

**EVALUATION OF SUPPORT TO ACCOUNT AND CLIENT
MANAGED COMPANIES**

**Final report to:
Scottish Enterprise Lanarkshire**

Evaluation of Support to Account and Client Managed Companies

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Executive summary

1. This report is an evaluation of the support provided to Account Management and Client Management companies by Scottish Enterprise Lanarkshire (SE Lanarkshire). The evaluation was undertaken during late summer 2002 by SQW Limited, Alan Brazewell *economic* Consultancy (ABEC) and TLD Dempster Strategy and Research.

The approach to company development in SE Lanarkshire

2. SE Lanarkshire's approach to company development follows the Scottish Enterprise 'customer segmentation' model. The principle lying behind this is that the resources which the network is able to allocate to company support need to be applied selectively if their use is to be optimised. A process of 'segmenting' the market has been adopted to identify the companies most able to derive advantage from SE Lanarkshire support and which will deliver the best economic development return for the limited resources available.
3. The approach involves customised support to some companies ('Account Managed' and 'Client Managed'), through an Account Manager, and non-customised support to others. All companies are able to benefit from the main SE Lanarkshire Business Development programmes including E-business Support, Investors in People (IIP), Internationalisation, Leadership and Management Development (L&MD) and Business Growth Initiative (BGI).

Main findings

4. This evaluation has looked at the experience of Account and Client Managed companies. They value the support from SE Lanarkshire highly and it is perceived as being important or vital to many firms' performance. A high value is especially attached to the support from the Account Managers, often ascribed to the 'chemistry' which exists between many Account Managers and the companies they work with. There is also evidence to suggest that the performance of the main Business Development programmes is enhanced when they are delivered through the involvement of an Account Manager.
5. The Growing Business Review (GBR) is an important factor in this success. It allows a fundamental root and branch review of a company's needs and can mark a step change in the relationship between the company and the Account Manager. It also helps to cement the relationship between the two. There is a different shape of intervention among companies which have gone through the GBR process compared to those which have not, in particular:

- a focus of activity on changes to the management team and structure
 - greater use of the Leadership and Management Development programme as well as the Internationalisation programme.
6. The process has brought marked changes within companies in relation to the Growing Business criteria, especially *leadership*, *acceptance of change* and *strategic planning*. The Account Manager's role has been instrumental. There has also been an effect on the environmental awareness of companies and a small influence on their awareness of the need to promote equal opportunities (though this is not one of the Growing Business criteria).
7. Although it is still early days to be considering conclusions about Account Management, since the market segmentation approach has only been operational for the last 18 months, the evidence so far suggests that support delivered through intervention with companies in this way has been highly cost effective. Overall, **1,140 net jobs** are likely to have been created so far among the 250 or so Account and Client Managed companies at a cost per net job (Scotland level) of:
- **£2,650** in Account Managed companies, and
 - **£3,400** in Client Managed companies.
8. These figures compare well with other similar programmes both in Lanarkshire and in Scotland.

Conclusion

It can broadly be concluded that the Account Management approach to business development in Lanarkshire has been a success and that this has enhanced the delivery of business support services. Cost effectiveness has been improved in comparison with previous, less targeted forms of support.

Recommendation 1

The Account Management approach to business development in Lanarkshire should continue and develop.

9. Development is possible under the following main headings.

A. Market segmentation and company selection

10. Targeting through the market segmentation process is working well. Few companies were interviewed that appeared not to deserve the Account Management or Client Management classification. Good additionality and low displacement figures reinforce this conclusion. There is also movement between the various segments of the market. However, there is no facility for reviewing the 'portfolio' or database *as a whole* to examine allocations to categories, review the nature of support or consider the workload on Account Managers. There are two ways in which such a review might bring benefits.

- By prioritising resources to companies within the Account Managed group; both *within* Account Managed and Client Managed groups, smaller companies appear to derive greater proportionate benefits than larger ones. There seem to be especially good contributions from the Account Managers where a young firm has reached the stage where it has outgrown its management structure and where an external input, other than through Account Management, would be unlikely to occur. An overall process of review might indicate that smaller businesses should receive priority.
- Substantial benefits have been found inside the Client Managed companies with good additionality. Many of them are also looking for more support from the Account Manager. Account Managers are aware that there may be many good companies within the Client Managed group which deserve the higher rating. A formal and complete review of the portfolio, at regular intervals, would highlight more opportunities to 'upgrade' and 'downgrade' companies.

Conclusion

The process of market segmentation is now well embedded in SE Lanarkshire. The allocation of companies to segments has been undertaken thoroughly. In the great majority of cases, companies have been put into the correct market segments.

Recommendation 2

There should be a regular review of the database of Account Managed and Client Managed companies, possibly every two years, to look at:

- establishing priorities within the Account Managed group
- searching out Client Managed companies which deserve the higher status.

B. Shape of intervention

11. The current shape of intervention with GBR, Action Plan and subsequent review is working well and bringing great benefits. There are several areas, however, where alteration at the margin would bring improvement.
12. *First, the length of relationship with companies.* Some Account Managed and Client Managed companies have been working with SE Lanarkshire for many years. There may be a tension between Account Management, which aims to foster long term relationships with companies, and ‘market adjustment’ where companies are expected to learn from a limited amount of intervention and then move on. Furthermore, if there is no exit, the number of Account Managed companies will creep up inexorably and put further pressure on a finite Account Management resource. It would be wrong to develop a relationship with a company, build up confidence and then abandon it abruptly. There may be a need, however, to accept that the relationship will change over time; that the Account Management process could be refined to differentiate the shape of intervention after a certain period and promote a relationship with some Account Managed companies which is *less resource intensive*.
13. *Second, the subject matter of intervention.* Among the Action Plans, ‘technical’ subjects such as research, finance, and technological innovation appear relatively rarely. There has been very little use of the Technological Innovation programmes through Account Management. SE Lanarkshire might give some attention to establishing why there appear to be so few cross-referrals between Account Management and Technological Innovation.
14. *Third, delivery of the individual programmes.* The Account Managers each have targets for delivery of the Business Development programmes to companies. This is deliberate on the part of SE Lanarkshire to encourage the Managers to think in the broadest sense about a company’s needs and to move outside their individual ‘comfort zone’. There is a danger, however, that the existence of targets might promote the overenthusiastic promotion of a programme to a company. There will be a need to keep a careful watch to ensure that the correct balance is achieved and that the positive motivation for promoting programmes – encouraging the broadest possible consideration of the firm’s needs – remains paramount.
15. *Fourth, the company as a project.* SE Lanarkshire might consider looking at the Account Managed company as the project, following completion and agreement of the Action Plan, and with an agenda of action, costings and agreed interventions in place. This could include a virtual team from SE Lanarkshire (representing all the various forms of programme support delivered) with regular case review meetings. Simplifying administration is possibly a minor benefit of this approach. A more important benefit could be to enhance the holistic nature of the support provided to a company.

Conclusion

The Account Management approach to intervention has worked well. There is great value in the Growing Business Review and in the Action Plan which follows. The suggested changes to this approach would improve the system but do not question the fundamental approach or principles.

Recommendation 3

SE Lanarkshire should consider how the shape of the Account Management relationship with long standing client companies might change, with a lighter touch approach with some companies after a period of time.

Recommendation 4

Some thought should be given to why intervention in companies rarely focuses on more technical matters and especially whether there is a need to promote more cross referrals between Account Management and Technological Innovation support.

Recommendation 5

There will be a need to keep a careful watch to ensure that the positive motivation for promoting individual programmes to companies – encouraging the broadest possible consideration of the firm's needs – remains paramount, rather than the requirement to meet targets.

Recommendation 6

SE Lanarkshire should look at the possibility of viewing the individual company as a project, with a 'virtual' team and budgets attached to the company.

C. The Account Management resource

16. The pressure on Account Managers increases year on year as the number of Account Managed companies creeps up. There appears to be little time for the Account Managers to do anything other than manage their day-to-day relationship with Account and Client Managed companies, for example, to:

- reflect on the approach to Account Management
- network with others in and out of the SE network to enhance skills and experience (for example to develop sector knowledge)
- research/review the portfolio.

17. There is a need to look at the Account Management approach in the light of what the Account Managers can reasonably be expected to do given that it might be desirable to allow them time to do more than day-to-day work with companies. An additional research resource might be required (for example, to help review the database). Otherwise, it may simply be a question of fewer Account Managed companies or more Account Managers.

Conclusion

The pressure on Account Managers is increasing and they have limited time to reflect on how the approach might be developed, refined or improved.

Recommendation 7

The Account Management approach should be reviewed in the light of the workload on Account Managers with a view to allowing them time to research and reflect on the task of company development. This could be done by creating a backup research resource; increasing the number of Account Managers; reducing the number of Account Managed companies; or reducing the level of support to some Account Managed companies.

1 Introduction

Introduction

- 1.1 This report is an evaluation of the support provided to Account Management and Client Management companies by Scottish Enterprise Lanarkshire (SE Lanarkshire). The evaluation was undertaken during late summer 2002 by SQW Limited, Alan Brazewell *economic* Consultancy (ABEC) and TLD Dempster Strategy and Research.

The broad approach to company development in SE Lanarkshire

- 1.2 The evaluation has taken a broad overview of SE Lanarkshire's approach to company development. This approach very much follows the 'customer segmentation' model adopted by Scottish Enterprise. The principle lying behind the model is that the limited resources which the SE network is able to allocate to company support need to be applied selectively if their use is to be optimised. A process of 'segmenting' the market has therefore been adopted to identify the companies most able to derive advantage from SE Lanarkshire support and which will deliver the best return to the limited resources available. The segmentation process is described in chapter two.
- 1.3 The segmentation approach has been operational in SE Lanarkshire for the last eighteen months. It involves customised support to some companies ('Account Managed' and 'Client Managed'), through an Account Manager, and non-customised support to others ('Other Volume Companies'). All companies are able to benefit from the main SE Lanarkshire Business Development programmes which are:
- E-business support
 - Investors in People (IIP)
 - Technological Innovation
 - Internationalisation
 - Leadership and Management Development (L&MD)/Organisational Development
 - Business Growth Initiative (BGI)
 - Sustainable Development.

1.4 The contribution of these programmes is covered in chapter five. An important principle of the approach in SE Lanarkshire is that where Account and Client managed companies benefit from these programmes, there should be added value through the contribution of the Account Manager.

Terms of reference

1.5 The terms of reference for the evaluation covered the complete range of SE Lanarkshire business development activity described. The main tasks have been to assess:

- **the approach to segmenting the market**, considering if necessary the criteria used to identify Account and Client Managed companies
- **how well the Account and Client Management approach is working** in achieving the objectives of SE Lanarkshire as well as those of the individual companies
- **the contribution of each of the individual programmes** operated by SE Lanarkshire; each of these programmes should be looked at individually using previous evaluation evidence as well as evidence forthcoming from the original survey work undertaken for this evaluation.

Survey method

1.6 The new empirical evidence gathered during this evaluation relates to Account and Client Managed companies. There were:

- 29 face-to-face interviews with Account Managed companies (a 20% sample)
- 30 telephone interviews with Client Managed companies (a 30% sample).

1.7 In both respects, the sample was weighted towards companies whose contact with SE Lanarkshire had been fairly recent. Scottish Enterprise evaluation guidance suggests that around 30 interviews is required for results to be reasonably robust. We are therefore happy that there is robustness in both the Account and Client Managed company surveys. This is increased where both surveys are combined, as they are on some occasions in the report. There would be some concern, however, where the results were disaggregated below 30 or so. This occurs on some occasions through the report and where it does, a ‘health warning’ is attached.

1.8 The report is structured as follows:

- chapter two describes the market segmentation process; this chapter is mainly descriptive – comment on the process is drawn together in the final chapter
- chapter three describes the shape of intervention in Account Managed and Client Managed companies
- chapter four summarises the effects on Account and Client Managed companies as well as the cost effectiveness of the support received
- chapter five looks at the performance of the main Business Development programmes and examines added value in their delivery through Account Management
- chapter six summarises the report and makes recommendations.

1.9 There is a summary of main findings at the end of each chapter.

2 Market segmentation and account management

The need to focus and tailor support

- 2.1 Eighteen months ago, SE Lanarkshire had a client base of approximately 400 companies covering all types; growing companies, start-ups as well as businesses in decline. Within this portfolio, there were companies that were understood to be ‘key’ in terms of the Lanarkshire economy in that they were in growing sectors, were long standing customers, or demonstrated highly positive characteristics which were capable of being nurtured.
- 2.2 The drive towards greater efficiency within the SE Network and the development of the Growing Businesses (previously Innovative and Far-sighted Organisations, or IFSOs) approach meant that the range of SE support should be targeted at the companies whose development was most likely to provide benefits for the Lanarkshire and Scottish economies. It was therefore necessary to develop a means to identify these ‘growing’ companies and then focus support on them.

Segmenting the client base

- 2.3 Segmenting the client base in Lanarkshire has been done by grouping businesses into several categories:
- **Exemplar** companies
 - **Account Managed** companies
 - **Client Managed** companies, and
 - **Other Volume** companies.
- 2.4 **Exemplar** companies are those which illustrate all the features of growing businesses but are of such a good standard that they would be unlikely to benefit much from SE Lanarkshire support. They would be able to act as examples for other companies, however, and possibly to mentor them.
- 2.5 **Account Managed** companies are companies judged as capable of undertaking significant growth in the short to medium term. The intention is that they should receive ongoing, tailored and intensive support from SE Lanarkshire, principally through the channel of an ‘Account Manager’ from the Competitive Companies Team. Individual Account Managers

are expected to build up a long-term relationship with the Account Managed companies they deal with. Tailored and individual support is structured through:

- a **Growing Business Review**, followed by
- an **Action Plan**.

2.6 The Account Manager is also expected to assist the company to benefit from the Business Development programmes. This implies not simply pointing a company towards a programme but assisting in its application within the company and adding value, for example, by enhancing the complementarity between programmes. There are currently 150 Account Managed companies.

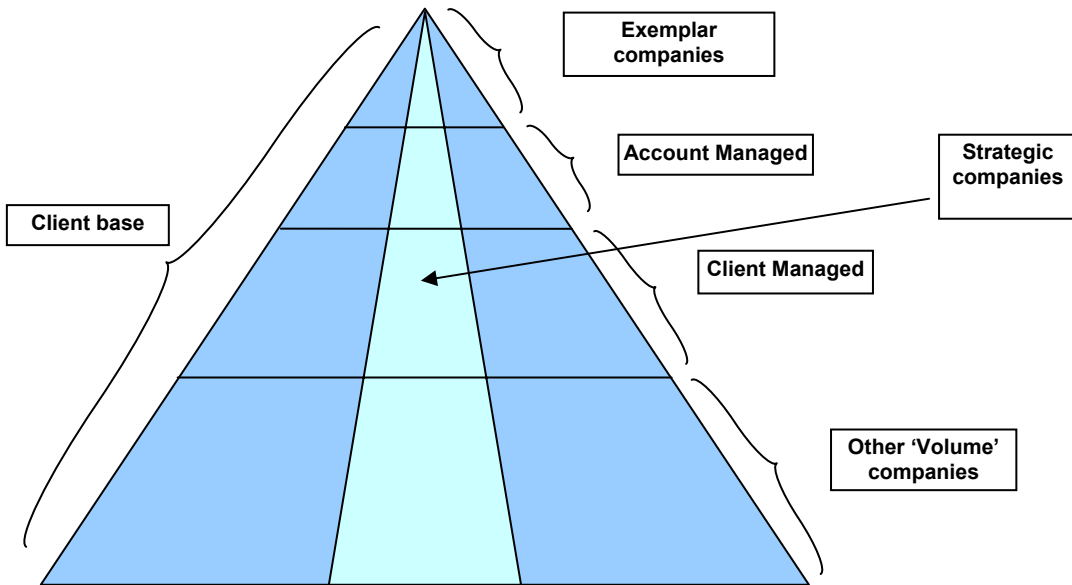
2.7 **Client Managed** companies are those with over 25 employees which have not yet been subject to scoring or have been subject to scoring but have not reached the level which would make them eligible for Account Management. There are about 1,000 such companies on the SE Lanarkshire database. Where a Client Managed company has been scored, it is eligible to receive a *reactive* service from an SE Lanarkshire Account Manager (unlike the Account Managed companies which benefit from a proactive service). Currently, SE Lanarkshire is working with about 100 Client Managed companies. The sample of companies for this evaluation was drawn from this list.

2.8 **Other Volume Companies**. This category covers most of the other companies in Lanarkshire (most with under 25 employees), principally those that are not seen as presenting opportunities for business growth in the short to medium term. Services to this group, where they are required, are provided through the Small Business Gateway (SBG) delivery agents and are in the main reactive. Many of the beneficiaries of the Business Development programmes will come into this category. SBG delivery agents themselves have undertaken their own market segmentation which has identified companies at the higher value end of the 'volume band' but the service provided to the volume companies on the whole tends to be reactive with little of the customisation which characterises the approach to Client and Account Management companies.

2.9 There is also a group of **strategically important companies**, mainly well established, locally based businesses which would possibly not be growing businesses but with whom it is important for SE Lanarkshire to have a good relationship. **Account and Client Managed companies alone have been the subjects of this evaluation.**

2.10 Segmentation is illustrated in Figure 2.1 (over).

Fig 2.1: SE Lanarkshire market segmentation structure



The process of segmentation

2.11 SE Lanarkshire has relied on the judgement of the Account Managers and their knowledge of local businesses to carry out the process of segmenting the market. Eighteen months ago, a group of Account Managers applied seven Gateway questions and the 14 ‘Growing Business’ characteristics (Table 2.1) to all 400 companies to produce baseline information on the client base.

| Table 2.1 - Segmentation questions | | |
|---|---------------------------|--|
| Gateway | Growing Business (IFSO) | |
| Willingness to engage | Visionary leadership | Strategic thinker/ long term planner |
| Committed to strategic development | Entrepreneurial culture | Promotes learning & knowledge management |
| High growth | Strong asset base | Business uptake and use of ICT |
| Compete on value – not price | Able to adapt to change | Active networker |
| Active in new, developing & growing markets | Committed to innovation | International networking |
| Invest in critical resources | Detailed market knowledge | Environmentally and socially responsible |
| Innovators | Customer aware & focussed | Commitment to continuous improvement |

2.12 Answers to each of the Gateway and Growing Business questions produced a weighted score for each company. Consideration of the management resource available to SE Lanarkshire at that time (each manager expected to be able to handle a caseload of 20 companies) meant that the portfolio should contain a maximum of 140 Account Managed businesses. The companies that exceeded an agreed score were categorised as ‘Account Managed’ firms; those with a lower score were classified as ‘Client Managed’ companies. The rest constituted companies with less than 25 employees. Five of the Account Managed companies were identified as ‘exemplars’.

Segmentation in practice

2.13 According to the process, the approach to identifying potential clients is proactive as well as reactive using a range of information sources. For example, Business Development programme managers within SE Lanarkshire may recommend a company that is a potential Account Management candidate or a possibility might emerge through the SBG. However there are concerns on the part of Account Managers that there may be companies in Lanarkshire of Account Management standard that are ‘off the radar’.

2.14 The progression of client companies should involve moving from Client Managed status towards Account Management and finally towards exemplar status. In practice there has been movement or ‘churn’ between groupings:

- **some Client Managed companies have been ‘upgraded’ to Account Managed status**
- **some Account Managed companies have been ‘downgraded’ to Client Managed status.** It was recognised that in categorising some of the companies, SE Lanarkshire ‘got it wrong’ in some cases where the willingness to engage was overestimated. There have been no complaints from the companies on downgrading (though they may not be aware that it has been undertaken)
- **some exemplar companies have been relegated to the Account Managed group.** The issue of defining exemplar companies has proved difficult, as so much depends on market context. One particular example of this was of a company that was very successful in the UK market and so appeared to be worthy of exemplar status. The company’s standing did not last when it moved into the European market. As a consequence, SE Lanarkshire felt it could no longer be considered exemplar but rather a conventional Account Managed company.

- 2.15 SE Lanarkshire’s approach to the movement of companies between groups has been fluid and dynamic but there is no specific review procedure for examining the portfolio as a whole. There is a concern on the part of some Account Managers that Client Managed companies are much less well known. *One consequence of this would be companies with potential being overlooked.*
- 2.16 Companies do not know which category they fall into. During the company survey, they were asked whether they had noticed any difference in the level of contact with their Account Manager over the last 18 months. Three quarters of Account Managed companies had noticed intensification in support (as had nearly 50% of Client Managed companies – Table 2.2). Over 20% of Client Managed companies had noticed a decrease in support.

Table 2.2: Over the last 18 months, have you noticed that the level of contact from your Account Manager has....

| | AM companies % | CM companies % |
|--------------------------|-------------------|-------------------|
| <i>Intensified</i> | 75 | 48 |
| <i>Decreased</i> | 4 | 22 |
| <i>Remained the same</i> | 21 | 30 |

- 2.17 SE Lanarkshire had been concerned that the companies which had previously benefited from the services of an Account Manager, but which had been put into the Client Managed category 18 months ago, would notice a downgrading in the level of support and would be unhappy about it. Certainly, some Client Managed companies were aware that support had diminished but there was nothing from the survey to suggest that this had caused them to be dissatisfied.

Appropriateness of segmentation

- 2.18 The main purpose of the process is to enable resources to be focused on the companies most able to benefit. There is some hard and fast statistical evidence from the survey of Account and Client Managed companies to suggest how far this has been achieved, and this is presented later. However, the overwhelming *impression* from all the interviewers is that there were few companies in the Account and Client Managed surveys which did not merit the special status which they now benefited from. This was in contrast to some recent evaluations of Account Management which the team of consultants has been involved in in other areas where the proportion of ‘unsuitable’ companies in the Account Managed portfolio has been relatively high. Similarly, an SQW review of BGI, conducted two years ago, found a higher proportion of companies which probably did not need or deserve the support they were

receiving than is the case now. This was even more true of the now discontinued Lanarkshire Business Planning Initiative. **The increasing refinement of company selection thus appears to be bringing benefits.**

2.19 There are two areas, however, where qualification is necessary:

- some Client Managed companies appeared to deserve Account Managed status (as the Account Managers acknowledge)
- there appear to be limited benefits among some of the ‘strategic’ companies who were being assisted (albeit that in some cases, the support was low key).

2.20 These issues are returned to in the final chapter.

Client exit

2.21 Client exit has also been an issue according to some of the Account Managers. The factors contributing to this include:

- Account Managers developing very close relationships with some companies and finding them difficult to relinquish
- few companies reaching exemplar status and remaining there.

2.22 The result to date has been a steady increase in the number of Account Managed companies. On average the Account Managed segment expands by 10 every year. These include inward investment companies, downgraded exemplar companies as well as upgraded Client Managed companies. The consequence of this is that **the Account Managed segment of the client base has expanded since the initial segmentation.**

The Account Managers

2.23 There are currently eight Account Managers; all bar one are permanent SE Lanarkshire employees. Most have been in post for some time and there is evidence that companies welcome this continuity of contact. The Account Managers have benefited from training and personal development beyond ‘Premier Adviser’ (which all business advisers in Scotland are obliged to take up). Although not rigid, a sectoral dimension has emerged to some extent among the skills of the Account Managers with specific specialisms in engineering, food and drink and biotechnology. The surveys also suggest that companies appreciate specific sector knowledge.

2.24 The Account Managers themselves are pleased with the Account Management process which they see as much better than the system it replaced. They do have a heavy workload which, as noted, is constantly expanding. There is heavy pressure on them to deliver a responsive and proactive service to an increasing number of clients (as well as to meet targets for the delivery of the main Business Development programmes). One consequence is that they have very little time for ‘thinking’, researching or reflecting, and networking among themselves. A reappraisal of how their workload is scoped and managed would be helpful and features in the recommendations in chapter six.

Chapter overview

- **The process of market segmentation is now well embedded within SE Lanarkshire.**
- **Allocation of companies to ‘segments’ has been undertaken thoroughly.**
- **The process is fluid with companies moving between segments - but there is no regular process of reviewing the segmented portfolio of companies as a whole.**
- **In the great majority of cases, companies have been put into the correct segments – most of the Account Managed companies deserve to be there.**
- **The question of how far there needs to be a formal exit review for companies is worth considering.**
- **The Account Managers have a heavy workload with little time for introspection. Review of their workload to agree what is reasonable and leave scope for thinking time might be helpful.**

3 The shape of support to companies

Introduction

3.1 The next two chapters set out the main findings of the surveys of Account Managed and Client Managed companies. Both sets of companies were asked basically the same questions though more detail was sought from the Account Managed companies. In both cases, however, the main thrust of the questioning was aimed at establishing:

- the services which businesses had benefited from
- consequent changes in behaviour within the business
- the benefits which have accrued
- the value of the various forms of intervention – from Business Growth Programmes as well as the support of the Account Manager
- how support might be improved.

3.2 This chapter describes the shape and nature of the intervention with companies.

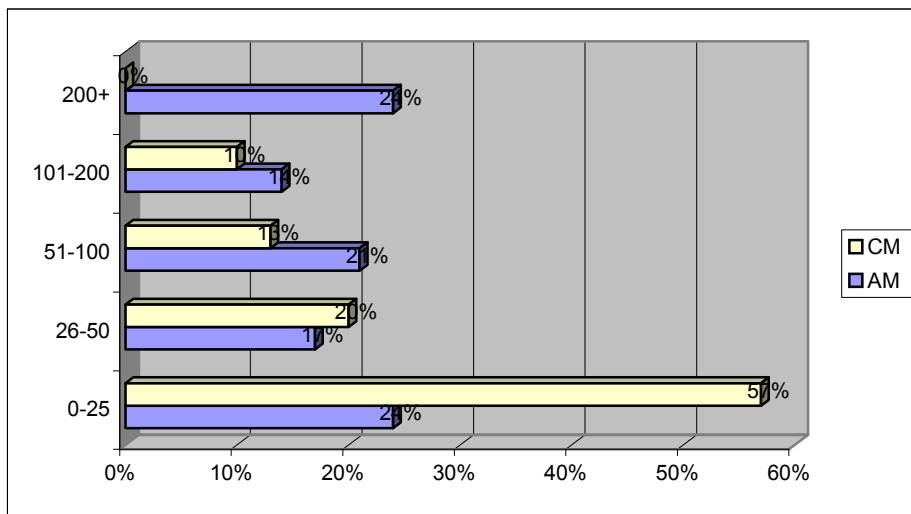
Characteristics of companies in the sample

3.3 Fifty-nine companies were interviewed altogether. Most (nearly 60% overall) were in manufacturing but with a significant amount in business services (Table 3.1). There were some important differences between the Account Managed and Client Managed companies, in particular a significantly greater presence of companies from within the SE Clusters (Food and Drink, Electronics and Biotechnology) in the Account Managed group. ‘Sector’ does not appear in the list of Gateway questions or Growing Business criteria, so it is significant that simply by looking at these criteria many companies in the Clusters have emerged.

| Table 3.1: Sector of Account and Client Managed companies | | | |
|--|---------------------|---------------------|--------------|
| | AM companies | CM companies | Total |
| | % | % | % |
| Manufacturing: Food and Drink | 21 | 10 | 15 |
| Manufacturing: Engineering | 10 | 7 | 8 |
| Manufacturing: Electronics | 17 | 3 | 10 |
| Other manufacturing | 10 | 40 | 25 |
| Biotechnology | 14 | | 7 |
| Construction | | 3 | 2 |
| Business services: Computer/IT | 10 | 13 | 12 |
| Business services: Technical | 10 | | 5 |
| Other business services | | 13 | 7 |
| Wholesale and retail | | 3 | 2 |
| Other | 7 | 7 | 7 |
| Total | 100 | 100 | 100 |

- 3.4 The average Account Managed company in the sample had 130 employees. We understand from SE Lanarkshire that the average over the population of Account Managed companies as a whole is nearly 120 employees. The average for the sample is therefore only a little higher than the population which suggests that it is reasonably representative.
- 3.5 The average Client Managed company had just fewer than 40 employees. The Account Managed companies in the sample were thus much larger than the Client Managed companies. Nearly 60% of Client Managed companies had less than 25 employees compared to 24% of Account Managed companies (Figure 3.1). That said, the Account Managed companies are still mainly small and medium sized enterprises. The Account Managers believe that the average size of Account Managed companies is falling over time.

Fig 3.1: Account Managed and Client Managed companies by employment ranges



3.6 Nearly three quarters of the companies interviewed had been established more than six years ago (Table 3.2). There were more young companies among the Client Managed group - 13% established within the last three years compared to 4% of Account Managed companies.

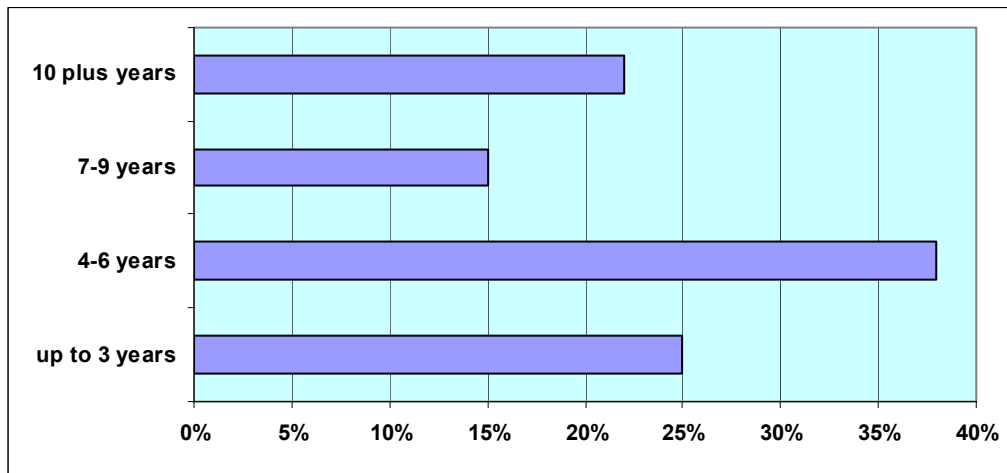
| Table 3.2: When company was formed | | |
|------------------------------------|--------------|--------------|
| | AM companies | CM companies |
| | % | % |
| Within last three years | 4 | 13 |
| Four to six years ago | 11 | 13 |
| Before that | 86 | 73 |
| <i>Total</i> | <i>100</i> | <i>100</i> |

3.7 Across the sample as a whole, companies had been working with SE Lanarkshire for an average of **six years**. Among both Account and Client Managed companies, three quarters of companies in the sample had been engaged for four years or more. Less than 25% had been working with SE Lanarkshire for three years or less. Many Account and Client Managed companies are therefore involved in long standing arrangements with SE Lanarkshire. The proportions of newly formed companies and companies new to the network are relatively small. That said, and especially in the case of Account Managed companies, the *nature* of the relationship with SE Lanarkshire is likely to have changed with a significant step change coming through the Growing Business Review (see below).

3.8 Nonetheless, some of the companies have been involved with SE Lanarkshire for 10 years or more (Fig 3.2). Coupled with the view of some of the Account Managers that there is no easy exit route with some companies and a tendency for the number of Account Managed companies to creep up, there is a suggestion that the system might benefit from a formal

continuation review that in some cases might lead to a tailing off of the relationship where companies and SE Lanarkshire are no longer deriving anything other than marginal benefits. This issue is returned to in the final chapter.

Fig 3.2: Length of relationship with Account and Client Managed companies



3.9 SE Lanarkshire might reflect on the fact that the Account Managed companies in the main are large organisations (much larger than the Client Managed companies) which are relatively long established. It is difficult to be conclusive about this, but the Account Managed companies might on balance be ‘safe bets’ with more risky companies among the Client Managed group. It is acknowledged by the Account Managers that they pay much less attention to the Client Managed group and that within this group there may be some that would benefit from the Account Managed approach.

Firms’ motivation for working with SE Lanarkshire

3.10 Most Account Managed firms were motivated by very positive reasons for seeking support from SE Lanarkshire (Table 3.3). Many of them were related to *business expansion*. This suggests that the ‘growing business’ criteria for selection are working well. The need for an external view was present among nearly 20% of Account Managed companies. There were relatively few where the reasons for engaging were negative, for example, falling sales. This should also be encouraging to SE Lanarkshire. Other reasons were common. In most cases, these were very specific to the business, such as the need to look for new property.

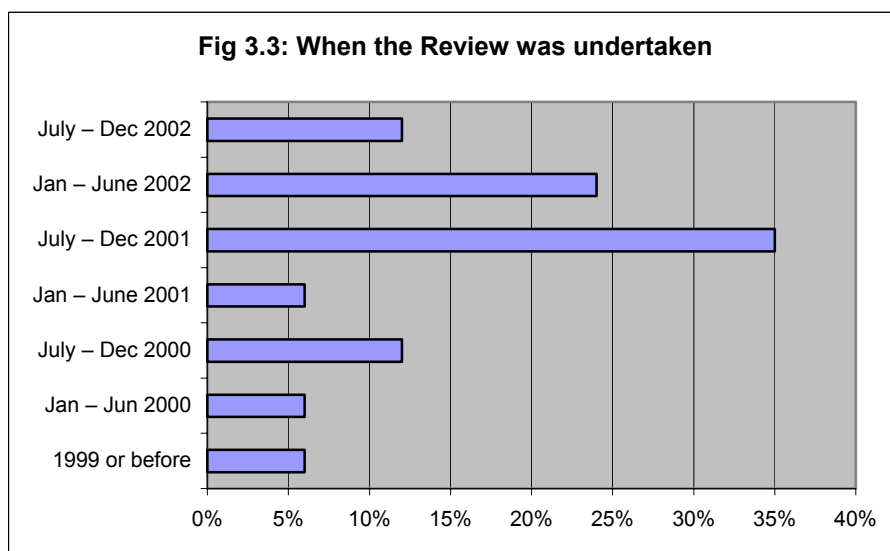
| Table 3.3: Initial business reason for seeking support | |
|---|------------------------|
| | AM companies(%) |
| Business expansion | 48 |
| Need for an external view | 19 |
| New market opportunities | 19 |
| Need for strategic direction in the firm | 11 |
| Falling sales | 11 |
| Falling market share | 7 |
| Falling profitability | 4 |
| Other | 41 |

- 3.11 The most common form of support that Account Managed and Client Managed companies were looking for was *access to grant funding* (Table 3.4). We have seen this time and again in other evaluations. It seems to remain true that businesses in many cases initially see the role of the public sector as a provider of grant funding. Given the prevalence and value of Regional Selective Assistance as well as SMART or SPUR awards, this should probably not be a surprise. What is more encouraging is the number who came looking for *advice* (around 50% overall) as well as the number of Account Managed companies which were looking for *financial support for consultancy* (nearly one third), and who appear to have been keen to secure an external view of the firm. The higher number of Client Managed companies who were looking for access to specific programmes is probably also not a surprise given that they do not benefit from the customised approach to programmes available under Account Management.

| Table 3.4: Form of support sought | | | |
|--|---------------------|---------------------|--------------|
| | AM companies | CM companies | Total |
| | % | % | |
| Access to grant funding | 72 | 87 | 80 |
| Advice | 45 | 50 | 47 |
| Information | 24 | 17 | 34 |
| Financial support for consultancy | 31 | 23 | 27 |
| Access to specific programmes | 21 | 33 | 27 |
| Help with networking | 14 | 17 | 15 |
| Other | 14 | 7 | 10 |

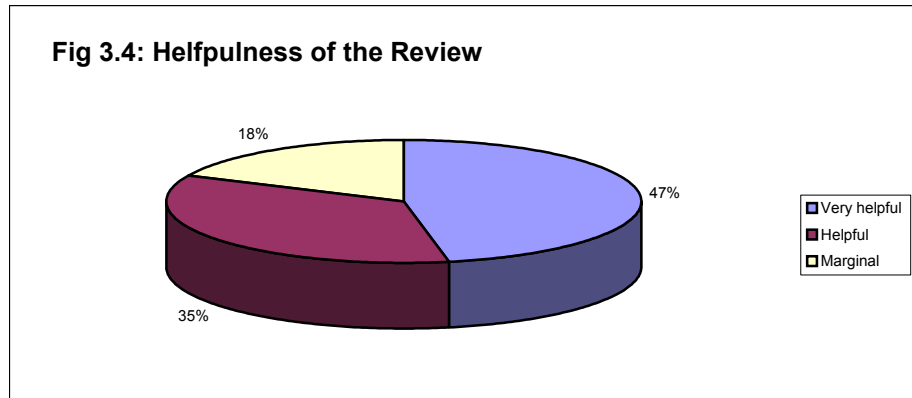
The process within Account Managed companies – Growing Business Review

3.12 This section looks at the shape that intervention takes within Account Managed companies, specifically the Growing Business Review (GBR)/Action Plan process. Each Account Managed company is expected to go through the GBR which takes a broad overview of the company's performance, strengths and weaknesses within the context of the 14 Growing Business criteria. It was mentioned earlier that this standardised (but customised) process of working with Account Managed companies is relatively new and the Account Managers are currently working their way through the list of Account Managed companies. Thus, **seventy per cent of the Account Managed companies interviewed had gone through the GBR process**. In some cases, it was very recent (just over 10% within the last few months) but most had taken place between July 2001 and June 2002 (Fig 3.3).



3.13 In over 50% of cases, the Account Manager undertook the review process with the company. Account Managers reckon that it takes about three to four days of their time. In the remainder the review was undertaken by consultants, principally Ewan Macauley or Strategem. There appeared to be satisfaction with both approaches and no hint that the consultants had done anything other than a good job.

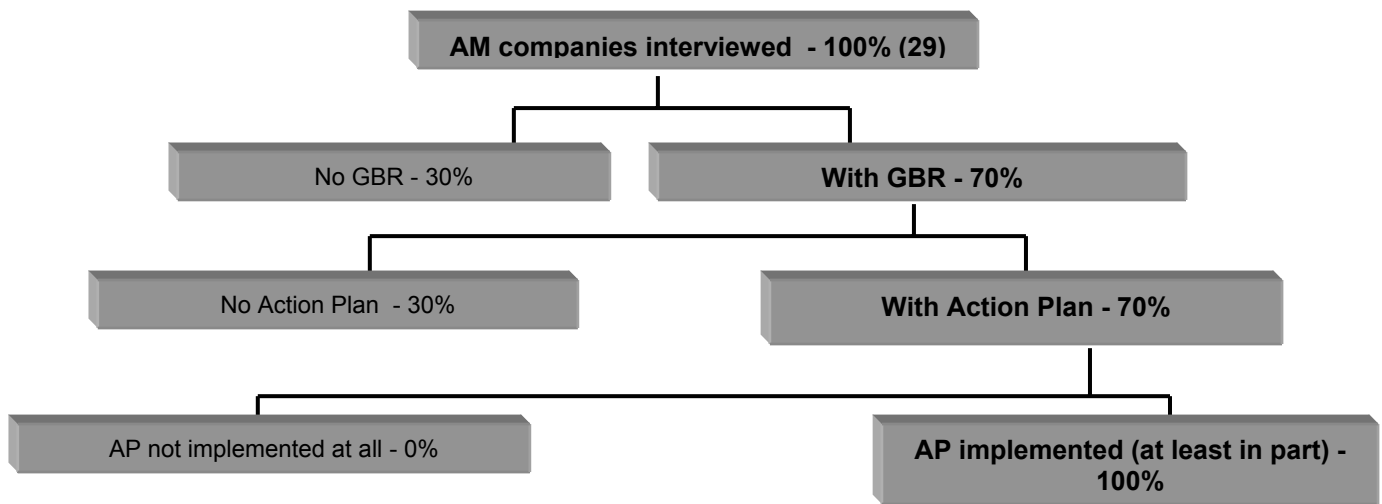
3.14 **Nearly 50% of companies found the GBR very helpful with a further third finding it helpful** (Fig 3.4). Only 18% found it 'marginal'. This is an excellent finding for SE Lanarkshire with the great majority of companies finding the process helpful or more. There is also a contrast with firms' original motivation for working with SE Lanarkshire, which more often than not related to grant funding. **Once the relationship is established, the opportunity clearly emerges to look in much more depth at the firm and its operations.**



- 3.15 There is anecdotal evidence from the survey of the value that companies attached to the process, especially where a smaller or relatively young company has grown to the extent that it is outgrowing its original management structure. The GBR helps to point out where the weaknesses are and how they might be addressed. In many cases, firms were prepared to acknowledge that they were aware of their weaknesses, but that their emergence through an external view by an objective outsider provided the confidence to do something about them.
- 3.16 Many businesses acknowledged that the GBR also helped them to cement and refresh the relationship with the Account Manager. It is not wise to disaggregate further the number of companies which have gone through a GBR, since the numbers would be very small. It is our impression, however, that the smaller companies derived more benefit from this process than the larger ones.
- 3.17 GBRs appear to have marked a step change in the relationship between the Account Manager and the company. Not only have they had value in themselves, but also in some cases, long-standing relationships (whose value might otherwise have been questioned) have been ‘refreshed’ and reinvigorated. It is also likely that compared to the previous relationship, the GBR gives the Account Manager the chance to take the initiative. Under BGI, for example, the initiative would be likely to remain very much with the company. The GBR encourages a more rounded and holistic view of a company’s needs to be taken. Many companies seemed to be aware of this and welcomed it.

The process within Account Managed companies – Action Plan

3.18 A review on its own is of limited value unless followed up by some action to deal with the issues identified. **Seventy percent of the Account Managed companies which had gone through the GBR had, with the support of the Account Manager, gone on to develop an Action Plan.** Where there was no Action Plan it was mainly because the firm had simply not reached that stage yet. We can trace the shape of implementation of Account Management process in interviewed companies as follows:



3.19 The subject coverage of the Action Plans is broad (Table 3.5). Marketing, general strategy and human resource development were the areas most likely to be covered. More technical subjects such as research and development and financial management were much less likely to be part of the Action Plan, presumably because they were not areas of need within the firm. We are not sure why so few have mentioned exporting, though it does appear that many of those whose Action Plan did cover exporting also stated that it was the main focus.

| Table 3.5: Areas covered by the Action Plans and main focus | | |
|---|-------------------|------------|
| | All areas covered | Main focus |
| | % | % |
| Management Team & Structure | 44 | 31 |
| Marketing | 63 | 31 |
| General strategy of the firm | 50 | 15 |
| Production | 19 | 8 |
| Exporting | 13 | 8 |
| Human Resource Development | 56 | |
| Information and communications technology | 25 | |
| Research and development | 13 | |
| Financial management | 13 | |
| Supply of finance | 13 | |
| Property | 13 | |
| Distribution | 6 | |

- 3.20 The *main focus* of the Action Plan narrows down considerably. The two main areas were *marketing* and *management team and structure*. The fact that management team and structure is prominent should be very encouraging to SE Lanarkshire. It is commonly accepted that within the UK, most business weaknesses are down to problems with management and leadership. We would make the point again that firms have entered this process with the intention of securing a grant or acquiring a particular piece of advice or information are encouraged by the Account Management/GBR process to go through a *root and branch review* of their operation which encourages them to home in on some very telling weaknesses. *The fact that this is many cases in leading them to do something about management is a hugely positive sign, especially for fast growing smaller businesses.*
- 3.21 There is a contrast with the situation where BGI is implemented outside the Account Management framework. The evaluation of BGI undertaken two years ago suggested that the main focus of BGI projects, at that time, was production. Strategy was considerably down the list and management not mentioned at all.
- 3.22 SE Lanarkshire might also, however, consider why marketing appears so prominently. While in many cases it may indeed relate to the poor marketing being undertaken by the firm, there is also the possibility that it relates to the skills of the Account Manager or the consultants. There is little hard evidence to substantiate this, but SE Lanarkshire might wish to reassure themselves that it is not the case.

3.23 Eighty per cent of firms were very satisfied with the relevance of the Action Plan to their needs. Only a small number were neutral about this subject. In almost all cases, the Action Plan has been implemented at least partially (and 13% of firms have implemented it in full). No firms said that they had no intention of implementing the Action Plan. It should not be a surprise that partial implementation is the norm. Things move on and an Action Plan is always likely to contain elements which quickly become less relevant. Nonetheless in both of these respects – relevance of the Action Plan and progress towards implementation – SE Lanarkshire should be very satisfied with outcomes apparent. Some elements which appeared in the Action Plans were as follows.

| Table 3.6: Some elements in the Action Plan | |
|--|---|
| Recruitment of finance director and HRD Director | New quality system introduced |
| Succession planning underway | Management team established |
| Management training for MD and Finance Director | Establishment of sales and marketing department |
| Creation of new marketing and sales division | Product development systems established |
| Uptake of ISO 14001 | Traceability system introduced |

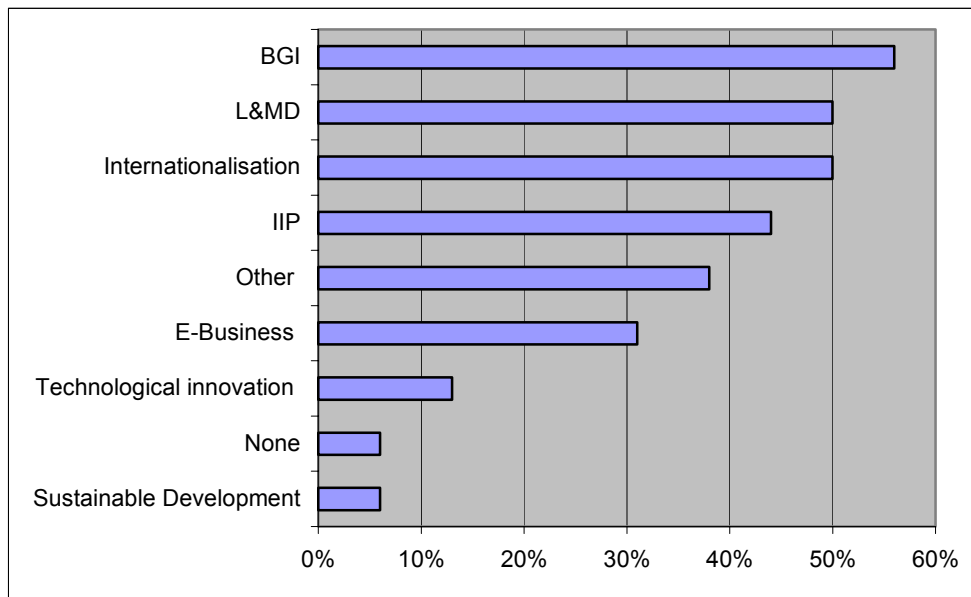
Engaging the Business Development programmes through the Action Plan

3.24 We noted that the Account Managers are expected to develop a long-term relationship with the company. They are there to provide an external view and guidance which companies would otherwise find it hard to secure. In terms of actual implementation of action, however, a key feature of the Account Management process is the extent to which the main SE Lanarkshire Business Development programmes should be brought to bear by the Account Manager.

3.25 All of the main programmes have been used in this way by Account Managed companies which have gone on to implement an Action Plan (Figure 3.5), but use has principally been made of the *Business Growth Initiative (BGI)*, *Leadership and Management Development (L&MD)* and *Internationalisation* programmes. BGI and Internationalisation are highly valued by the Account Managers because of the flexibility which they offer. BGI in particular can be used to support a wide range of individual projects. The flexibility provided by these programmes effectively empowers the Account Manager in the relationship with the company and helps to forge the relationship by providing the wherewithal to deliver relevant support. A recent evaluation of L&MD by EKOS found it to be of considerable value. Only in a very small number of cases was no programme used at all though use of programmes to

promote technological innovation (for example through sub-programmes such as SCIS) and sustainable development was infrequent¹.

Fig 3.5: Support programmes used in implementing the Action Plan



3.26 It is not the job of the Account Manager just to deliver these programmes. There is expected to be a degree of enhancement and customisation to the Account Managed company's needs. How far this has been achieved is discussed in chapter five. There was also evidence from the interviews of the Account Manager stimulating other forms of action *beyond* participation in the programmes alone. About 20% of companies had taken another course of action suggested by the Account Manager. These included networking with other companies and referrals to management training beyond L&MD. It was mentioned above that the Sustainable Development programmes were infrequently used. However, there were a few examples of the Account Manager encouraging a company to pursue ISO 14001, though not necessarily through the SE Lanarkshire programmes.

3.27 Finally, Account Managed companies which had gone through the GBR/Action Plan process were on average stimulated to invest **£200,000** of their own resources in implementation of the Action Plan.

¹ Most of the programmes and Account Management support offered by SE Lanarkshire are designed to promote innovation in various forms. The programmes grouped under 'Technological Innovation' are specifically orientated at product and process innovation and are described in more detail in Chapter 5.

Firms with no Action Plan

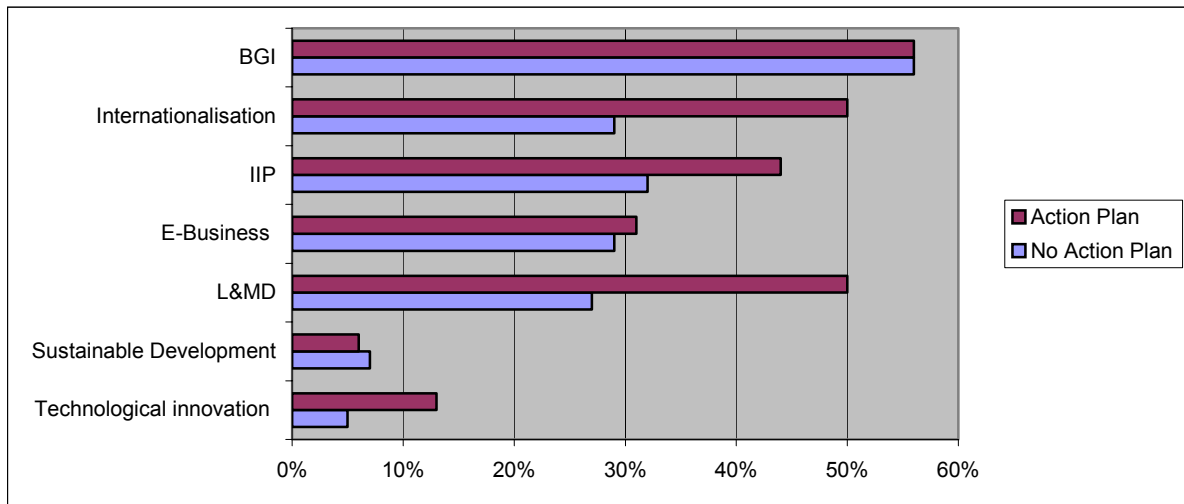
3.28 The figures presented so far describe the shape of intervention among Account Managed companies which have gone through the process as it is intended to be implemented, although in many cases, this has been very recent. The evaluation also looked at what has happened to companies which have *not* gone through this process. They fall into two groups:

- Account Managed companies which have not yet got to the stage of a GBR or an Action Plan (most of the companies in this group which were interviewed had not yet reached the GBR stage)
- Client Managed companies – these companies would not be expected to go through this process at all.

3.29 Since both of these groups have essentially not started on the process yet they can be aggregated to create a picture of intervention outside the structured Account Management process. What emerges (Fig 3.6) is a different pattern of programme usage compared with firms which have gone through a GBR. Though BGI continues to be the programme most frequently accessed, there is:

- less use of IIP (among those which had not gone through the Account Management process compared with those who had), and
- much less use of L&MD and Internationalisation
- less use of the programmes in general.

Fig 3.6: Comparative use of programmes; firms with *no* Action Plan and firms *with* Action Plan



3.30 There are also some striking differences between the main focus of activity in these companies in comparison with the companies which have gone through the structured process. The scope of the ‘main focus’ covers a much broader range of activity than among those who have gone through the GBR, where it is very much focused on marketing, strategy and management team. But it is the area of management that the greatest difference is apparent. In companies that have had a GBR, change to management team and structure is the main focus of activity in nearly one third of companies. Among those where there has been no structured approach, it rarely appears. This confirms that where there has been no GBR, for example among the Client Managed companies, there is much less depth to the engagement with the company; and where the structured approach takes place, an in-depth engagement frequently leads the company to look at its management as the main issue to be addressed.

| Table 3.6: Main focus of activity among firms which had <i>not</i> benefited from an Action Plan | |
|--|----|
| | % |
| Marketing | 18 |
| General strategy of the firm | 16 |
| Exporting | 13 |
| Information and communications technology | 11 |
| Human Resource Development | 8 |
| Supply of finance | 8 |
| Production | 5 |
| Management Team & structure | 3 |
| Research and development | 3 |
| Property | 3 |

Chapter overview

- **The Account Managed companies in the sample were on average larger than Client Managed companies and were more likely to have been formed some time ago.**
- **Many Account Managed and Client Managed companies have benefited from long standing relationships with SE Lanarkshire.**
- **Where Growing Business Reviews have been undertaken, firms have generally found them to be extremely helpful. They mark a step change in the relationship between the Account Manager and the company.**
- **GBRs have also encouraged a much more fundamental review of a company's strengths and weaknesses than would otherwise have been undertaken and contrast with many firms' initial motivation for working with SE Lanarkshire which frequently relates to the desire to access grant funding**
- **Management team and structure is one of the most frequently mentioned areas of action to emerge from the GBRs.**
- **There is a high degree of satisfaction with the Action Plans produced following the GBR; almost all Action Plans have been implemented, at least in part.**
- **The main programmes accessed through the Action Plan are BGI, Internationalisation and Leadership and Management Development.**
- **Where there is no GBR and Action Plan (for example among Client Managed companies) action is more partial and less rounded than where there is an Action Plan. There is less use of the Internationalisation and Leadership and Management Development programmes.**

4 Effects within companies and cost effectiveness

Introduction

- 4.1 The previous chapter looked at what has been done with individual companies. This chapter looks at the difference the support from SE Lanarkshire has made. The chapter differentiates the qualitative changes (changes in firms' behaviour and attitudes) from the quantitative changes (changes in actual performance). There are many influences on behaviour and performance and it is often difficult to disentangle cause and effect. Within the support provided by SE Lanarkshire, there are many elements and here too firms did not find it easy to say what has had the greatest influence. Where possible, however, we have made the effort to do this, though often the level of disaggregation of survey data necessary will mean that results should be interpreted with care.
- 4.2 It is important to enter one particular caveat at this stage. The whole Account/Client Management/segmentation process is relatively new to SE Lanarkshire. In many cases, businesses have gone through the GBR relatively recently. It is therefore still relatively early to be judging this process and indeed, *quantitative impacts* recorded, are at least as likely to reflect earlier interventions as they are to reflect the recent support through Account Management. That said, the Account Management process is primarily aimed at changing behaviour within firms. Behavioural change itself is the source of the changes in performance which might at some time be capable of quantitative description. Change in behaviour is indeed possible to record. Changes found within Account Managed companies are described next.

The Growing Business criteria in Account Managed companies

- 4.3 Much of the development effort within the SE network is driven by the need to change behaviour and attitudes within companies. To this end, the list of Growing Business criteria has been developed and encapsulates the practice which companies should seek to follow and which intervention should point them towards. The 14 criteria also form the backbone of the Growing Business Review.
- 4.4 *Account Managed* companies interviewed were asked about the extent to which the support provided by SE Lanarkshire had *directly encouraged them* to change their behaviour in a particular way. The results are shown in Table 4.1, which also distinguishes how far firms

believed that change had arisen through the support of the Account Manager or through a particular programme. The main points to emerge are as follows.

- Significant numbers of companies have been influenced in relation to:
 - ◆ leadership style
 - ◆ commitment to continuous improvement
 - ◆ skills and knowledge of the workforce
 - ◆ change management, and
 - ◆ strategic planning.
- The Account Manager has had a direct influence in respect of almost all of the criteria.
- There is a strong correlation between a company being influenced in relation to a particular criterion and the influence of the Account Manager. Thus, high percentages of companies have changed leadership style and are now more willing to embrace change and in both respects, the major influence has been the Account Manager.
- The influence of programmes is high in relation to skills and knowledge of the workforce – this reflects the influence of IIP; and market knowledge, reflecting the influence of Internationalisation.
- Over 40% of companies are now more likely to network with suppliers and clients *entirely* because of the influence of the Account Manager.

4.5 The findings present a positive picture for SE Lanarkshire. A majority of companies are directly being influenced to change their way of working in respect of many of the main criteria; and if leadership is considered to be the most important aspect of business behaviour to change (since other changes are bound to follow), the findings are especially positive, both in respect of change overall and the influence of Account Management.

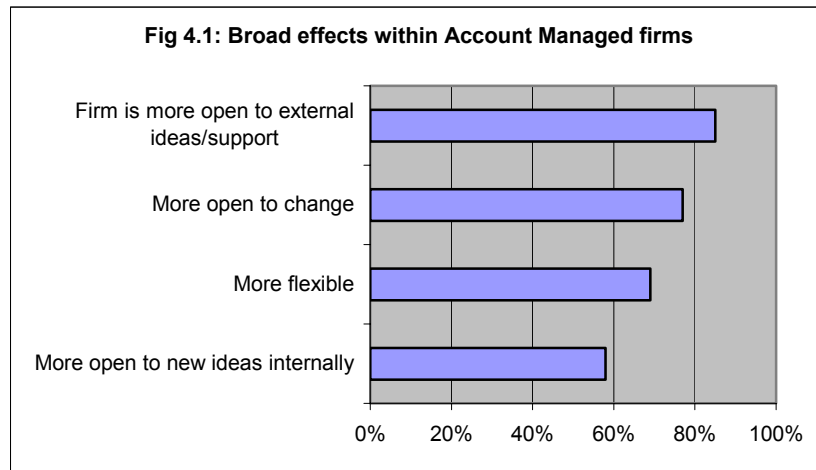
4.6 The criterion covering corporate responsibility includes changes in environmental practices by companies. It is quite encouraging to notice that nearly 40% of Account Managed companies have adopted better environmental practices as a result of the support. As was noted earlier, in some cases, this has been down to Account Managers drawing companies' attention to these matters not necessarily through a programme. The evaluation of BGI undertaken two years ago suggested that it had then had no influence on environmental concerns within companies.

4.7 Equal opportunities is not one of the Growing Business criteria but in considering the influence of the ‘horizontal themes’ for European Regional Development Fund purposes, it was thought helpful to ask companies about how far behaviour might have changed because of exposure to SE Lanarkshire support. Nearly 20% of companies answered positively. This too is quite positive given that equal opportunities does not figure formally in the criteria which drive the GBR.

| Table 4.1: Effect on ‘Growing Business’ criteria within Account Managed companies | | | |
|--|-----------------------------|--|--|
| | Companies influenced | <i>Account Manager made main contribution*</i> | <i>Programme made main contribution*</i> |
| | % | % | % |
| The leadership style within the firm has changed | 69 | 72 | 39 |
| There is a commitment to continuous improvement | 69 | 44 | 56 |
| We consciously strive to develop the skills and knowledge of the workforce | 69 | 56 | 61 |
| Change is consciously managed and embraced | 62 | 69 | 38 |
| There is explicit long term and strategic planning within the firm | 58 | 73 | 13 |
| We are in a better financial position with a strong asset base | 54 | 57 | 43 |
| Our knowledge of the market is much better | 50 | 46 | 62 |
| The firm now consciously promotes innovation and new ideas | 46 | 58 | 58 |
| We think globally in terms of trading and acquiring knowledge | 42 | 55 | 45 |
| We consciously network with clients, suppliers and others | 42 | 45 | 0 |
| Our activities now demonstrate a high degree of corporate responsibility | 38 | 40 | 50 |
| We are much more aware of customer needs ; we monitor service indicators | 35 | 33 | 44 |
| We understand what technology can do for us; we have an e business strategy | 35 | 33 | 44 |
| We encourage and reward initiative | 23 | 50 | 33 |
| We are more conscious of the need to promote equal opportunities | 19 | | |

* These figures mean that of the 69% of companies that were influenced to change leadership style, 72% were primarily influenced by the Account Manager to do so and 39% through a programme. The latter two figures do not sum to 100% as some companies reported that programme and Account Manager influences were equal.

4.8 The essence of the 14 main criteria can be captured in a few questions about how the firm might have changed as a result of the support. The results (Fig 4.1) show that the great majority of Account Managed companies are now more open to external ideas or support and that around three quarters are more open to change or are more flexible.



4.9 Firms were able to describe how changes in behaviour had occurred and how fundamental they were. In many cases, the permanence or deep-seated nature of the change came through the development of new systems, management structures, Board structures, new appointments or regular review procedures.

4.10 It is helpful to draw on a few examples of how the process of Account Management has influenced companies, to illustrate what change in behaviour can mean in practice. The following ‘anonymised’ examples are some of the positive ones which were found during the interviews. All are Account Managed companies.

Firm 'A'

...is a manufacturing firm supplying the electronics industry in Scotland. It is a family owned business, employing 120 people. The owners/directors have been working with SE Lanarkshire for a number of years with a view to expansion. The Account Manager has facilitated the following support from SE Lanarkshire designed to expand the business:

- assistance with relocation to a new factory facility
- participation in the MSc in Corporate Leadership. This has resulted in a restructuring and the appointment of two development staff with the role of finding new business. The company is now looking to develop junior managers and is considering a commitment to IIP
- the company has joined Electronics Scotland – the industry networking body
- achievement of ISO14001 with support from the Sustainable Development programme
- participating in a Scottish Enterprise Electronics Team "Supplier Development" programme.

Firm 'B'

...is an engineering systems business facing significant threats due to its reliance on the steel industry. Over the past five years, aided by SE Lanarkshire, it has diversified its activities into areas such as utilities and oil and gas. Initial discussions with the Account Manager led to the provision of marketing support to professionalise the company's approach to these markets. Subsequent to this, the Account Manager directed the company towards programmed support in the area of internationalisation, leading to it establishing a Middle Eastern presence.

Throughout the period of the relationship, the Account Manager has sought to encourage a strategic and forward-looking approach on the part of the firm. This has been augmented greatly by its participation in Leadership and Management Development programmes, which have led to a greater quality of engagement between the firm and the Account Manager, and the opening up of new horizons for the firm itself.

Firm 'C'

...is a food and drinks firm. The Chief Executive's relationship with his Account Manager has encouraged him to network much more actively than would otherwise have been the case. Participating in local and national networks has led to partnerships with other firms and his company's eventual involvement in the Internationalisation programme. This had taken place at just the right time for the firm leading to inroads into the US market and the development of a new product.

Firm 'D'

...is an electronics manufacturing company. The Account Manager has played an important role in identifying appropriate programmes of support. Two in particular, Internationalisation and Investors in People have persuaded a 'reluctant' management team of the need to:

- develop market entry strategies in new global markets
- develop more effective and better-resourced HRD systems.

As a result of these changes, the firm has won a Queens Award for exporting. In addition costs have been reduced through lower levels of staff absenteeism and turnover as a result of improved 'people' systems.

Firm 'E'

...is a family owned food and drink company. The senior management team has been quite set in its ways for a number of years. The Account Manager challenged this through the Growing Business Review. This has challenged thinking and 'loosened things up a little'. This would not have come about if not for the 'pushy and hard-headed' approach of the Account Manager. This was just the type of approach needed for the firm in question.

As a result, the culture within the company has begun to change. The introduction of Investors in People would not have occurred without the Account Manager's intervention. This programme has been important and valuable in that it has built upon these initial cultural changes and enhanced internal communication processes.

Change in behaviour in Client Managed companies

4.11 Change was also examined in Client Managed companies. Because the interviews with Client Managed companies were undertaken over the telephone, it is also necessary to be somewhat more careful about interpreting qualitative questions. That said, the greatest influence of SE Lanarkshire was apparent in:

- commitment to continuous improvement (63% of firms were influenced)
- strategic planning (60% of firms)
- market knowledge (60% of firms)
- financial position (60% of firms).

4.12 The individual Account Manager and the programme appeared to have equal influence among the Client Managed companies. Later findings also confirm the positive influence which Account Managers, as well as the general SE Lanarkshire support, can have within Client Managed companies (even though the service they receive is less intensive than Account Managed companies). Much of this may come down to the scale of the companies concerned. It is possible that because the Client Managed companies are much smaller, the scope for influence may be greater in some of them.

Value attached to the Account Manager support

4.13 Companies rated the performance of the Account Managers on a scale of 5 to 1, where 5 was the highest score. The results are presented for Account Managed and Client Managed together (Table 4.2) since there was little difference between the two. The results show good ratings across the board, especially in understanding of the firm's operations. Client Managed companies scored Account Managers higher in relation to 'assistance with implementation'. This could reflect the fact that smaller companies possibly need help with implementing programme recommendations more than larger ones do, or at least they appreciate it more. Overall, the response is very encouraging with only assistance with implementation seeming securing a somewhat less positive response.

Table 4.2: How companies rated the Account Manager's performance (scale of 5 to 1 where 5 is top score)

| | % | 5 | 4 | 3 | 2 | 1 |
|--|---|----|----|----|---|---|
| Understanding of the firm's operations | | 62 | 30 | 5 | 3 | |
| Relevance of recommendations | | 55 | 26 | 15 | 4 | |
| Assistance with implementation | | 43 | 36 | 14 | 7 | |
| Approachability | | 78 | 20 | | 2 | |
| Overall effectiveness | | 65 | 27 | 5 | 3 | |

4.14 Companies particularly commented on:

- the Account Managers' awareness of networks which the firm could access
- the Account Managers' sector knowledge, which provided a degree of 'edge' compared to many business advisers
- the responsive and flexible nature of the service provided – calls always answered promptly; little was too much trouble
- an enthusiasm and an appropriate 'pushiness'
- continuity of contact with a particular individual.

4.15 Among both Account Managed and Client Managed companies, the most common features of the Account Manager role were:

- acting as a sounding board for ideas, and
- arranging additional support (in both cases, present in about 80% of companies).

4.16 Companies did not identify much by way of weaknesses, so there is little from the survey to point towards obvious recommendations, but the few that were mentioned were:

- the absence in some cases of a clearly defined review procedure – companies were not always aware that the GBR would be reviewed after two years and were anxious to know that this would occur sometime
- too much form filling – if a firm accessed more than one programme, the whole process of application had to be gone through again.

- 4.17 The Account Managers have targets for delivering the main business development programmes to companies. While some of this is set by the need to meet national targets determined by Scottish Enterprise National, it is also a deliberate policy in SE Lanarkshire to try to encourage the Account Managers to think in a broader way about the needs of Account Managed companies. Thus, the need to consider a target for delivering IIP will encourage an Account Manager to consider whether IIP might be appropriate for the Account Management companies which he or she is working with. There is a danger, however, that the existence of targets might promote the overenthusiastic promotion of a programme to a company. This was referred to by the Account Managers themselves during our interviews.
- 4.18 There is little evidence that this is much of a problem so far (during the company interviews, for example, there was only one occasion where this appeared to have happened, where a large company suggested that there had been pressure to take up IIP) but there will be a need to keep a careful watch to ensure that the correct balance is achieved and that the positive motivation for promoting programmes – encouraging the broadest possible consideration of the firm’s needs – remains paramount. The ‘purity’ of the Account Manager/company relationship, which as we have seen is very highly valued by Account Managed and Client Managed companies alike, is too important to be prejudiced.
- 4.19 Most Account Managed and Client Managed companies were happy with the amount of the Account Manager’s time they were able to access (Table 4.3). Particularly in the case of Account Managed companies, this suggests an adequate and responsive service. However, somewhat more Client Managed companies, nearly 40%, would have appreciated more Account Manager’s time. It may be that there is merit in Account Managers looking again at some of these companies, which are much smaller than Account Managed companies, to see how far they may indeed be Account Management material.

| Table 4.3: Would firm appreciate more time with the Account Manager? | | |
|---|---------------------|---------------------|
| | AM companies | CM companies |
| | % | % |
| Yes (would appreciate more time) | 18 | 37 |
| No (happy with the existing amount) | 79 | 63 |
| No (would require less time) | 4 | 0 |

- 4.20 There has also been a degree of ‘market adjustment’ in the sense that the influence of the Account/Client Management process has made firms more likely to look to external sources of expertise in the future. A common weakness of small businesses in particular is their reluctance to seek an external view. Over 60% of Account and Client Managed companies believed that they would *now* be more likely to access external expertise in the future.

4.21 Taking the overview, there is no question that firms value the input of the Account Manager. All Account Managed and most Client Managed companies were able to name their Account Manager. They attach importance to the ability to have a prime contact that they can call on, who can deliver support and who can provide an independent and objective point of view. It is also important not to underestimate the ‘chemistry’ of the relationships which is overwhelmingly good. This type of impression often does not come over in a statistical analysis but it was mentioned time and again by companies.

Importance of the support to the business

4.22 Over 70% of Account Managed companies believed overall support from SE Lanarkshire to be ‘vital or ‘important’ to the company (Table 4.4); over 80% of Client Managed companies took the same view. Only a small number of companies believed the support to be marginal. These are particularly telling statistics. The figures for actual quantitative impact follow in the next section. However, it seems clear that even where companies are not able to quantify the effect of support from SE Lanarkshire (as is the case with some) they do attach considerable importance to it. The value appears to be greater among the Client Managed companies, which we believe again reflects their much smaller scale compared with Account Managed ones.

| Table 4.4: Overall importance of SE Lanarkshire support | | |
|---|-------------------|-------------------|
| | AM companies % | CM companies % |
| Vital - essential to our growth or survival | 29 | 40 |
| Important - made a significant contribution to growth or survival | 43 | 47 |
| Useful - has helped somewhat | 11 | 10 |
| Marginal - made some difference but not much | 18 | |

Economic impact

Broad impacts

4.23 This section quantifies the effects on business performance among Account Managed companies and Client Managed companies. It concentrates on the effect within companies of the *total of all the interventions which they have benefited from over the last two years or so*. A few companies were reluctant to quantify impacts, arguing that the cause and effect relationships were not clear enough. Nonetheless, a sufficient number did for the consultants to have been able to establish overall impacts.

4.24 Businesses were not asked to disaggregate between the different programmes in terms of effect on quantifiable performance but simply to estimate the effect of the sum of SE Lanarkshire interventions over the past two years or so. Given that there was a reluctance on the part of some to estimate the effect of the *total* of support, it would have been stretching their tolerance to ask them to go into even further detail. That said, we have made the effort to disaggregate the effect of the Account Manager intervention from the sum of the programme interventions; tentative estimates are set out in chapter five.

4.25 Almost all businesses were willing to make a broad estimate of the effect of the support they had received on certain aspects of the business (Table 4.5). The main conclusions were:

- between 27% and 40% of both Account Managed and Client Managed companies reported a *major impact on sales, exports and productivity* as a result of the support received
- nearly 40% of Account Managed companies and 60% of Client Managed companies reported a *major impact on employment*.

| Table 4.5: Effects of SE Lanarkshire support on company performance | | | |
|--|------------------------------|------------------------------|------------------|
| | Major positive effect | Minor positive effect | No effect |
| Account Managed companies (%) | | | |
| Employment | 39 | 43 | 18 |
| Sales | 32 | 61 | 7 |
| Exports | 32 | 41 | 27 |
| Productivity (output per employee) | 32 | 24 | 44 |
| Client Managed companies (%) | | | |
| Employment | 60 | 10 | 30 |
| Sales | 40 | 37 | 20 |
| Exports | 35 | 23 | 35 |
| Productivity | 27 | 27 | 40 |

4.26 The much higher figure for employment effects in Client Managed companies may be a consequence of the different interview technique used for these companies (all Client Managed interviews were undertaken over the phone; the Account Managed companies were interviewed face-to-face, allowing more scope for probing and questioning). There are also other possible explanations.

- The Client Managed companies are smaller; it may take less effort there to have a higher proportionate effect on employment. It is bound to be harder to achieve high proportionate increases within companies which are already major employers and which are more likely to be interested in productivity than in expansion in job

numbers. *Even within the Account Managed group itself, a major impact on sales was felt by over 40% of companies with less than 25 employees compared with 30% among those with 26 or more.*

- The Account Managed intervention is more subtle and likely to lead to change in patterns of behaviour in the short term (which might even negatively affect short term performance) but may not bring substantial benefits for some time – most Account Managed companies are only at a midway stage in the process.

4.27 **That said, the overall responses from both sets of businesses are very positive and demonstrate significant influence of SE Lanarkshire effort on company performance.**

Quantified impacts

4.28 Most businesses gave answers to the questions on quantifiable impacts. These are impacts which follow from the entire package of support delivered to the company by SE Lanarkshire over the last two years or so. The method of working has been to take the impact on sales reported by companies and convert this to employment using the turnover to employment ratios for each company. The method used takes:

- the **gross sales** reported by the company
- deducts a proportion of sales where the company believes that it might have undertaken the supported actions in any event (that is, deduction for **non-additionality** or ‘deadweight’)
- deducts a proportion for **displacement**
- adds the effect of supplier and income **multipliers**
-to produce a final estimate of net sales impact in each company, converted to ‘**net**’ jobs as described above.

4.29 Each step is described in more detail.

Gross sales

4.30 Account Managed companies interviewed reckoned that the support so far had produced gross sales of **£35m**, an average of **£1.2m** per company. The equivalent among Client Managed companies was **£20m** in total, representing on average **£0.7m** per company.

Additionality

- 4.31 Additionality takes account of the *strength of influence* of SE Lanarkshire support. Changes to company performance arise through actions taken by the company prompted by the support of SE Lanarkshire. In many cases, companies will say that they would have undertaken these courses of action in any event, although often it would have been later or not to the same quality. The Treasury and Scottish Enterprise suggest that in calculating economic impact of activity, allowance should be made for the extent to which a company has been supported by public funding to do something it would have done anyway, giving due recognition to the possibilities of scale, quality or timing effects.
- 4.32 The extent of additionality is shown in Table 4.6. These figures show a reasonably standard pattern with most companies demonstrating at least some influence, but with a sizeable minority (nearly one quarter) suggesting that additionality was absolute – that is, they would not have undertaken the actions at all but for the support of SE Lanarkshire. A review of Account Management for another Local Enterprise Company undertaken by our team earlier this year showed a similar pattern. Additionality for the SE Lanarkshire support this time is, however, higher than was established during the review of BGI undertaken two years ago.

| Table 4.6: Additionality | | | |
|---|---------------------|---------------------|--------------|
| Without the support of SE Lanarkshire, the company ... | AM companies | CM companies | (BGI) |
| | % | % | % |
| Would not have carried out these actions at all | 24 | 23 | (22) |
| Would have undertaken them but <i>not so quickly</i> | 45 | 43 | (30) |
| Would have undertaken them but <i>on a smaller scale</i> | 17 | 27 | (33) |
| Would have undertaken them but <i>to poorer quality</i> | 3 | 3 | |
| Would have implemented all of the actions anyway | 10 | 3 | (15) |
| Total | 100 | 100 | (100) |

- 4.33 One noticeable feature is that the level of *absolute non-additionality* is higher among Account Managed than among Client Managed companies. This effectively means that among Account Managed companies there was a higher proportion of companies where the support has had little effect. This has implications for:
- converting from gross to net economic impact, in that in the case of one company high gross impact converts to zero net impact as there was no additionality
 - how SE Lanarkshire targets companies, with the impression from the interviewers that in the case of some larger Account Managed companies, additionality is low. Cross tabulations of the data confirm that non-additionality is present to a greater extent among companies with more than 25 employees.

Displacement

- 4.34 Displacement occurs when support to one business generates benefits at the expense of another business in the same geographical area. It is likely to be higher at the Scottish level than at the SE Lanarkshire level. The survey of businesses quantified the proportion of additional sales that would have been taken by local competitors if they had not received the support.
- 4.35 Across the sample as a whole (there was little difference between the Account Managed and Client Managed companies) **displacement is estimated to be around 5% at the local level and 12% at the national level**. These are very low figures indeed. In a high proportion of cases, the company believed that displacement at local and Scotland levels was nil. This reflects the likelihood that:
- growing businesses are unlikely to be predominantly active in Lanarkshire or Scottish markets
 - many of the Account Managed and Client Managed companies are in technologically orientated businesses, where local competition is also likely to be limited
 - consciously or unconsciously, the Account Managed and Client Managed companies may have been selected in part because they are low displacing businesses.

Multipliers

- 4.36 In undertaking the survey, we were conscious of the need not to over burden the companies taking part. We therefore used standard SE values for supplier and income multipliers – 1.1 at the Lanarkshire level in both cases and 1.2 at the Scottish level in both cases.

Economic impact summary

- 4.37 The summary calculations for the *sample* of Account Managed and Client Managed companies are illustrated in Table 4.7. They illustrate impacts resulting *so far* from the supported activities at the Lanarkshire and Scotland levels. The main results are as follows:
- over **160 net jobs** have been created in the sample of Account Managed companies at the Scotland level, equivalent to six net jobs per company
 - over **90 net jobs** have been created in the sample of Client Managed companies at the Scotland level, equivalent to three net jobs per company
 - **240 net jobs** overall have been at the Lanarkshire level and 250 at the Scotland level.

Table 4.7 – Economic impact so far among businesses in the sample

| | Account Managed | Client Managed | Total |
|---|-----------------|----------------|--------|
| Lanarkshire level | | | |
| Gross change to sales per annum | £35.6m | £20.3m | £55.9m |
| After non- additionality (deadweight) | £10.7m | £6.1m | £16.8m |
| After allowance for displacement | £10.2m | £5.9m | £16.1m |
| Adding multiplier effects – <i>total net sales per annum impact</i> | £12.3m | £7.1m | £19.4m |
| Converting to <i>net jobs</i> | 139 | 101 | 240 |
| Scotland level | | | |
| Total net sales per annum impact | £13.6m | £7.8m | £21.4m |
| Net jobs | 161 | 93 | 254 |

From the sample to the population

4.38 We have ‘grossed up’ from the sample to the population on the assumption that there are 150 Account Managed companies altogether and 100 Client Managed companies. This is a crude process, and assumes that all companies in the population have been assisted at the same rate as the sample companies. This might not be the case, in which case, the ‘grossed up’ figures will overestimate impact somewhat. The population figures at the *Scotland* level are:

- Account Management – **£70m net sales** and **830 net jobs**
- Client Management - **£26m net sales** and **310 net jobs**.

4.39 These figures look impressive in aggregate. In detail they suggest that the effect of intervention among each Account Managed company over the past two years or so has amounted to £450,000 net sales per annum and six net jobs. Among each Client Managed company the figures are £260,000 net sales per annum and three net jobs. A true measure of impact requires an assessment of cost effectiveness, and this is turned to next.

Cost effectiveness

4.40 Cost effectiveness for the sample companies has been calculated in terms of *cost per net job created*. The total cost of intervention per company was established by calculating a unit cost per company across Lanarkshire for each of the Business Development programmes and applying this to the Account Managed and Client Managed companies in the sample which had made use of the programme². On this basis, the total cost of delivery of the *main programmes* to the Account Managed sample companies is £320,000.

² Unit costs per company were calculated using the ERDF claim forms. The results are E-business, £900; IIP, £1,600; Innovation, £1,600; Internationalisation, £4,300; L&MD, £4,500; BGI, £8,800.

- 4.41 The cost of Account Management itself has to be added to this. We understand that this amounts to £253,000 per annum. We have assumed that a high proportion of this is spent on Account Managed companies (with a much smaller proportion on Client Managed companies) and that it is fair to take the costs over two financial years. The total cost of delivering Account Management services to Account Managed companies comes to £116,000 for the 29 sample companies (we have also assumed that the sample companies have received above average attention from the Account Managers).
- 4.42 Total expenditure on the sample Account Managed companies comes to **£426,000**, adding Account Management and programme costs together. The average cost is **£14,700** per company. This is slightly less than the level of expenditure per Account Managed company which was established in a recent evaluation of a similar programme in another LEC.
- 4.43 Among the Account Managed sample companies, the cost per net job created therefore amounts to:
- **£3,070** at the Lanarkshire level, and
 - **£2,650** at the Scotland level.
- 4.44 A similar calculation for Client Managed companies (where the average cost of support per company was £10,600) results in costs per net job of:
- **£3,140** at the Lanarkshire level
 - **£3,400** at the Scotland level
- 4.45 **These are low figures suggesting a high level of cost effectiveness.** They are much less than those calculated for BGI two year ago and below the values established in a range of forms of intervention which SQW and ABEC have been involved in over the years which have gone from £4,000 to £19,000. The review of the Lanarkshire Business Planning initiative which SQW undertook two years ago produced figures of £10,000 at the Lanarkshire level and £14,000 at the Scotland level. In this case, low gross impact and high displacement combined to deliver limited cost effectiveness.

- 4.46 It should probably not be a surprise that the figures are now so encouraging. The 150 Account Management companies being worked with are the cream of Lanarkshire who have been selected for special attention because of their potential and their willingness to engage. Compared with the review of BGI, we found far less evidence that inappropriate companies were being worked with. Displacement among assisted companies is very low. The Account Managers themselves are developing their own skills and have accumulated a considerable bank of experience which is being drawn on. Finally, the impacts are derived from the support not just from one programme but in many cases two, three or more different forms of intervention, so the effects of all are being brought to bear.
- 4.47 Job creation is not the be all and end all for SE Lanarkshire. It is a very crude way to measure impact. We have noted that many companies have been able to record productivity gains (though these were very infrequently quantified). In some cases, this may lead to job losses. That said, cost per net job is an acceptable measure of cost effectiveness both for the Treasury and Scottish Enterprise. Over the piece, **SE Lanarkshire can be pleased with these figures.**

Chapter overview

- Change in behaviour has occurred in substantial numbers of companies (both Account and Client Managed) as a result of the SE Lanarkshire interventions.
- This is particularly true in relation to *leadership style, commitment to continuous improvement, skills and knowledge of the workforce, change management and strategic planning*. In all of these cases, the influence of the Account Manager has been considerable.
- There are also reasonable impacts in relation to the promotion of environmental sustainability and equal opportunities (even though the latter does not figure as one of the Growing Business criteria).
- General approval ratings for the Account Managers are also high, especially in relation to their ability to understand a firm's operations and general approachability. It appears that specific sector knowledge is also valued. Assistance with implementation is valued less highly.
- The time commitment by Account Managers to companies is in most cases considered to be about right. Some Client Managed companies would like more of the Account Managers' time, however.
- There is little evidence that programmes are being 'oversold'.
- The support from SE Lanarkshire overall is important (or more) to the majority of assisted companies. Client Managed companies especially believe this.
- There are good impacts in most areas of businesses' operations as result of the totality of SE Lanarkshire support. This can be quantified to produce excellent cost-effectiveness figures. Good additionality and very low displacement are significant influences.
- The impacts per company and the good results for additionality and displacement reinforce the finding that in the great majority of cases, the right companies are being targeted and that market segmentation has by and large been successful.

5 The contribution of individual programmes

Introduction

- 5.1 The purpose of the evaluation was not only to look at the overall intervention delivered through the Account Managers, but also to examine the effectiveness of the main individual programmes. The sample size makes it difficult to disaggregate the results of the surveys of Account Managed and Client Managed companies without getting into areas where the statistics begin to lose their validity. However, it is possible to look at other evaluations which have been undertaken and to some extent augment their conclusions with results, even if anecdotal, from this evaluation. The analysis was required to support applications for programme continuation through ERDF funding, but the main purpose was to provide evidence to SE Lanarkshire about the value or otherwise of continuing with these forms of support. Each of the main SE Lanarkshire Business Development programmes is covered in turn.
- 5.2 The way forward within SE Lanarkshire is that with key companies, development resources should be delivered in as integrated a way as possible through the process of Account Management and that overall effectiveness should thereby be enhanced. Consideration is also therefore given to the possibility of enhanced programme delivery through Account Management.

1. E-business support

- 5.3 The E-Business Support Programme has been in existence since 2001. It has contributed to the Growing Business strand of ‘Smart Successful Scotland’ by promoting on-line business models and the provision of ICT skills in the workplace. It intends to accelerate the uptake and application of e-business practice within companies by developing:
- greater awareness of the benefits amongst businesses
 - building knowledge through seminars and workshops
 - providing specialist support on e-business strategy and communication.

- 5.4 It has been delivered through two products – First Steps and EcommAdvisers. Other Programmes, such as BGI and Internationalisation have also provided funding for specific e-commerce projects. The Programme has not so far been targeted at Account/Client Managed companies specifically, with over 230 companies assisted in total over the last two years. That said, about 30% of the sample of Account Managed companies had benefited from E-business support. The impression from the recent interviews for this evaluation is that Account Management has played a useful role in identifying a need for intervention of this type within firms and targeting support in the most appropriate way for the business concerned. Inappropriate referrals may result in companies turning away from the e-commerce agenda unnecessarily.
- 5.5 Looking forward, there is an acceptance that if companies in Lanarkshire are to grow and flourish in an increasingly globalised economy they will have to become more e-commerce aware and enabled. Other evaluation evidence suggests that e-commerce support is often associated with low additionality, and there were certainly a few cases in this current evaluation. Account Management, however, offers the opportunity to deliver the support in a more appropriate way, especially where the need emerges from a GBR. In this case, additionality is likely to be high.

2. Investors in People (IIP)

- 5.6 IIP provides a national framework for action and specifies the principles by which training and development activity can be tied to business objectives; ensures effective deployment of training resources; and provides a benchmark through which organisations can measure progress towards good practice in training and development.
- 5.7 IIP in Lanarkshire has been delivered through a dedicated team of Advisors since 1996. There has been no recent evaluation on the specific SE Lanarkshire IIP Programme. However a 2002 Strategic Review of IIP for SE and HIE conducted by DTZ Pidea covered the whole of Scotland and highlighted benefits to companies, including:
- improvements in workforce development (greater understanding of the business amongst employees; increased efficiency of the organisation; increased skills, competence and commitment from employees) and
 - improved business performance as a result of improvements in service quality and customer satisfaction.

5.8 There was also good additionality, especially among smaller firms. The review highlighted SE Lanarkshire's approach of targeting Account/Client Managed companies through close linkages with Account Managers which was identified as good practice. About one third of Account Managed companies in our sample have been involved with IIP at various levels. We have noted in some of the case studies in the last chapter how firms, guided towards IIP by the Account Manager, have subsequently derived benefit. It is an important tool in facilitating the achievement of Account Managers' aims for companies, though the danger of overselling the programme may have to be guarded against.

3. Technological innovation

5.9 Support to promote technological innovation in companies has been operating in Lanarkshire for many years (although it should be noted that support for innovation in its widest sense is an integral part of most if not all of the forms of support offered by SE Lanarkshire). The ambition has been to enhance product and process development. In recent years, a range of support has been grouped under the 'Technological Innovation' banner, from bespoke advisory services through the Lanarkshire Technology and Innovation Centre (LTIC) to the following grant sources:

- Expert Help
- Technologist
- Commercialisation
- Technical Assistance
- Small Company Innovation Scheme (SCIS)
- Scottish Design
- Product Oriented companies.

5.10 Support has mainly come through LTIC in the form of consultancy input to firms linking to the grants where appropriate. An evaluation in 2001 by Eddy Adams Consultants Ltd and O'Herlihy & Co Ltd established that 400 firms have been assisted altogether, with reasonable impacts (especially in competitiveness and product design) and additionality.

5.11 Only two Account Managed and two Client Managed firms in our sample recalled having been helped this way. The O’Herlihy evaluation suggested that links between LTIC and the Account Managers were not good. This may help to explain the low take-up among Account Managed companies. It might also be possible that Account Managers are less comfortable with technological issues than with more general business ones. The O’Herlihy evaluation also identified the need for a more balanced client base *targeting medium and larger firms and also offering services more suited to larger clients*. Technological innovation support in Lanarkshire has now been reconfigured as a single **Innovation Programme**. UXL, a private company and spin off from LTIC, is now contracted to SE Lanarkshire to deliver this support. This may well be an area for Account Management to look at in moving forward.

4. Internationalisation

5.12 The Internationalisation Programme has provided technical and financial support to companies in Lanarkshire seeking to develop international market development. It forms part of SE Lanarkshire’s activities underpinning the Scottish Executive’s ‘Smart Successful Scotland’ and ‘Global Connections’ strategies. The Programme is delivered by Lanarkshire Export Partnership and incorporates:

- awareness raising activities such as newsletters and seminars
- market research support
- strategy and planning via the Lanarkshire Export Partnership
- export training
- implementation – including exhibition and trade mission support.

5.13 Nearly 200 companies have been assisted over the last two years. Almost half the Account Managed companies and one third of Client Managed companies in the sample had benefited from Internationalisation support. It is a popular tool among Account Managers because of the relevance of what it can offer to growing companies and its flexibility. A number of the Account Managed companies interviewed have said they would have been unlikely to market themselves abroad without Internationalisation support which has helped to:

- share risk through part-funding – with good additionality
- undertake market research
- access technical expertise and acquire a degree of comfort (among less experienced exporters).

5.14 Additionality can be high and a small number of successes can have a dramatic impact at a business and even regional level. There is no evaluation evidence for Lanarkshire to support this area of activity but it would be our general view (based on research from other areas) that a market failure continues to exist for smaller businesses in terms of their awareness of benefits and capacity to obtain them when compared to large established firms. Specialist advice and assistance is required in a high-risk area. There are very good and mutually beneficial links between Internationalisation and Account Management.

5. Leadership and Management Development (L&MD)

5.15 L&MD has been operational in Lanarkshire since 1993. The initiative is made up of a range of programmes that are designed to enhance management and leadership skills. The main elements have included company focused MBA, 'Bullet Proof Manager', MSc Corporate Leadership Programme and NEBSM Awareness in Supervisory Management. Support has been provided for groups as well as bespoke support for individual companies. The programmes have been based on the premise that changes in management and leadership are key to company development and progress.

5.16 The programmes have been delivered externally through consultants who have been the main recruiting agents. An evaluation by EKOS Ltd, completed in July 2002, established that over 120 companies or individuals have been assisted with the following net impacts:

| | | | |
|--------------------------|------------------|-------------|--------------------|
| <i>Lanarkshire level</i> | £27.5m net sales | 93 net jobs | £6,990 per net job |
| <i>Scotland level</i> | £7.5m net sales | 78 net jobs | £8,330 per net job |

5.17 The most striking progress was through the increased number of companies who now:

- thought more strategically (up by 34%)
- attached increased value to learning (36%)
- had become committed to continuous improvement (28%)
- considered that they had developed more visionary leadership (28%).

- 5.18 Our current evaluation suggests that Account Managers are now becoming much more active in promoting take-up of this programme among companies. Over 40% of Account Managed companies in the sample had been involved in L&MD. It has a particular value since it tackles head on management styles and structures. This is a key area which has been identified in many of the GBRs and Action Plans. The programme is becoming one of the most active and valuable elements in the Account Management toolkit. The case studies in chapter four illustrated how this programme has been delivered effectively through Account Management and suggest that access to the programme has stimulated further changes within companies as a whole.
- 5.19 It will be important to maintain a programme such as LM&D. However, weaknesses will need to be addressed, especially the simplification of the programme as it moves forward. Integration with other SE Lanarkshire programmes, achieved partly through Account Management, should be a priority.

6. Business Growth Initiative (BGI)

- 5.20 BGI is a programme of support for companies in Lanarkshire with high growth potential. It has been in operation since 1989. BGI provides part-funded external consultancy support to businesses to overcome barriers to growth for which no other form of assistance is available. All assisted businesses will be Account or Client Managed companies. Key aspects include:
- specialist consultancy support for a specific project
 - development of a business plan to maximise the benefits of the project.
- 5.21 One of the strengths of BGI is its flexibility, enabling Account Managers to respond to the immediate needs of companies but in a context which supports a degree of behavioural change within assisted firms. BGI also provides a means by which Account Managers can encourage firms to consider moving towards other programmes such as IIP or Internationalisation. About 70 businesses have been assisted during the last two years. Nearly 70% of Account Managed and 60% of Client Managed companies in our sample had benefited from BGI.
- 5.22 The SQW evaluation of BGI in 2000 provided evidence of change in business behaviour including:
- 69% of assisted firms achieving improved knowledge development
 - 54% achieving a more flexible workforce
 - altered leadership style in 38% of cases.

5.23 Cost per net job was established at £8,700. There is a strong synergy between BGI and Account Management. BGI is sufficiently flexible to empower the Account Managers to support businesses in ways of direct relevance to their needs. Our interviews suggest that access to BGI is an important means of establishing the credibility of Account Management at an early stage providing a strong basis for a continuing relationship with a company. It has a 'binding' effect in terms of relationships between Account Managers and businesses. The evaluation of BGI highlighted the more significant impacts arising for smaller firms.

7. Sustainable Development

5.24 SE Lanarkshire has been active in promoting sustainable development among companies for many years. Two principal instruments have been used.

- The **Lanarkshire Environmental Business Club (LEBC)** provides seminars and workshops, newsletters, a club website together with ad hoc advice and guidance.
- The **Environmental Managers Programme** - students from the unemployment register are trained as environmental managers and participate in placements with companies. This has been used to encourage companies to take forward ISO 14001.

5.25 Over 150 companies have participated in these programmes in the last two years. SE Lanarkshire considers LEBC to be a cost effective way of disseminating information on environmental issues to companies. The Environmental Managers Programme has, however, failed to meet its target for companies achieving ISO 14001. It is unlikely to be continued in its present form. There has been little direct involvement of Account Managers in the programme so far. Less than 10% of the sample of Account Managed companies had taken it up. The intention, however, is that the shape of the programme should change with a role for the Account Managers to direct the programme towards Growing Businesses.

5.26 The current evaluation has indicated that Account Managers are now increasingly pointing companies towards developing more sustainable practices through acquisition of ISO 14001, as part of a more broad based approach to company development. Many companies will need to acquire the standard for their own reasons but the Account Managers themselves are influenced by the Growing Business criteria which include 'Corporate Responsibility', itself encapsulating consideration of environmental sustainability. There is therefore scope for increased activity under this heading among the Account Managed companies.

Overview

5.27 Account Managers have been active in delivering all of the above programmes to Account Managed companies with:

- a particular emphasis on BGI and Internationalisation
- slightly less use of IIP and L&MD
- much less use of Technological Innovation support and Sustainable Development.

5.28 Three questions arise; the extent to which:

- some programmes are delivering greater benefits than others
- delivery of the programmes is enhanced through the Account Management process
- there is a specific and quantifiable contribution from the Account Manager.

Benefits of the programmes

5.29 Account and Client Managed firms interviewed for the evaluation provided an indication of the relevance to the firm of the particular elements in the support they had received. We have taken the number of instances where firms found the programme to be of especially high value to disaggregate the total net impacts (described in the previous chapter) by the contribution of particular programmes, including the contribution of the Account Managers themselves. This form of disaggregation is stretching the credibility of the analysis, given the sample size, but this is less true if we consider all 59 responses, Account and Client Managed companies as a whole.

5.30 The results (Table 5.1) show especially high contributions from the Account Managers themselves, BGI and E-business. They tend to confirm the conclusions of the above analysis which drew on other evaluation work. They need to be treated with care. They reflect uptake of the particular programmes among Account and Client Managed companies. The low contribution of Sustainable Development thus reflects the fact that the companies have just not taken it up, not that the intervention itself is of little or no value.

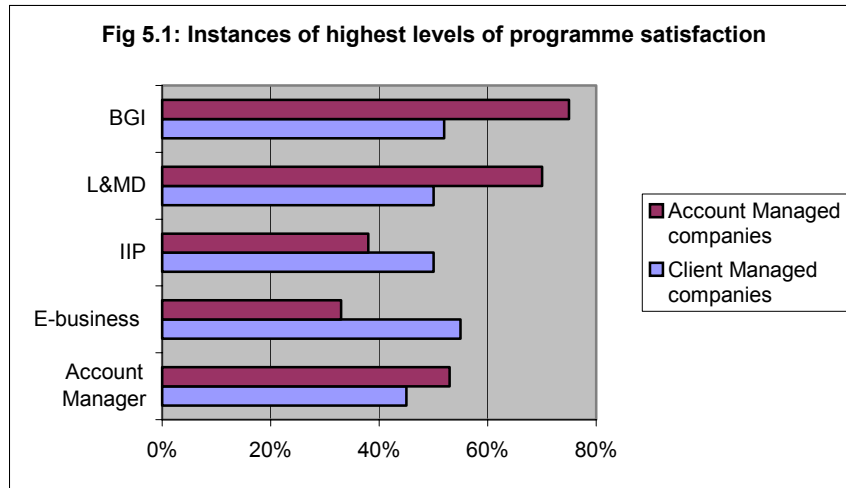
| Table 5.1 – Impact on net sales by Programme – AM and CM companies | | |
|---|---------------|--------------|
| Lanarkshire level | | |
| | £m | % |
| Account Manager | £3.43 | 18.7 |
| BGI | £2.75 | 15.0 |
| E-business | £2.69 | 14.7 |
| Internationalisation | £2.66 | 14.5 |
| L&MD | £2.12 | 11.6 |
| IIP | £1.74 | 9.5 |
| Technological Innovation | £0.86 | 4.7 |
| Sustainable Development | £0.46 | 2.5 |
| Other | £1.59 | 8.7 |
| Total | £18.31 | 100.0 |

Is programme delivery enhanced through Account Management?

5.31 There are several pieces of evidence to suggest that this is the case. Comparing the previous and current evaluations suggests that:

- effect on company behaviour arising through the Account Managed form of delivery is better than under:
 - ◆ BGI on its own (compare behaviour change in Table 4.1 and para 5.22), or
 - ◆ L&MD in its own (compare behaviour change in Table 4.1. with para 5.17)
- cost per net job is lower once the aggregate of interventions delivered through Account Management is taken into account
- E-business support, normally associated with low additionality, appears to be delivering substantial benefits when delivered in an Account Management context.

5.32 There are also two specific pieces of evidence from the survey itself which are positive. First, we can compare levels of satisfaction with the programmes between Account Managed companies, where the full Account Management service has been provided, and Client Managed companies, where it has not (Fig 5.1). Account Managed companies gave higher ratings for relevance to the company’s needs for BGI and L&MD than Client Managed companies did. This was not true for IIP or E business, but it does seem that where the more flexible or customer orientated programmes are concerned, Account Management adds value compared with more mechanistic delivery of the programme through Client Management.



5.33 Second, companies reported that the Account Manager had *enhanced* programme delivery. Given that so many of the companies have worked with SE Lanarkshire for some time, it is likely that they would be able to make worthwhile comparisons between delivery in association with an Account Manager and delivery without. Both Account Managed and Client Managed companies reported such enhancement (Table 5.2), with the results generally more positive for Client Managed than Account Managed companies, possibly again reflecting the smaller size of the Client Managed companies and the likelihood that they will be more programme-orientated.

5.34 The role of Account Managers in guiding companies towards programmes and, in the case of Account Managed companies, in promoting complementarity, are noticeable. One good example of enhancing the programme occurred in a company where, with the help of the Account Manager, the company developed its own model for management training since it was not completely happy with the model being provided through the programme itself.

| Table 5.2: Enhancement of the programmes by the Account Manager | | |
|--|---------------------------|---------------------------|
| <i>Account Manager.....</i> | AM companies % | CM companies % |
| Guided us towards the programme | 66 | 90 |
| Promoted complementarity between programmes | 42 | 10 |
| Monitored progress on programmes | 39 | 70 |
| Put programme in wider context | 32 | 66 |
| Enhanced the programmes in another way | 28 | 17 |
| Helped with implementation (eg attended relevant meetings) | 18 | 13 |
| Made no contribution | 4 | 0 |

Quantifying the contribution of the Account Manager

5.35 The analysis suggests that there is reasonable evidence that the process of Account Management brings additional benefits in the delivery of the standard programmes. The impressions created by the interviews confirm this. It is also possible, tentatively, to put a value on the contribution of the Account Manager in comparison with the contributions of each of the individual programmes. A conclusion can be drawn from the data in Table 5.1 which suggests that the specific contribution of the Account Manager amounts to nearly 20% of net impacts (the highest single component). This is likely to underplay the contribution of the Account Manager. The way the question was framed, it was not possible for the answer to take into account:

- the extent to which programme delivery has been enhanced by the Account Manager, as discussed above
- the likelihood that in many cases, the company would not have accessed the programme at all but for the guidance of the Account Manager.

5.36 It can be concluded that the process of Account Management and the contribution of the Account Manager have both contributed to enhanced delivery of services to Account Managed companies and improved the cost effectiveness of the main Business Development programmes.

Chapter overview

- **All of the SE Lanarkshire Business Development programmes have been delivered to Account Managed and Client Managed companies. There are few in these two groups which have not benefited from at least one programme and some have benefited from two, three or more.**
- **BGI and Internationalisation are the two programmes which have been used most among Account and Client Managed companies and which have made the greatest contribution to company performance.**
- **All the programmes have been subject to review at various levels; they have been changed or amended as the review results have indicated was necessary.**
- **Delivery of programmes through Account Management appears to have brought benefits over and above delivery of the same programmes outside the Account Management framework. There has been a particular and discrete contribution by the Account Manager.**

6 Summary, conclusions and recommendations

Introduction

- 6.1 This chapter draws the report together and summarises the main conclusions. The evidence from the evaluation is used to make specific recommendations designed to assist SE Lanarkshire in developing the Account Management approach to company development. Recommendations are summarised at the end of the chapter.

Main findings

- 6.2 Although it is still early days to be considering conclusions about Account Management, the evidence so far suggests that support delivered through intervention with companies in this way has been highly cost effective. Overall, **1,140 net jobs** have been created so far among the 250 or so Account Managed and Client Managed companies at a cost per net job (Scotland level) of:

- **£2,650** in Account Managed companies, and
- **£3,400** in Client Managed companies.

- 6.3 Companies value the support from SE Lanarkshire highly and it is perceived as being important or vital to many firms' performance. A high value is especially attached to the support from the Account Managers, often ascribed to the 'chemistry' which exists between many Account Managers and the companies they work with. There is also evidence to suggest that the performance of the main Business Development programmes available to SE Lanarkshire is enhanced when they are delivered through the involvement of an Account Manager.

- 6.4 The Growing Business Review (GBR) is an important factor in this success. It allows a fundamental root and branch review of a company's needs and can mark a step change in the relationship between the company and the Account Manager. It also helps to cement the relationship between the two. There is a different shape of intervention among companies which have gone through the GBR process compared to those which have not, in particular:

- focusing of activity on changes to the management team and structure
- greater use of the Leadership and Management Development programme as well as Internationalisation.

- 6.5 The process has brought marked changes within companies in relation to the Growing Business criteria, especially leadership, acceptance of change and strategic planning. The Account Manager's role has been instrumental in this. The general impression among firms that have benefited from the Account Management approach has been highly favourable.

Conclusion

It can broadly be concluded that the Account Management approach to business development in Lanarkshire has been a success and that this has enhanced the delivery of business support services. Cost effectiveness has been improved in comparison with previous, less targeted forms of support.

Recommendation 1

The Account Management approach to business development in Lanarkshire should continue and develop.

- 6.6 Some suggestions for development of the approach come next. They have not in the main emerged from what companies have said, since companies made few suggestions for doing things differently. They have emerged from the survey findings and fall into three inter-related areas:
- A. market segmentation and company selection
 - B. the shape of Account Management intervention
 - C. the Account Management resource.

A. Market segmentation and company selection

- 6.7 The survey evidence suggests that targeting through the market segmentation process is working well. Few companies were interviewed that appeared not to deserve the Account Management or Client Management classification. This was in contrast to the findings in other geographical areas that we are familiar with or the review of BGI and LBPI undertaken two years ago. There is movement between the various segments of the market, for example from Account Management to Client Management and vice versa. However, there is no facility for reviewing the 'portfolio' *as a whole* to examine allocations to categories, review

the nature of support or consider the workload on Account Managers. There are two ways in which such a review might bring benefits.

- 6.8 First, there are apparently no criteria for prioritising resources to companies *within* the Account Managed group. Evidence has emerged from the survey that both within Account Managed and Client Managed groups, smaller companies derive greater proportionate benefits than larger ones. There seem to be especially good contributions from the Account Managers where a young firm has reached the stage where it has outgrown its management structure and where an external input, other than through Account Management, would be unlikely to occur. An overall process of review might indicate that, other things being equal, smaller businesses should receive priority. Similarly, the scope to influence the 'Strategic Companies' appears to be limited. It is worthwhile asking whether they should be on a priority list at all.
- 6.9 Second, substantial benefits have been found inside the Client Managed companies with good additionality. Many of them are also looking for more support from the Account Manager. We know too that Account Managers are aware that there may be many good companies within the Client Managed group which deserve the higher rating. A formal review of the portfolio, at regular intervals, would highlight more opportunities to 'upgrade' and 'downgrade' companies.

Conclusion

The process of market segmentation is now well embedded in SE Lanarkshire. The allocation of companies to segments has been undertaken thoroughly. In the great majority of cases, companies have been put into the correct market segments.

Recommendation 2

There should be a regular review of the portfolio of Account Managed and Client Managed companies, possibly every two years, to look at:

- establishing priorities within the Account Managed group
- searching out Client Managed companies which deserve the higher status.

B. Shape of intervention

- 6.10 The current shape of intervention with GBR, Action Plan and subsequent review is working well and bringing great benefits. There is nothing fundamental to change about it, though there are four areas where alteration at the margin would bring improvement.
- 6.11 *First, the length of relationship with companies.* Some Account Managed and Client Managed companies have been working with SE Lanarkshire for many years, in some cases, ten or more. There may be a tension between Account Management, which aims to foster long term relationships with companies, and ‘market adjustment’ where companies are expected to learn from a limited amount of intervention and then move on. It might be queried whether an Account Managed company is still worth working with if, after ten years of support, it has not become an ‘exemplar’ company. There is also an arithmetical issue in that if there is no exit with companies, the number of Account Managed companies will creep up inexorably and put further pressure on a finite Account Management resource.
- 6.12 This clearly needs careful thought. It would be wrong to develop a relationship with a company, build up confidence and then abandon it abruptly. There may be a need, however, to accept that the relationship will change over time and that the GBR/Action Plan/Review process will be valid for a certain period only. Within a company, the process might eventually move beyond the fundamental review stage to one where the main SE Lanarkshire contribution is to assist with networking and keeping companies ‘in the loop’. The Account Management process could therefore be refined further to differentiate the shape of intervention after a certain period and promote a relationship with some Account Managed companies which is *much less resource intensive*. Such portfolio management would allow resources to be allocated to where they would generate greatest additionality.
- 6.13 *Second, the subject matter of intervention.* It is to be welcomed that much of the work following a GBR is targeted at management structure. Among the Action Plans, however, more ‘technical’ subjects such as research, finance, and technological innovation appear relatively rarely. There has been very little use of the technological innovation programmes through Account Management (in contrast to most of the other programmes). This is something of a surprise given the technological nature of many Account and Client Managed companies. The question is how far this might be down to the experience or the ‘comfort zone’ of the Account Manager. We have no answer to this question but believe that it is something that SE Lanarkshire might give some attention to, particularly why there appear to be so few cross-referrals between Account Management and technological innovation programmes.

- 6.14 *Third, delivery of the individual programmes.* The Account Managers each have targets for delivery of the business development programmes to companies. While targets are set by SE National, their use by Account Managers is a deliberate policy by SE Lanarkshire to encourage the Managers to think in the broadest sense about the company's needs and to move outside the 'comfort zone' of the individual Account Manager. There is a danger, however, that the existence of targets might promote the overenthusiastic promotion of a programme to a company. There will be a need to keep a careful watch to ensure that the correct balance is achieved and that the positive motivation for promoting programmes – encouraging the broadest possible consideration of the firm's needs – remains paramount. The 'purity' of the Account Manager/company relationship, which as we have seen is very highly valued by Account Managed and Client Managed companies alike, is too important to be prejudiced.
- 6.15 *Fourth, the company as a project.* Some companies have mentioned the amount of duplication of form filling that is required where they access more than one programme and have asked whether it might be possible to do this once only. SE Lanarkshire might consider looking at the Account Managed company as the project/programme, following completion and agreement of the Action Plan, and with an agenda of action with costings and agreed interventions (people and money) in place. This would then be subject to regular review with the company. Simplifying administration is possibly a minor benefit of this approach. A more important benefit could be to enhance the holistic nature of the support provided to a company. This could include a virtual team from SE Lanarkshire (representing all the various forms of programme support delivered) with regular case review meetings. We understand that this approach has been tried in at least one LEC and is being considered within SE Lanarkshire.

Conclusion

The Account Management approach to intervention has worked well. There is great value in the Growing Business Review and in the Action Plan which follows. We believe that the suggested changes to this approach would improve the system but do not question the fundamental approach or principles.

Recommendation 3

SE Lanarkshire should consider how the shape of the Account Management relationship with long standing client companies might change, with a lighter touch approach with some companies after a period of time.

Recommendation 4

Some thought should be given to why intervention in companies rarely focuses on more technical matters and especially whether there is a need to promote more cross referrals between Account Management and Technological Innovation support.

Recommendation 5

There will be a need to keep a careful watch to ensure that the positive motivation for promoting individual programmes to companies – encouraging the broadest possible consideration of the firm's needs – remains paramount, rather than the meeting of targets per se.

Recommendation 6

SE Lanarkshire should look at the possibility of viewing the individual company as a project, with budgets attached to the company rather than to programmes.

C. The Account Management resource

- 6.16 The pressure on Account Managers increases year on year as the number of Account Managed companies creeps up. There appears to be little time for the Account Managers to do anything other than manage their day-to-day relationship with Account and Client Managed companies. There is little time for them to:
- reflect on the approach to Account Management
 - network with others in and out of the SE network to enhance skills and experience (for example to develop sector knowledge)
 - research/review the portfolio.
- 6.17 Some of the suggestions made in the other recommendations might help to make the portfolio more manageable, but others may increase the number of Account Managed companies. There is a need to look at the Account Management approach in the light of what the Account Managers can reasonably be expected to do given a requirement to allow them time to do more than day-to-day work with companies. An additional research resource might be required (for example, to help review the portfolio). Otherwise, it may simply be a question of fewer Account Managed companies or more Account Managers.

Conclusion

The pressure on Account Managers is increasing and they have limited time to reflect on how the approach might be developed, refined or improved.

Recommendation 7

The Account Management approach should be reviewed in the light of the workload on Account Managers with a view to allowing them time to research and reflect on the task of company development. This could be done by creating a backup research resource; increasing the number of Account Managers; reducing the number of Account Managed companies; or reducing the level of support to some Account Managed companies.

Summary of recommendations

- 1 The Account Management approach to business development in Lanarkshire should continue and develop.
- 2 There should be a regular review of the portfolio of Account Managed and Client Managed companies, possibly every two years, to look at:
 - establishing priorities within the Account Managed group
 - searching out Client Managed companies which deserve the higher status.
- 3 SE Lanarkshire should consider how the shape of the Account Management relationship with long standing client companies might change, with a lighter touch approach with some companies after a period of time.
- 4 Thought should be given to why intervention in companies rarely focuses on more technical matters and especially whether there is a need to promote more cross referrals between Account Management and Technological Innovation support.
- 5 There will be a need to keep a careful watch to ensure that the positive motivation for promoting individual programmes to companies (encouraging the broadest possible consideration of the firm's needs) remains paramount, rather than the meeting of targets per se.
- 6 SE Lanarkshire should look at the possibility of viewing the individual company as a project, with budgets attached to the company rather than to programmes.
- 7 The Account Management approach should be reviewed in the light of the workload on Account Managers with a view to allowing them time to research and reflect on the task of company development. This could be done by creating a backup research resource; increasing the number of Account Managers; reducing the number of Account Managed companies; or reducing the level of support to some Account Managed companies.