calibre, commitment and positive personal quality of the Scholars. It is clear from their feedback that the Scottish interns play a positive role in the teams into which they have been placed. Scholars appear to be acting as Ambassadors for Scotland.

There was specific feedback from some Scholars' host firms regarding the location and appropriateness of accommodation. This is an area that should be monitored carefully in future.



### *Fellows*

Quality is also a critical criterion for Fellows. The consensus amongst consultees was that the profile of participants of the two Cohorts was quite different but that the quality was good. Our observation is that those on the first Cohort had more commercial experience and therefore fitted the anticipated target group well (which is probably best defined by Saltire Global Leader Fellows in Figure 8.1). Those on the second cohort were less experienced and their profiles appear closer to the newly defined Saltire Global Fellows (Figure 8.1).

### *Firms*

Firms noted that Fellows (and to a lesser extent Scholars) were notable by their commitment and drive.

Some of the firms in Cohort 1 (Fellows) were very young (indeed pre-start). The Fellows had limited opportunity in their placement to engage with the business and the businesses were less clear of their proposed commercial model than more established firms. In future, we would suggest that very young (e.g. pre-revenue) firms are selected with caution.

We would also recommend that the Fellow bases themselves full time at the firm and aims to integrate themselves in a similar manner to that of their US based placement.

We would also agree with the 2009 Fellows recommendation that there would be a benefit to having Fellows and firms meet to discuss their projects prior to the placement. This would give the firms a better understanding of what the Fellows have to offer before the project brief is finalised. There may also be scope for the Foundation to present more clearly the commercial strengths of the Fellows and promote the fact that they are likely to be particularly strong in terms of their:

- Understanding of how global businesses operate
- US based networks
- Skills for structuring and analysing markets and identifying how the firm can best respond to enter the markets.
- Analysing the firm's market offer
- Taking an entrepreneurial view
- Getting to grips *very quickly* with complex commercial problems.

### **9.5.3 Demand**

#### *Scholars*

Demand for the Scholars programme is very high and the aim is to retain the level of competition and quality of participant. However, there is a notable under-representation of undergraduates in Science and Engineering subjects, and these are disciplines that could be targeted in future. This is likely to require a review of the promotional materials and messages used.

The Universities are key to the delivery of the Scholars' Programme and the Foundation should maintain and extend its current links. Feedback from Universities suggests that they are supportive of the Foundation's desire to increase participation from those who would otherwise struggle to get an opportunity of this kind.

We understand that the Foundation has declined requests from 'Scottish' students studying outside Scotland to participate. Our view is that this area of demand may offer an opportunity for the Foundation to charge such applicants for a space (providing they meet the quality standards), possibly keeping the proportion of such spaces to, say, 10% of the total. We appreciate that the Foundation feels that this may create conflict with GlobalScots as they offer the placements 'for free', but we feel the assumption is worth testing.

Separately, the funding of Scholars presently is derived through a mix of sponsor donations and University donations. The latter comprises different models – ranging from a lump sum donation to the Foundation to cover a period of time through to individual donations by the university for each Scholar chosen from their institution.

We feel there is scope to continue to investigate both a more formal model with all institutions and the use of a more consistent sponsorship approach.

#### *Fellows*

The Fellows Programme has attracted lower numbers than anticipated. Given its unique design and lack of comparators in the market, this may in part be down to its novelty. However we agree with both the Foundation's Executive team, staff at Babson and the Trustees we consulted that the rigid design requiring Fellows to spend the best part of a year away from home is deterring potential applicants. We appreciate that the Programme makes a big investment in the Fellows, but the Foundation is more likely to

achieve its aim of developing entrepreneurship and leadership skills by engaging more of their target group. This suggests that more flexible engagement arrangements would be appropriate – the current design changes should assist in this regard.

Cohort 1 Fellows in particular (but also several trustees and Scotland based firms) suggested more could be done to raise the profile of the Programme so that firms understand what it comprises and what the Fellows can offer. Two of the Scotland based firms felt that they had not made best use of the resource until after the project was completed.

Our consultations suggest that sponsors identify better with the Scholars' Programme than with the Fellows' Programme and engaging sponsors with the latter is likely to remain a challenge in the foreseeable future. We feel that the difference is due to the novelty/uniqueness of the Fellowship model coupled with greater empathy amongst sponsors for the challenges facing graduates entering the employment market for the first time.

## **9.6 Assess contribution to the equity and equalities agendas**

There are two specific aspects to our evaluation findings.

First, the Foundation's engagement with the Robertson Trust is an example of how it is making a positive contribution to the SE's *equity* agenda. The Robertson Trust is an independent Scottish grant-making Trust that was established by the Robertson sisters in 1961 and promotes the values of their family firm, namely: honesty, integrity and willingness to help people in trouble or need. The Trust supports a significant number of undergraduates in Scotland who would not otherwise have the resources to participate in higher education. The Saltire Foundation has formed a link to the Trust and aims to encourage Robertson Trust supported undergraduates to apply to the Scholars' Programme. It does this in recognition that these undergraduates are less likely to have the personal/family network links that other undergraduates might have and therefore will derive a greater level of benefit if they are assisted by the Foundation.

The Foundation is also proposing to introduce a clear requirement for Fellows (and potentially Scholars) to work with those who have less opportunities (e.g. through mentoring arrangements) and thereby address the economic barriers faced by those from less well-off backgrounds.

We consider that both of these approaches will make a positive contribution to the SE's equity agenda.

Our consultation identified a potentially negative contribution to SE's *equality* agenda. It was felt that the historic structure of the Fellows' Programme could discriminate against high achieving female executives who have young children. It is recognised that females continue to take a greater role in rearing children. However, the proposed changes to the Fellows' Programme design, which will allow for greater delivery in Scotland and more flexible engagement are likely to mitigate the negative constraints that have been evident to date.

### **9.7 Capacity of the Saltire Foundation to continue to deliver the Programme**

We set out key points relating to the future of the programme in Chapter 8. We feel that the Foundation needs to take a key strategic decision:

- Does it wish *to drive* the Foundation forward so as to achieve its goal of increased numbers and Programme activities
- Does it wish to get resources in place first so as to support an expanded programme.

The choice is a subtle but an important one and we feel the Team and Trustees should agree what it should be.

There are two fundamental capacity-related issues to be addressed:

- Raising the funds necessary to build a successful programme
- Having the team, resources and focus within the Foundation to deliver the programmes effectively.

When based at Scottish Enterprise, we understand that the Foundation had access to around 9 staff. It presently has a complement of three full time equivalent resources. The Chief Executive is currently taking responsibility for the redesign of the Programme, for designing and pursuing future business models, attracting funding and managing the team. We feel that this exposes the Foundation to risks:

- Capacity related – in that the Chief Executive becomes over-stretched

- Continuity related – in that should the Chief Executive become ill or otherwise unavailable, there is little operational capacity to continue activities he currently undertakes.

Trustees felt that the fund raising role in particular should be shared more widely through engaging the trustees, GlobalScots and others. It was also suggested that external professional fundraising resources should be engaged.

## **9.8 The business model**

The future funding model is presently unclear. Several avenues are being pursued with different approaches being (correctly) adopted for Scholars and Fellows.

Consultative feedback suggests that there is scope for the Foundation to engage professional fund raisers again, but this time with a clearer offer than was available when the Foundation was launched. It was also suggested that GlobalScots would be more likely to contribute to the Foundation if they first see support coming from Scotland-based sponsors.

Presently, the funding model seems to be to target known ‘friends’ of the Foundation and encourage them to make an investment. We feel that this will need to be more comprehensively resourced if the growth targets of the new Fellows’ offer in particular are to be resourced.

From a different perspective, the Foundation has an opportunity to engage local executive education providers in the delivery of the future model. This development should be viewed positively by Scottish Enterprise. Soundings taken when the original model was being designed suggested that Scotland based business schools did not wish to engage. Through delivering the model over the past three years, this position appears to have changed and interest has increased. For the Foundation, the challenge will be the agreement of a business model that works for it, Babson and the Scottish academic establishments that are engaged. The Foundation could play a continuing and important role in facilitating this process.

## **9.9 Learning points for Scottish Enterprise**

Overall, the project appears to have met its goals (albeit at lower volume) without displacing other initiatives. There are three points that are worth specific mention.

First, some consultees noted that SE's involvement meant that the Foundation had to operate in a rather bureaucratic way that required formal approvals being sought for modest expenditure levels and formal tendering procedures adopted. Note that they appreciated the need for this to be done given the scale of Public sector investment – but it is useful to note for future projects that this may impair the effective operation of commercially focused projects.

Second, and linked to the point above, the public sector approvals process requires that 'full' approval is gained at the outset of a two or three year project and that a corresponding spend profile is generated (with milestones) that must be met. If a spend milestone is missed, or if the project diverts in a different direction, this is seen as being a weakness/failure of the project. The reality is that new projects of this kind are like new businesses – and around three quarters of new businesses are operating in a market different to the one they anticipated within 18 months of formation.

Projects might be better to identify a possible large scale of resource that *may* be required but to get approval to spend small amounts early in the project's life on the understanding that the direction or requirements may change. As the project matures and its success/operation becomes clearer, larger approvals could be sought and approved. This would mirror a typical start-up more closely and would provide appropriate levels of flexibility in the early stages.

Finally, all consultees recognised that this was a long term initiative (10 years+) and that it would take time for the benefits to be seen. But it was felt essential that the Foundation should be able to show the ways in which the (Scholars and Fellows) experience has enhanced their careers. To this end, it was recommended that a longitudinal study should be initiated that tracks the performance of the cohorts over time and that these benefits are promoted to GlobalScots, Scottish SMEs and the wider business community

## **9.10 Overall conclusion and Recommendations**

### **9.10.1 Overall Conclusion**

Our overall conclusions are:

- The Scholars Programme appears to be very successful both for benefiting the participating undergraduates and in enhancing Scotland's image abroad. We consider that it should be continued and its volume expanded, providing funding is available and quality can be maintained

- The Fellows Programme appears to be on track to generating future impacts but numbers have been lower than anticipated. The proposed design changes that introduce more flexibility to the delivery and that open participation to those who wish to remain with their current employers are likely to enhance the attraction of the Programme. We consider it should continue to be delivered provided the proposed design changes are adopted and recognising that further design changes may be necessary to maximise engagement of the type of executive deemed to offer the greatest potential to Scotland.
- The Fellows Programme appears to be enhancing the skills that were deemed to be missing when the Programme was first designed
- **The overarching challenge for the Foundation will be to attract a sufficient level of funding to support Scholars' and Fellows' Programmes in the future. A future funding model should be agreed with Trustees - Scholars' and Fellows' Programmes should only be launched when sufficient funds are in place to deliver them in full.**
- The Foundation should consider the resources it requires to deliver a redesigned Fellows' Programme and an expanded Scholars Programme (that engages more Science and Engineering Graduates). We consider that it has limited capacity at present and that this creates an operational risk should any of the staff (especially the Chief Executive) become unavailable.

#### **9.10.2 Recommendations**

There are five main areas covered by the recommendations:

- Financial sustainability
- Continuance of the Programme
- Programme Design (Scholars & Fellows)
- Social capital
- Team & Capacity.

We set out the recommendations in the table below.

## Recommendations

Theme	Recommendation
<b>Financial Sustainability</b>	<p>Prepare a detailed, short-term, costed action plan covering the operation of the Foundation through to the end of 2011.</p> <p>Prepare a costed action plan, incorporating income performance targets, covering the period to the end of 2013</p> <p>Develop a coherent funding plan for the Foundation as a whole, showing target supporters, possible funding streams and the optimum channel to these streams</p> <p>Develop a clear offer to sponsors of the Scholars Programme</p> <p>Developing a funding model for the Fellows Programme, differentiating between corporate and self funded participants</p> <p>Introduce a charge for participating Fellows</p> <p>Negotiate competitive terms from Babson when agreeing their input to future delivery</p> <p>Introduce a harmonised charging model for Universities engaged in Scholars.</p> <p>Investigate scope to charge Scots undergraduates, studying outside Scotland, who wish to participate on the Scholars' programme</p> <p>Investigate forming a commercial subsidiary whose profits can be gifted to the (charitable) Foundation.</p>
<b>Programme Design - Fellows</b>	<p>Introduce more flexibility into Fellows' Programme design so as to enhance its attractiveness to a wider pool of participants and increase participation rates</p> <p>Open participation to those who remain in employment (i.e. are corporately sponsored)</p> <p>Facilitate Fellows' contact with Externship B (Scotland) firms in advance of their placement</p> <p>Emphasise to Fellows the importance of the Externship B placement and its equal priority/value to that of Externship A (USA)</p> <p>Review the integration of Fellows on return to Scotland – where practical, facilitate their engagement with local commercial networks through introductions etc</p> <p>Continue to build links between the Fellows' Programme and SE's commercialisation and other relevant activities and to other fellowship programmes</p> <p>Engage Scotland-based providers of executive education to reduce cost and enhance delivery flexibility</p> <p>Increase cohort numbers to 20-25 per group</p>
<b>Programme Design - Scholars</b>	<p>Retain current Programme design, but aim to increase numbers while maintaining quality</p> <p>Make attendance at information sessions mandatory for all applicants</p> <p>Review process of identifying and allocating accommodation for Scholars to ensure that it is appropriately located for the placement and is suitable for the intern (e.g. matched to gender for sharing)</p> <p>Investigate scope to charge Host firms a placement/management fee</p> <p>Increase Science and Engineering undergraduate participation – this will likely require revised promotional approaches that are meaningful for this target-group</p> <p>Introduce concept of on-going executive learning for Scholars and introduce the Global Fellows and Global Leader Fellows programme elements to them</p> <p>Continue to build and develop both the Scholars' and Fellows' networks into a Foundation branded grouping</p>



Theme	Recommendation
<b>Social Capital</b>	<p>Especially for Fellows, but also for Scholars, develop the understanding of a need for both groups to provide support to the Foundation in the future</p> <p>Establish a formalised 'giving back' model</p> <p>Establish an evaluation structure/framework that captures commercial and non-commercial impacts</p> <p>Develop case study exemplars that demonstrate the full breadth of the Foundation's impacts</p>
<b>Team &amp; Capacity</b>	<p>Using the costed action plan (above), review capacity and identify gaps/constraints</p> <p>Identify external resources who might usefully be engaged in assisting the Foundation to deliver its activities</p> <p>Specifically, investigate use of external fundraisers</p> <p>Prepare 'disaster scenario' responses that anticipate key staff members becoming ill or being otherwise unavailable</p>
<b>Market Failure</b>	<p>We recommend that the initiative continues with changes to the design of both the Scholars and Fellows Programmes in line with those proposed</p> <p>Develop engagement of Scholars &amp; Fellows in a longitudinal study to monitor their achievements and progress so that the value of the Foundation's activities can be objectively and comprehensively quantified</p> <p>Promote findings of longitudinal study to potential sponsors and the wider GlobalScot community</p>