DTZ Pieda Consulting

Scottish Enterprise Ayrshire

# Evaluation of E-Business

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A Final Report by

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# EXECUTIVE SUMMARY

## INTRODUCTION

1. DTZ Pieda Consulting was commissioned in June 2004 by Scottish Enterprise Ayrshire (SE Ayrshire) to undertake an evaluation of e-business support. The findings will be used to refine and develop SE Ayrshire's approach to e-business, to apply lessons learned to future activities and to share generic messages with network colleagues.

2. The objectives of the study are as follows:

- To evaluate the effectiveness of the E-Business Demonstration Centre (E-BDC) and its performance against its original objectives;
- To review and make recommendations on the effectiveness of integration and referrals from Business Gateway (BG) and SEA Account and Client Managers to the E-BDC;
- To evaluate the impact of the various approaches to delivering E-Business support in SEA;
- To interview a random sample of organisations who have used the E-BDC;
- To review and compare the support and the E-BDC with similar centres nationally or internationally;
- To evaluate overall value for money; and
- To draw conclusions and make recommendations for the future.

## STRATEGIC CONTEXT

3. Scottish Enterprise's *Operating Plan 2004-07*[1] sets out the changes to the Scottish economy required to bring about E-business innovation, which is identified as a priority under Growing Businesses in *A Smart, Successful Scotland*.[2] The focus has moved from encouraging take-up of basic e-business technologies to encouraging businesses to move towards more sophisticated e-business adoption through the better integration of e-business into their operations.

4. Key points to emerge from the *Scottish E-Business Survey*[3] in Ayrshire include:

- Connection to the internet has levelled out in 2004 to sit at 60% of organisations in Ayrshire. This figure is one of the lowest connection rates of all LECs in the SE area.

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[1] *Operating Plan 2004-07* Scottish Enterprise, May 2003
[2] *A Smart, Successful Scotland – Ambitions for the Enterprise Networks* Scottish Executive, January 2001
[3] *Scottish E-Business Survey 2004 – Ayrshire Analysis Report* Scottish Enterprise, 2004

- Almost half of those companies with an internet connection have broadband and broadband access has more than trebled in 2004 representing the greatest acceleration in take-up of all SE LECs.

- Companies in Ayrshire have one of the lowest take-up rates of wireless connectivity.

- Over half (58%) of Ayrshire companies have no internal IT resource and Ayrshire has the highest proportion (62%) of companies of all SE LECs with no specific budget for IT or e-business development, no IT or e-business plan and no IT Director or Head of IT.

## FUNDING

5. Table 1 shows the spend on all e-business support to companies in 2003/04. A total of just under £585k was spent in the delivery of e-business interventions.

**Table 1**
**E-Business Spend 2003/04**

| *Intervention* | *Spend 2003/04* |
|---|---|
| Workshops | £37,990 |
| Seminars | £19,479 |
| E-Business Advisers programme | £7,948 |
| E-BDC | £217,444 |
| Local Initiatives | £99,750 |
| Discretionary funding | £202,335 |
| **Total** | **£584,946** |
| Source: SE Ayrshire | |

## MANAGEMENT AND DELIVERY

6. E-Business support in SE Ayrshire is channelled through the E-Business Demonstration Centre (E-BDC) located at Riverside in Irvine. There are no formal or informal mechanisms in place to overcome the barriers to regular contact between the Account and Client managers and the advisers who are not collocated. The Business Gateway (BG) appears to be more closely linked with the e-business activity and the E-BDC seems to be used by the BG. E-business activity and the rest of the business support activity within SE Ayrshire could be more closely integrated.

## ACTIVITY LEVELS

7. Table 2 shows the level of activity under each of the intervention headings in 2003/04. There were a total of 836 interventions in the last year.

**Table 2**
**E-Business Activity 2003/04**

| *Intervention* | *Number of participants 2003/04* |
|---|---|
| Workshops | 233 |
| Seminars | 131 |
| E-Business Advisers programme | 5 |
| E-BDC | 270 |
| Local Initiatives | 64 |
| Discretionary funding | 133 |
| **Total** | **836** |
| Source: SE Ayrshire | |

## IMPACT OF E-BUSINESS SUPPORT

### Type of Support Received

8. Table 3 shows the categories of support available under the e-business support programme in SE Ayrshire and the proportion of companies interviewed having received each type of support. The figures are compared to the *SE National E-Business Evaluation* findings for the whole SE area.

**Table 3**
**Support Received**

| | % Receiving Support in SE Ayrshire | % Receiving Support in SE Total |
|---|---|---|
| E-Business Adviser | 68 | 91 |
| E-Business Workshops | 45 | 39 |
| E-Business Seminars | 23 | 23 |
| E-Business Demo Centre | 45 | 9 |
| Online Tools | 23 | 6 |
| Factsheets | 23 | 18 |
| Grants | 73 | 56 |

### Reasons for Seeking Support

9. Around 43% of companies wanted help with websites, 39% with systems-related issues and 22% with broadband. The SE National study found a much greater proportion of companies wanting help with websites, which perhaps points to support in SE Ayrshire being more holistic in focussing on ICT systems.

### Outcomes from E-Business Support

10. More than half of the companies reported that the outcomes from the e-business support met their expectations with a further 17% reporting that their expectations had been exceeded. Companies were also asked if they would have undertaken the activities if they had not received support from SE Ayrshire. Table 4 shows that deadweight was not an issue.

**Table 4**
**Activity Undertaken If No Support Received**

| | % Giving Response | Additionality |
|---|---|---|
| Would not have undertaken activities | 26 | High – 100% |
| Would have undertaken activities to same timeframe, quality and scale | 0 | Low - Nil |
| Would have undertaken activities over longer timeframe, same quality and scale | 52 | Medium |
| Would have undertaken activities over same timeframe and scale, lower quality | 39 | Medium |
| Would have undertaken activities over same timeframe and quality, smaller scale | 26 | Medium |

### Quality Assessment

11. E-business advisers are thought to be of good calibre, with all businesses who received support from advisers rating advisers overall calibre as adequate, good or very good. The overall impressions of the E-BDC were positive, with nearly two thirds of businesses indicating that the centre had a good overall impression.

### Quantifiable Impacts

12. Tables 5 and 6 summarise the net impacts of the e-business support on sales and employment for the survey sample and the population of companies having received support from an e-business advisor over the period 2002/03 and 2003/04.

**Table 5**
**Assessment of Total Impact of Support on Actual and Potential Sales**

| | *Average net impact* | *Total net impact** | |
|---|---|---|---|
| | | Quantified in Survey | Full Population |
| Actual | **£26,154** | **£183,075** | **£1,424,801** |
| Potential | £130,617 | **£783,700** | **£6,099,230** |
| Sample size | | 23 | 179 |

* Additionality and probability of sales taken into account.

**Table 6**
**Assessment of Total Impact of Support on Actual and Potential Employment**

| | *Average net impact* | *Total net impact** | |
|---|---|---|---|
| | | Quantified in Survey | Full Population |
| Actual | 0.7 FTEs | **4.0 FTEs** | **31.1 FTEs** |
| Potential | 1.5 FTEs | **10.4 FTEs** | **81.2 FTEs** |
| Sample size | | 23 | 179 |

* Additionality and probability of employment taken into account.

## CONCLUSIONS AND RECOMMENDATIONS

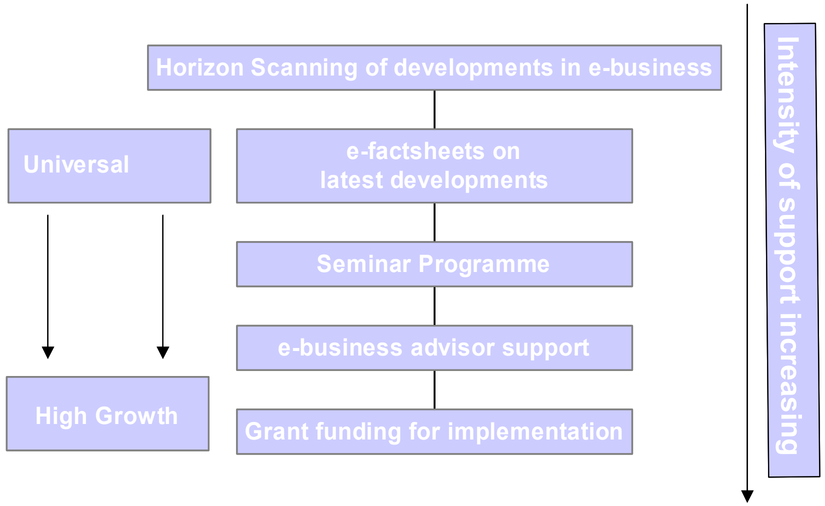
### Value for Money

13. A total of just under £585k was spent in the delivery of e-business interventions in 2003/04. This supported a total of 836 interventions in the last year at a cost per intervention is £700. This is a reasonable cost intervention rate and represents good value for money when the considerable impact is taken into account.

### Recommendations

14. Figure 1 sets out our thinking on the interventions that should form part of the future e-business strategy of SE. It also shows how they should fit with each other, their appropriateness for companies at different stages of growth and how there should be an expectation of companies receiving a continuum of support as they grow.

**Figure 1 E-business interventions in relation to company growth and intensity of support**




15. There is still a need to engage with the volume market to encourage connection to the internet. This can be achieved through using the more cost-effective volume products such as the workshops and seminars and online tools and factsheets.

16. SE Ayrshire should continue to work on encouraging broadband take-up to maintain the growth in adoption over the last year. There is also a need to investigate the appropriateness of more advanced connections such as wireless connectivity.

17. Overall, SE Ayrshire should focus intensive support on Account and Client Managed companies but should ensure that the market failures in the universal market are still being addresses through cost-effective volume interventions. There has been considerable success to date in generating impacts and in delivering support that is encouraging companies to progress with e-business faster, on a larger scale and better quality than would otherwise be the case.

18. The issue of improving communication with Account and Client Managers should be seen as a priority moving forward as it is essential to providing an integrated service to high and medium growth companies. The E-BDC should be promoted as the main source of information on e-business for universal companies and the E-Business Advisers should continue to work closely with the Business Gateway.

# 1 INTRODUCTION

## Study Background

1.1 DTZ Pieda Consulting was commissioned in June 2004 by Scottish Enterprise Ayrshire (SE Ayrshire) to undertake an evaluation of e-business support. The findings will be used to refine and develop SE Ayrshire's approach to e-business, to apply lessons learned to future activities and to share generic messages with network colleagues.

1.2 The objectives of the study are as follows:

- To evaluate the effectiveness of the E-Business Demonstration Centre (E-BDC) and its performance against its original objectives;
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- To evaluate the impact of the various approaches to delivering E-Business support in SEA;
- To interview a random sample of organisations who have used the E-BDC;
- To review and compare the support and the E-BDC with similar centres nationally or internationally;
- To evaluate overall value for money; and
- To draw conclusions and make recommendations for the future.

## Methodology

1.3 Our methodological approach to the evaluation is set out below. Our approach is split into three main research elements with a final overarching analytical and reporting section:

- **Stage 1 – Inception Meeting**

  A meeting was held with the client to fine-tune the methodology and obtain relevant documentation relating to the programme. In addition, a briefing session was held with the representatives from Growing Businesses and Knowledge Management to discuss the background to the e-business interventions and the key issues.

- **Stage 2 – Desk Research**

  A programme of desk research was undertaken to assess the strategic fit of the programme with national and local economic and e-business strategies. Finally, activity and performance data on the e-business interventions was analysed.

- **Stage 3 – Primary Research**

  Firstly, workshops were held with the E-Business Advisers and a sample of Account and Client Managers and Business Gateway advisers.

  Secondly, a sample of 20 companies was selected for detailed interview to establish the economic impact of the support and the benefits realised by participating companies.

- **Stage 4 – Analysis and Recommendations**

  DTZ Pieda Consulting will analyse all of this The information from Tasks 1 – 3 was analysed and presented in this Draft Report, which addresses the following key outputs:

  - An assessment of where the E-BDC and the specific interventions currently are in relation to their stated objectives;
  - An assessment of the economic impact of the support provided;
  - Recommendations for the future delivery of e-business support in SE Ayrshire: and
  - Recommendations for improvements to the E-BDC and for its future role.

## REPORT STRUCTURE

1.4 The remainder of the report is structured as follows:

- **Section 2** considers the strategic context and the rationale for the programme and assesses the performance against targets.
- **Section 3** draws on the evidence from the company survey to establish the impact of the support provided and the benefits to participating companies.
- **Section 4** pulls together the main conclusions of the evaluation and presents DTZ Pieda Consulting's recommendations for the future of e-business support in SE Ayrshire.

# 2 BACKGROUND TO E-BUSINESS SUPPORT

## STRATEGIC CONTEXT

### National Context

2.1 The strategic vision for Scotland, as set out in *Connecting Scotland*[4] is to be a main European hub for e-commerce, with an economy "*characterised by e-businesses dealing via e-commerce and continually generating enterprise around e-commerce opportunities.*"

2.2 Scottish Enterprise's *Operating Plan 2004-07*[5] sets out the changes to the Scottish economy required to bring about E-business innovation, which is identified as a priority under Growing Businesses in *A Smart, Successful Scotland*.[6] While SE research has found that the proportion of Scottish businesses trading online is above the UK average, use of more advanced e-business applications is far less widespread.

2.3 The focus of SE with regard to e-business, as set out in the *Operating Plan,* is "*to encourage more Scottish organisations to make greater use of advanced e-business activities to achieve real business benefits.*" SE has committed £5-10 million to encouraging e-business in 2004-05. The focus has moved from encouraging take-up of basic e-business technologies to encouraging businesses to move towards more sophisticated e-business adoption through the better integration of e-business into their operations.

2.4 The *Operating Plan 2004-07* identifies the following measure of progress for e-business:

- Account Managed Businesses demonstrating improved business performance

2.5 The target range for this measure for 2004/05 is 340-400 businesses.

2.6 The trend for 2005/07 is an expected increase in the numbers of Account Managed Businesses demonstrating improved business performance.

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[4] *Connecting Scotland – A Strategic Framework for E-commerce* Scottish Enterprise, June 2000
[5] *Operating Plan 2004-07* Scottish Enterprise, May 2003
[6] *A Smart, Successful Scotland – Ambitions for the Enterprise Networks* Scottish Executive, January 2001

2.7 The *Scottish E-Business Survey*[7] indicates that access to the internet and the adoption of e-business technologies have levelled out in 2004. The average level of e-business sophistication within organisations appears to have increased with evidence of a greater use of IT to support business processes.

2.8 However, the report concludes that there is a "skills and support gap" within many organisations in Scotland. Around a quarter of organisations have IT technologies and systems in place but have no internal IT resource to support the technology. In addition, a quarter of organisations would like help in e-business or IT but are unaware of available sources of help or advice.

2.9 The survey concludes that this lack of awareness of any one source of support suggests that the implementation of a channel strategy involving collaboration between support providers is appropriate.

[7] *Scottish E-Business Survey 2004 – National Report* Scottish Enterprise, 2004

2.10 The *Scottish E-Business Survey*[8] provides analysis at the local level and the results for Ayrshire show connection to the internet seems to have levelled out in 2004 to sit at 60% of organisations in Ayrshire. This figure is one of the lowest connection rates of all LECs in the SE area. The survey concludes that:

> *"The implication is that SE Ayrshire should continue motivating companies to connect to the internet whilst encouraging connected organisations to focus on making more sophisticated use of faster connections."*

2.11 Despite the lower levels of internet connection in Ayrshire overall, almost half of those companies with an internet connection have broadband. Indeed, broadband access has more than trebled in 2004 representing the greatest acceleration in take-up of all SE LECs.

2.12 The adoption of e-business technologies has fallen or remained steady in the last year, which mirrors the pattern across SE as a whole. Companies in Ayrshire have one of the lowest take-up rates of wireless connectivity.

[8] *Scottish E-Business Survey 2004 – Ayrshire Analysis Report* Scottish Enterprise, 2004

2.13 There has been a growth in e-trading practice in Ayrshire organisations in particular ordering products and services online and to a lesser extent companies making electronic payments to suppliers. However, there has been a decline in e-commerce with the percentage of companies allowing their customers to make electronic payment for products and services falling from 20% in 2003 to only 9% in 2004.

2.14 Over half of Ayrshire companies have no internal IT resource, which has implications for the company in achieving the most effective use of e-business to maximise the return from their investment. Ayrshire has the highest proportion of companies of all SE LECs with no specific budget for IT or e-business development, no IT or e-business plan and no IT Director or Head of IT. It is clear that the majority of companies are operating in a strategic vacuum when it comes to IT and e-business related matters.

2.15 In addition, the 2003 *International Benchmarking Study*[9] recommends that the focus of policy should be on helping SMEs to overcome the hurdle of investing in order to deploy ICTs more deeply in their processes thus unlocking the value and making the transition from e-commerce to e-business.

[9] *International Benchmarking Study 2003* DTI, 2003

### Local Context

2.16 E-Business and ICT do not have the same prominence in the local strategic context as in the national context. However, the Local Economic Forum strategy for Ayrshire[10] recognises the need to develop the ICT infrastructure and support investment in ICT systems to develop competitive businesses.

2.17 SE Ayrshire's *Operating Plan 2004-05*[11] identifies e-business as an issue and sets out the LEC's commitment to increasing implementation of e-business through the E-BDC.

## RATIONALE

2.18 The rationale behind the intervention in the area of e-business is to address the lag between e-adoption in Ayrshire with the rest of Scotland. There are a number of market failures identified in the Board Approval Paper[12] including:

[10] *The Ayrshire Economic Forum's Strategy for Economic Development* Ayrshire Economic Forum, March 2003
[11] *Who We Are and What We Do – An operating plan summary 2004/05* SE Ayrshire, June 2004
[12] *E-Business 2004/05* SE Ayrshire Board Approval Paper, January 2004

- Low level of knowledge about the potential of e-business and how to make best use of technology or implement solutions.
- Unwillingness to invest in e-business due to a lack of understanding of the return on investment.
- Difficulties in implementation amongst small companies due to the lack of a dedicated resource in ICT.

2.19 The interventions put in place to address these market failures are described below.

## INTERVENTIONS

2.20 SE Ayrshire organises its e-business support under five headings. The categories of support are described in turn below:

- E-Business Workshops – the SE Network product comprising 5 workshops that aim to help participants realise the potential of the Internet for their business.
- E-Business Seminars/Factsheets/Web Audit Tool – a range of awareness raising tools that aim to move companies towards implementation.
- E-Business Advisers – the SE Network product offering businesses advisory visits to guide their understanding and implementation of e-business initiatives.
- E-Business Initiatives – assistance to increase awareness and to develop strategic plans for implementation.
- E-Business Assistance for SMEs – a development project to assist businesses implement change.

## FUNDING

2.21 The *E-Business 2004/05 Board Paper*[13] set out the budget for SE Ayrshire's e-business activity 2003/04 and 2004/05. Table 2.1 shows that the e-business support programme offered through SE Ayrshire has approval of £997k in total, £227k of which is expected to come from private leverage.

**Table 2.1**
**E-Business Budget 2002/03 to 2004/05**

| | *2003/04* | *2004/05* | *Total* |
|---|---|---|---|
| SE Ayrshire | £385k | £385k | £770k |
| Private inputs | £177k | £50k | £227k |
| **Total** | **£562k** | **£435k** | **£997k** |

Source: SE Ayrshire

2.22 Table 2.2 shows the spend on all e-business support to companies in 2003/04. A total of just under £585k was spent in the delivery of e-business interventions.

[13] *E-Business 2004/05* SE Ayrshire Board Approval Paper, January 2004

| Table 2.2<br>**E-Business Spend 2003/04** | |
|---|---|
| *Intervention* | *Spend 2003/04* |
| Workshops | £37,990 |
| Seminars | £19,479 |
| E-Business Advisers programme | £7,948 |
| E-BDC | £217,444 |
| Local Initiatives | £99,750 |
| Discretionary funding | £202,335 |
| **Total** | **£584,946** |
| Source: SE Ayrshire | |

2.23 In addition to the spend on e-business activity from the LEC e-business budget the Account and Client Managers occasionally fund projects that are not accepted by the e-business team. This funding comes out of the Growing Businesses Account Management budget. In the last 2 financial years, this has amounted to around £158,500.

## Management and Delivery

2.24 E-Business support in SE Ayrshire is channelled through the E-Business Demonstration Centre (E-BDC) located at Riverside in Irvine. There have been a number of staffing changes in the e-business team in the last year and there are now a team of 3 people in place operating from the E-BDC. The E-Business Manager meets the E-BDC team on a weekly basis.

2.25 There are no formal or informal mechanisms in place to overcome the barriers to regular contact between the Account and Client managers and the advisers who are not collocated. E-business activity and the rest of the business support activity within SE Ayrshire could be more closely integrated.

2.26 The Business Gateway (BG) appears to be more closely linked with the e-business activity and the E-BDC seems to be used by the BG.

2.27 Account and Client Managers feel that their understanding of e-business has increased in recent months with the appointment of staff to the E-BDC. There has also been contact with some of the 100-day contractors. There is still a general feeling of uncertainty over what e-business is and what it can offer their companies.

## Activity Levels

2.28 Table 2.3 shows the level of activity under each of the intervention headings in 2003/04. There were a total of 836 interventions in the last year.

| **Table 2.3<br>E-Business Activity 2003/04** | |
|---|---|
| *Intervention* | *Number of participants 2003/04* |
| Workshops | 233 |
| Seminars | 131 |
| E-Business Advisers programme | 5 |
| E-BDC | 270 |
| Local Initiatives | 64 |
| Discretionary funding | 133 |
| **Total** | **836** |
| Source: SE Ayrshire | |

## VALUE FOR MONEY

2.29 Table 2.4 shows the cost per intervention for 2003/04. As would be expected, the more intensive interventions including the E-Business Advisers programme and the E-BDC are significantly more costly to deliver than the volume products.

2.30 It should be noted that for the Network products there is an additional central cost per intervention due to the central development costs and the costs presented here only take into account the additional costs of delivering the products incurred by SE Ayrshire.

| **Table 2.4<br>Cost per intervention 2003/04** | | | |
|---|---|---|---|
| *Intervention* | *Spend 2003/04* | *Number of participants 2003/04* | *Cost* |
| Workshops | £37,990 | 233 | £163 |
| Seminars | £19,479 | 131 | £148 |
| E-Business Advisers programme | £7,948 | 5 | £1,590 |
| E-BDC | £217,444 | 270 | £805 |
| Local Initiatives | £99,750 | 64 | £1,559 |
| Discretionary funding | £202,335 | 133 | £1,521 |
| **Total** | **£584,946** | **836** | **£700** |
| Source: Targeting Innovation Ltd | | | |

2.31 Overall, there were 836 interventions in 2003/04 at an average cost of £700 per intervention.

# 3 IMPACT OF E-BUSINESS SUPPORT

## Introduction

3.1 A total of 23 companies that had received E-Business support from SE Ayrshire were interviewed. (3 responses are taken from an earlier E-Business study undertaken for SE National with the remaining 20 companies interviewed specifically for this study.) This section analyses the responses to this survey and assesses the impact that the support had on these companies.

## Initial Contact with SE Ayrshire

3.2 The majority of the businesses contacted had made initial contact with SE Ayrshire within the last 3 years (61%) with 78% of the companies reporting that they have a designated contact with SE Ayrshire.

3.3 When businesses were asked about how they identified and accessed the e-business support, 30% said that they were referred through a SE Ayrshire representative, 4% through a non-SE Ayrshire representative, 22% identified the support through their own enquiries and 13% through an e-business adviser. A further 22% indicated it was through a mix of the sources already mentioned. None of the businesses surveyed used the Scottish Enterprise website or the E-Business Demonstration Centre (E-BDC) to first identify the support received.

3.4 The companies were asked whether or not they thought they could have received e-business support from another source if it had not been available through SE Ayrshire. Just under half of the businesses (48%) thought that they would not have been able to receive the support from another source or were unaware of sources where they could have obtained the support offered through SE Ayrshire. Amongst the 52% of businesses that thought there was support out there, the local council and private IT consultancies were the most commonly cited organisations. One of the businesses made the point that whilst they could have got the support elsewhere, they felt that this support would not have been impartial.

## TYPE OF SUPPORT RECEIVED

3.5 Companies were asked what type of support they had received from the suite of e-business products. The responses are summarised in Figure 3.1. Most of the companies used more than one of the products with 73% of surveyed businesses receiving a grant and 68% having the support of an e-business adviser.

3.6 Nearly half (45%) of all respondents had visited the E-Business Demo Centre and the same number had attended workshops. Seminars, on-line tools and factsheets were less popular, with 23% businesses accessing support through each of these products. In the case of the factsheets and online tools this represents an high level of usage compared to the National situation. Networking opportunities were not realised by many businesses. Some 6 businesses received other types of support, including a specific pilot for broadband in some areas of Ayrshire.

3.7 Table 3.1 shows the categories of support available under the e-business support programme in SE Ayrshire and the proportion of companies interviewed having received each type of support. The figures are compared to the *SE National E-Business Evaluation* findings for the whole SE area.

**Table 3.1**
**Support Received**

| | % Receiving Support in SE Ayrshire | % Receiving Support in SE Total |
|---|---|---|
| E-Business Adviser | 68 | 91 |
| E-Business Workshops | 45 | 39 |
| E-Business Seminars | 23 | 23 |
| E-Business Demo Centre | 45 | 9 |
| Online Tools | 23 | 6 |
| Factsheets | 23 | 18 |
| Grants | 73 | 56 |

3.8 There are some differences in the proportion of companies having received each type of support in the two surveys. As noted above, nearly three-quarters (73%) of the companies interviewed in Ayrshire had received grant funding. In both surveys, the proportion of companies reporting that they had received a grant appears to be high and does not reflect the general delivery model across the Network. This may be down to companies attributing grant funding to SE when in fact it came from another source such as the local council.

3.9 Companies in Ayrshire were less likely to have received support from an E-Business Adviser while use of Workshops, Online Tools and Factsheets was higher. The E-BDC appears to be used by a much greater proportion of companies in Ayrshire compared to SE as a whole. However, this could be explained by the fact that part of the sample selected for the survey in SE Ayrshire was drawn from a list of companies that had received assistance via the E-BDC.

## Reasons for Seeking Support

3.10 There were a variety of reasons for applying for e-business support, most relating to developing new websites, upgrading existing websites/trading on-line, installing broadband or installing hardware / networks to make the business more effective. A selection of the responses are detailed below:

> *"When I set up the replacement doors business I went on a series of workshops and learned a lot so when I was setting up e-business, I wanted to learn from others and get the most information that I could to develop this part of the business."*

> *"I wanted to start selling the company better on the Internet."*

> *"I wanted financial assistance in setting up the business. Also, I wanted help with setting up computer systems. I needed advice on networks."*

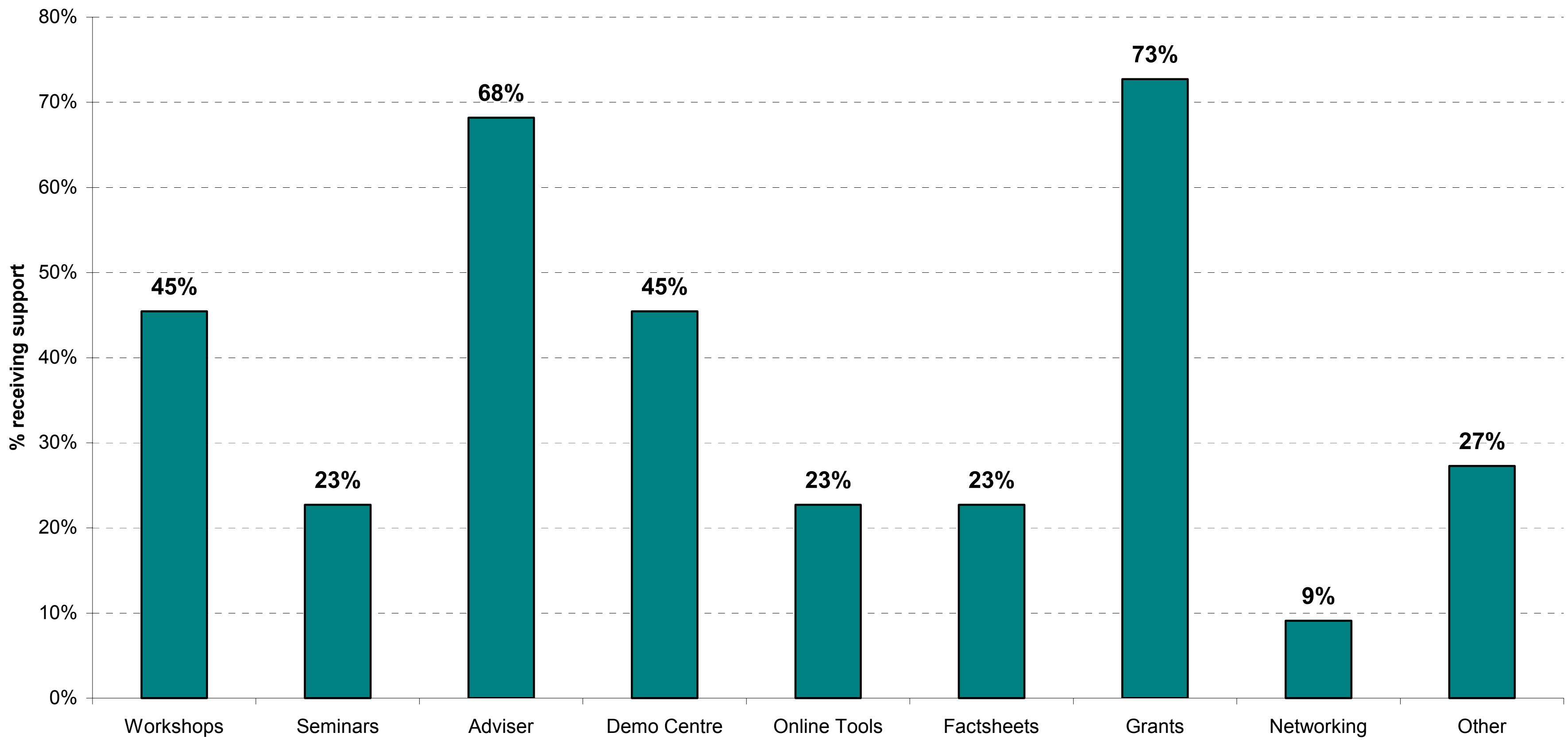
> *"I send a reasonable amount of large files so wanted to keep up with technology and send things faster."*

> *"SE Ayrshire approached me because they wanted to run a trial of a rural broadband service. I got free broadband during the course of the trial. They said it would give me more opportunity in sourcing things."*

> *"I had no experience with e-business, and we needed this to help the business grow. We wanted to generate more business and to set up an electronic mailing system."*

3.11 Around 43% of companies wanted help with websites, 39% with systems-related issues and 22% with broadband. The SE National study found a much greater proportion of companies wanting help with websites, which perhaps points to support in SE Ayrshire being more holistic in focussing on ICT systems.

**Figure 3.1 Types of E-Business Support Recieved**



## ACTIONS ARISING FROM THE SUPPORT

3.12 Of the companies interviewed, only one had not yet taken any actions to improve their business. The actions arising from the support mostly related to implementing either new or upgraded websites, implementing new hardware or software, or upgrading their internet infrastructure to broadband. A sample of the actions taken are presented below:

*"We developed the website in house then entered and won web awards."*

*"I developed a website for marketing the business and set up a network for backing up my three computers and for having remote access."*

*"We've put broadband in using a local company from SE Ayrshire list."*

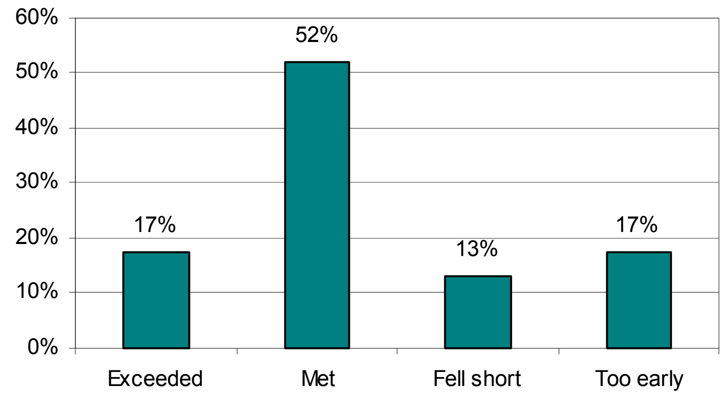
*"Both websites are up and running & in an easy manner to navigate. We are getting good information and feedback."*

*"The website up and running - can now go on the website and change it ourselves."*

## OUTCOMES FROM E-BUSINESS SUPPORT

3.13 The companies were asked to what extent the outcomes from the e-business assistance had met their expectations, or whether it was too early to say. Figure 3.2 shows that while the majority of companies reported that their expectations had been met or exceeded, a significant proportion felt that it was too early to say.

**Figure 3.2 Outcomes from E-business assistance in relation to expectations**



3.14 A higher proportion of companies interviewed in Ayrshire felt the outcomes from the assistance had exceeded their expectations than in the SE National study – 17% compared to 11%. Furthermore, a significantly lower proportion of companies in Ayrshire reported that the outcomes had fallen short of their expectations (13% compared to 23%).

3.15 The companies were asked to expand upon the way in which the outcomes from the support had met, exceeded or fallen short of their expectations. A selection of responses is presented below.

### Exceeded Expectations

*"At the workshop they managed to link into consultancy to give advice – gained a lot just by adviser looking at website. Didn't expect this of the whole process. The mentoring came through and gave us the motivation to see the development through - otherwise we wouldn't have got round to it."*

*"The seed money for the new systems met our expectations. The meeting about training went badly at first but has now exceeded my expectations because we have good relationship."*

### Met Expectations

*"We are now able to access information quicker."*

*"We are getting good feedback and orders and there seems to be more awareness of our services and products."*

*"The support cleared up doubts about how to develop business computer systems."*

*"We are successful with search engines as result and much more visible to potential customers."*

### Fell Short of Expectations

*"I thought the seminar itself was excellent but was disappointed that the representative didn't get back to me."*

*"I had a big learning curve. After 7 months there hasn't been a single sale. Maybe there's something wrong with my site, or maybe there's something wrong with my product. SEA said maybe I should have done e-commerce with them and that maybe I should have had some training first."*

3.16 Companies were also asked if they would have undertaken the activities as a result of the support had they not received the e-business support, and if so whether the timing, quality and scale of the activities would have been affected. Table 3.2 shows the proportion of companies giving each possible response (it should be noted that it is possible to select multiple responses to this question so the numbers in the table do not add up to 100).

**Table 3.2**
**Activity Undertaken If No Support Received**

| | % Giving Response | Additionality |
|---|---|---|
| Would not have undertaken activities | 26 | High – 100% |
| Would have undertaken activities to same timeframe, quality and scale | 0 | Low - Nil |
| Would have undertaken activities over longer timeframe, same quality and scale | 52 | Medium |
| Would have undertaken activities over same timeframe and scale, lower quality | 39 | Medium |
| Would have undertaken activities over same timeframe and quality, smaller scale | 26 | Medium |

3.17 Overall, deadweight is not an issue in Ayrshire and none of companies stated that they would have undertaken the activities in the absence of support. This reflects very highly on SE Ayrshire as significant deadweight was found in the SE National report (18%). Additionality was high in Ayrshire with just over a quarter of the companies interviewed reporting that they would not have undertaken the activities in the absence of the e-business support. Furthermore, for most of the companies, the support has enabled them to undertake the activities faster, to a greater quality, or a larger scale than would otherwise have been the case.

## Quality Assessment

3.18 Companies were asked to assess the quality of the service they had received from two of the channels that the support came from – the e-business advisers and the E-Business Demonstration Centre. A summary of the quality assessment of the e-business advisers is presented in Figure 3.3.

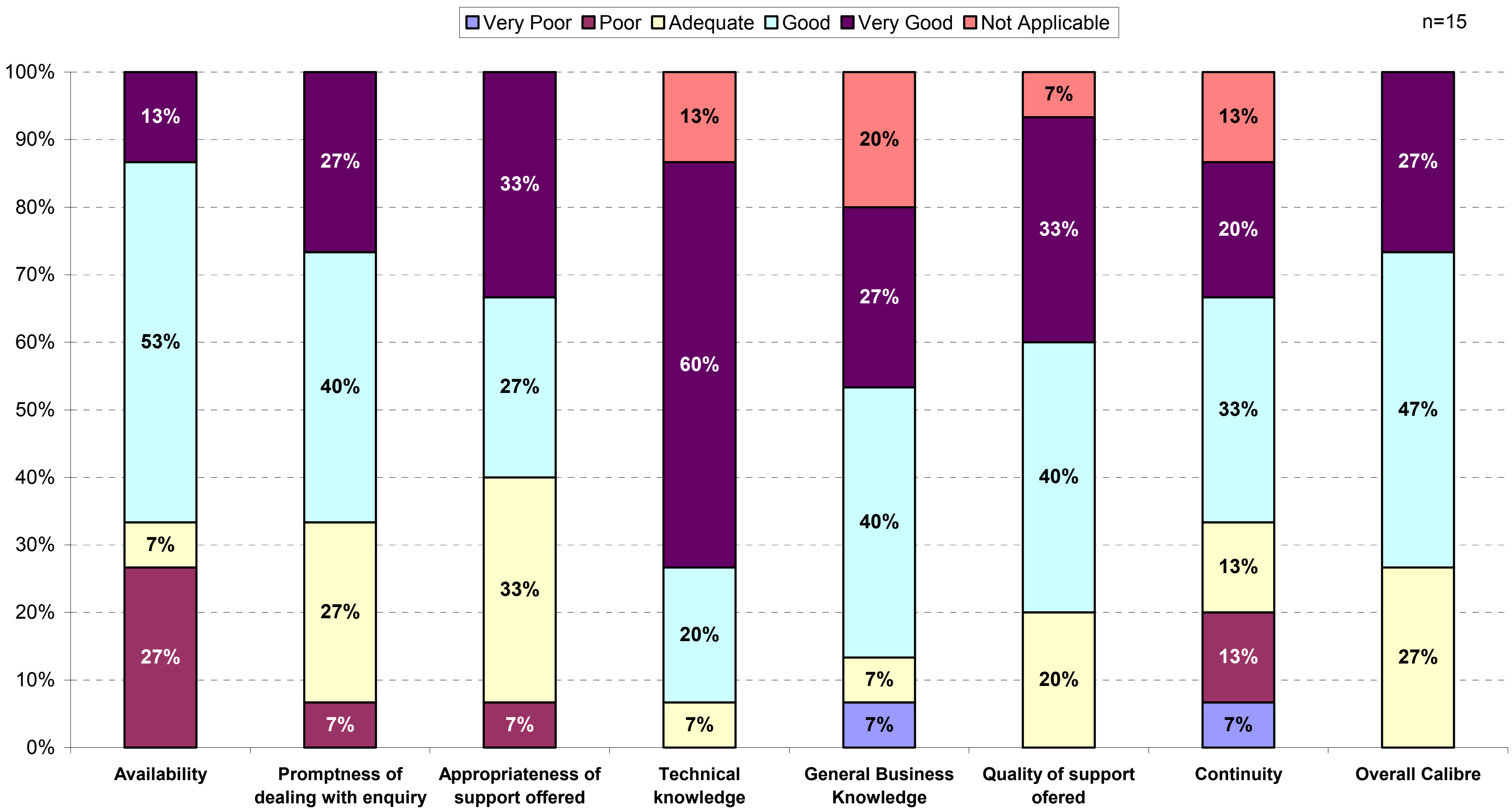
3.19 E-business advisers are thought to be of good calibre, with all businesses who received support from advisers rating advisers overall calibre as adequate, good or very good. Performance varies when specific criteria are examined.

- When examining how easy it is to contact advisers, two thirds of businesses thought that advisers' availability was good or very good but 27% thought it was poor.

- Nearly all surveyed business thought that adviser's speed of response to their queries was adequate, good or very good. Only one business thought that the response was poor. The same pattern emerges when examining the appropriateness of the support offered.

- No business thought that the advisers' technical knowledge was poor or very poor, whilst 60% of businesses thought it was very good.

Figure 3.3 - Quality of the E-Business Advisers



- The majority of respondents thought that the advisers' general business knowledge was good or very good.

- Nearly three quarters of all business thought the quality of the support was good or very good and more than half of businesses thought that the continuity of support was either good or very good.

3.20 Table 3.3 compares the results of the quality assessment of the e-business advisers in Ayrshire with the SE National study. Companies were asked to rate the performance of the adviser from 1 to 5 against various criteria, where 1 equals very poor and 5 equals very good. Table 3.3 compares the approximate percentage of companies rating each of the criteria as good or very good in each of the surveys.

**Table 3.3**
**Quality Assessment – E-Business Advisers**

| | % rating 4 or 5 in SE Ayrshire | % rating 4 or 5 in SE Total |
|---|---|---|
| Ease of contacting adviser | 66 | 84 |
| Promptness in dealing with enquiries | 57 | 87 |
| Appropriateness of support offered | 60 | 79 |
| Technical Knowledge | 80 | 92 |
| General Business Knowledge | 67 | 86 |
| Quality of support offered | 73 | 85 |
| Continuity of support | 53 | 75 |
| Overall Calibre of adviser | 74 | 93 |

3.21 While lower than the ratings given in the SE National study, the ratings in Ayrshire are still relatively high and the difference in scores could be explained by the error margin in the sample given that the sample size is small.

3.22 Some 13 businesses had visited the E-Business Demonstration Centre and of those 11 were able to rate the quality of the centre and its facilities. An assessment of the quality of the service provided by the E-BDC is presented in Figure 3.4

3.23 None of the respondents indicated that they thought the centre was of poor or very poor quality on any of the quality measures discussed. The quality was at least adequate, but many thought that quality was good or very good.

- 82% thought that the range of equipment was good or very good.

- 55% of businesses thought the skills of the staff were good and the same proportion thought that the helpfulness of the staff was very good.

- Just over one third of the businesses thought that the location of the centre was adequate, but the remainder thought that the location was good or very good.

- The overall impressions were positive, with nearly two thirds of businesses indicating that the centre had a good overall impression.

**Figure 3.4 Quality of the E-BDC**

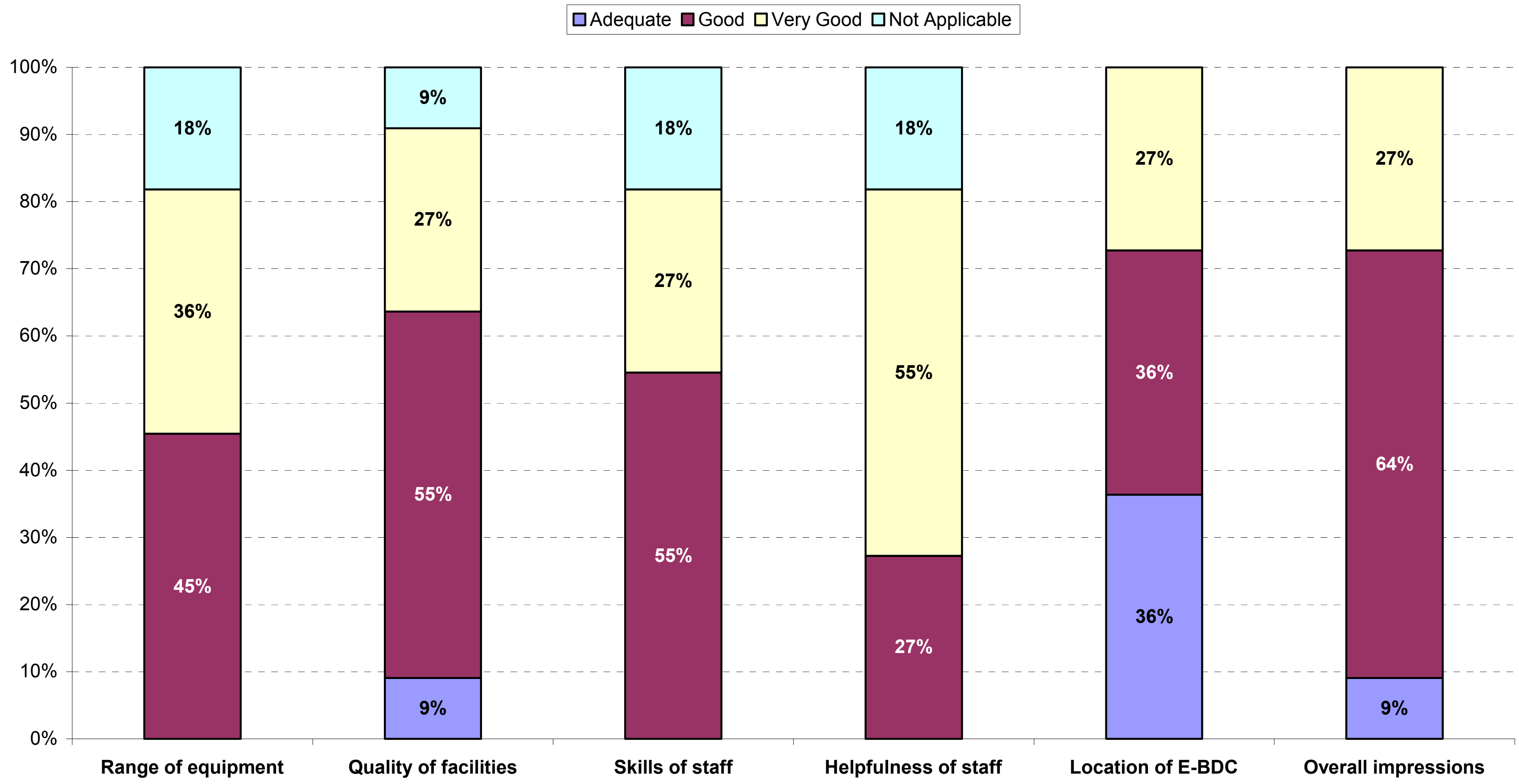
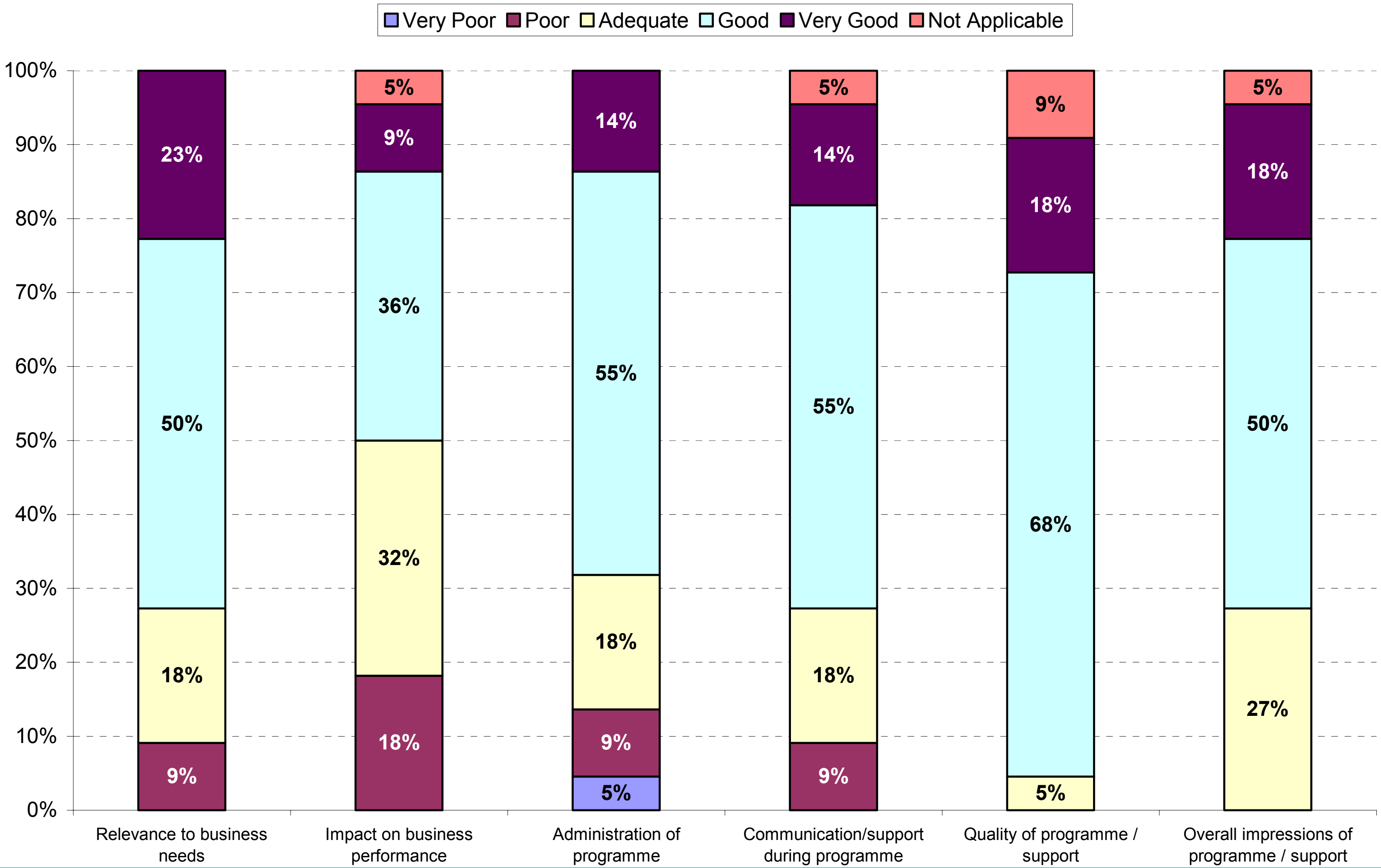


**Figure 3.5 Quality of Overall E-Business Support**



3.24 All businesses were asked what they thought of the quality of the e-business advice overall. Figure 3.5 summarises the responses. In general, the e-business support is rated highly by the participants interviewed.

- 72% of businesses thought that the relevance to business needs was good or very good.
- The majority of businesses thought that the administration was good or very good. The same proportions thought that the communication was good or very good.
- More than three quarters of surveyed businesses thought the impact on their business was adequate or better, but more than one in every six respondents thought that there had been a poor impact on their business.

3.25 Table 3.4 compares the results of the quality assessment of e-business support as a whole in Ayrshire with the SE National findings. Companies were asked to rank the overall package of support from 1 to 5, where 1 equals very poor and 5 equals very good, according to various criteria. The table shows the proportion of companies rating each of the criteria as good or very good.

**Table 3.4**
**Quality Assessment – E-Business Support Overall**

| | % rating 4 or 5 in SE Ayrshire | % rating 4 or 5 in SE Total |
|---|---|---|
| Relevance to business needs | 73 | 79 |
| Impact on business performance | 45 | 49 |
| Administration of programme | 69 | 76 |
| Communication during programme | 69 | 78 |
| Quality of programme | 86 | 84 |
| Overall impressions of programme | 68 | 82 |

3.26 The companies interviewed in SE Ayrshire generally rated the support highly as in the SE National study. The companies in Ayrshire gave a slightly lower rating than the national study across some of the criteria but there is clearly a high level of satisfaction with 68% of the companies in Ayrshire having a good or very good overall impression of the support. Furthermore, 86% of the companies in Ayrshire gave a high rating to quality of the programme.

3.27 The fact that only 45% of the companies gave a high rating for the impact on business performance reflects delays in impact becoming apparent and difficulties of measurement but is not a cause for concern at this stage.

3.28 As part of the quality assessment of the overall support received, companies were asked which of the following statements applied to their experience of their package of E-Business support:

1. The support has been ongoing, strategic, co-ordinated and directly related to the needs of my business – 14%

2. The support has been periodic, but always related to the circumstances of my business – 59%

3. The support has been irregular and disjointed and has not been planned in a strategic fashion – 27%

3.29 73% of companies surveyed replied that either statements 1 or 2 accurately described their experience of support received overall. Again, these responses reflect the quality of the e-business support.

3.30 Although there are some parts of the e-business service that could be improved for some of the clients, the service has some measure of goodwill with all surveyed businesses: some 20 respondents indicated that they would attend future e-business events. All of the respondents indicated that they would recommend the services to business contacts, friends or family.

## Business Processes and Systems

3.31 Businesses were asked if they had seen an improvement in a variety of their systems and processes as a result of the support they had received. Table 3.5 shows the number of businesses (maximum 22) that had seen an improvement in the specific process/system.

**Table 3.5**
**Process and System Improvements**

| | No. of companies seeing an improvement (max. 25) |
|---|---|
| Marketing information | 15 |
| Management info systems | 12 |
| Customer services | 14 |
| Procurement processes | 9 |
| Integration of back office systems | 8 |
| Information flows within company | 11 |
| Automation of internal systems | 7 |
| Other | 4 |

3.32 The categories where there are high numbers of businesses indicating they saw an improvement to their systems reflects the information flow capabilities that websites and other IT systems gives businesses. Benefits range from being able to direct customers to where their website for marketing information to being able to monitor the number of hits that they receive.

3.33 Although fewer businesses have noticed an improvement in their procurement process, benefits included potential suppliers contacting businesses after visiting the companies' website and being impressed.

## Indirect Effects

3.34 Only 5 of the businesses surveyed indicated that they reduced activity elsewhere in their business to undertake the e-business project – mostly just reducing the businesses main activity for the period of implementation. The majority of these companies indicated that this was a positive activity.

3.35 When asked what other benefits the company gained from participation in the programme the most frequently cited benefits were: better awareness of the potential of what the internet and IT systems can do for the business; better reputation amongst others in the business community; better staff skills and more access to information.

## Impacts on Other Businesses

3.36 The growth in business by supported companies can have an effect in their market – either being absorbed in a growing market, or displacing the market share of their competitors. When asked if there had been any effect on their competitors, only 5 surveyed businesses said that there had been, whilst 10 said that there had not been any effect. The remainder did not know or were unsure. Of the 5 who said that there was impact on competitors, one said there was a positive impact on Scottish competitors, 2 said there was a negative impact – displacing them. Some 2 respondents said there was a negative impact on competitors within the rest of the UK or internationally.

3.37 As businesses grow, those they work with may also benefit through increased trade – e.g. increased supplies. Some 11 of the businesses surveyed said there had been impacts on suppliers and other businesses – with 7 indicating that Scottish suppliers benefited and 9 indicating that UK or international suppliers benefited. Benefits included greater turnover through supplying greater inputs to the companies supported in e-business.

## FINANCIAL IMPACTS

3.38 This section firstly considers the actual impacts on sales to date, before going on to discuss potential future impacts. This is an important distinction given that some companies have only recently received support and so are unlikely to have realised the resultant benefits of the on going investment projects.

3.39 Of the 23 companies interviewed, 10 respondents indicated that there had been a positive impact on sales as a result of the support, with 7 of those respondents able to quantify the impact on sales. As a group the businesses estimated that there was a net increase in sales of **£183,075** as a result of the programme to date. This net figure takes account of both additionality[14] and displacement[15], and is broken down as follows:

- 1 company recorded attributable sales increases in excess of £50,000 to date.
- A further 2 companies have already realised sales increases of £10k to £50k.
- 1 company had realised a sales impact of between £5k and £10k.
- The remaining 3 companies had realised a sales impact of less than £5k.

3.40 In total, 15 of the companies interviewed said that the full benefits of the support had not yet been realised, and that sales increases were predicted over the next 3 years as a direct result. Nine of these companies were unable to quantify these positive future benefits. The remaining 6 companies estimated total gross sales increases of **£1,722,400 over the next 3 years**.

3.41 To obtain a net figure, the gross estimated sales figure was reduced according to the probability that these sales could be realised, together with a net additionality figure based on the proportion of sales that could be generated by the scheme. This led to a figure of **£783,700** extra sales over a 3-year period that would not have been realised without e-business support (around £260k per annum). Predicted net increases for individual companies ranged from **£750 to £500k**[16].

[14] The extent to which the increase would have occurred regardless of support

[15] The extent to which the increase has been at the expense of sales losses in other areas of the business, or market share stolen from Scottish competitors

[16] A full breakdown of financial impacts is included as Appendix A

3.42 These results can be interpreted to allow assumptions to be made regarding the population of assisted companies as a whole. The following assumptions can be made drawing on the survey research to guide this process:

- The sample of 23 companies randomly selected according to the support they have received can be assumed to be representative of the full population of assisted companies on E-BIS.
- 10 of the 23 companies reported that the e-business support they had received had had a positive impact on sales to date but only 7 could quantify this impact, therefore it can be assumed that 30% of the total population will also have realised a quantifiable positive impact on sales. The total population of companies selected for the evaluation from E-BIS is 179 so it can be assumed that of these, 54 would have realised increased sales.
- The 7 companies who were able to quantify the impact on sales are also assumed to be representative. Although one company accounted for a larger impact than the others, this is not cause for concern and in DTZ Pieda Consulting's experience it is common to find a wide range of impacts in a survey of this nature.
- All sales impacts are net and take account of additionality and displacement.
- Using a sample of 23 companies from 179 represents a confidence level of 95% and an error margin of ±19%.

3.43 Table 3.6 shows the net impact of the e-business support for the entire population of companies supported in SE Ayrshire following the assumptions stated clearly above. **The potential total impact of the support given is £1.4m.** Taking into account the sample size, it can be assumed that the true impact will fall between **£1.2m and £1.7m.**

**Table 3.6**
**Assessment of Total Impact of Support on Actual Sales**

| *Impact range* | *Average net impact* | *Total net impact* | |
|---|---|---|---|
| | | Quantified in Survey | Full Population |
| <£5k | £2,692 | £8,075 | £62,845 |
| £5k-10k | £10,000 | £10,000 | £77,826 |
| £10k to £50k | £42,500 | £85,000 | £661,522 |
| >£50k | £80,000 | £80,000 | £622,609 |
| Total | **£26,154** | **£183,075** | **£1,424,801** |
| Sample size | | 23 | 179 |

3.44 Following the same methodology for the potential future sales, Table 3.7 shows that there are an additional **£6.1m of potential net sales over the next 3 years** that are directly attributable to the e-business support. Taking into account the sample size, it can be assumed that the true impact will fall between **£4.9m and £7.3m.**

**Table 3.7**
**Assessment of Total Impact of Support on Potential Sales**

| | *Average net impact* | *Total net impact** | |
|---|---|---|---|
| | | Quantified in Survey | Full Population |
| Impact | £130,617 | **£783,700** | **£6,099,230** |
| Sample size | | 23 | 179 |

* Additionality and probability of sales taken into account.

## EMPLOYMENT IMPACTS

3.45 Of the 23 companies interviewed, 6 suggested that the E-Business support had had a positive impact on employment to date. Across these 6 companies, after allowing for additionality, the total net increase in employment directly attributable to e-business support was **4 FTEs**.

3.46 As employment increases are likely to be directly linked to sales increases, the predicted net sales increase over the next 3 years is likely to generate new employment. 11 of the 23 companies expected to have to hire new employees over the period, with 7 of these able to quantify their likely intake. After making allowances for the probability that these jobs would be realised, and additionality, some **10.4 FTEs** are potentially going to result from the e-business support[17].

[17] A full breakdown of employment impacts is presented in Appendix A

3.47 Using the same methodology as the sales impacts to gross up the results to the entire population of supported companies, this would yield **31.1 FTE positions created to date** as a result of e-business support with a **further potential 81.2 FTEs in the future**.

**Table 3.8**
**Assessment of Total Impact of Support on Actual and Potential Employment**

| | *Average net impact* | *Total net impact** | |
|---|---|---|---|
| | | Quantified in Survey | Full Population |
| Actual | 0.7 FTEs | **4.0 FTEs** | **31.1 FTEs** |
| Potential | 1.5 FTEs | **10.4 FTEs** | **81.2 FTEs** |
| Sample size | | 23 | 179 |

* Additionality and probability of employment taken into account.

3.48 Taking into account the sample size, it can be assumed that the true impact to date will fall between **25 and 37 FTEs** and the potential impact over the next 3 years will fall between **66 and 97 FTEs**.

3.49 When asked about which of the types of support was the most influential in realising any benefits received, the most popular response across all companies in the sample was the advice from the e-business adviser (9 responses). Although 16 had received grants, only 3 said this was the most influential factor in realising benefits. It appears that the technical expertise and knowledge transfer available through the adviser, rather than just giving out money, is regarded as the most valuable way of assisting businesses.

## CLIENT SUGGESTIONS

3.50 Companies were asked to comment on what they thought the future focus of the E-Business programme in Ayrshire should be. Some respondents had no comment, others were satisfied with the current service but some thought that there needed some change to the programme. A number of themes arose including:

- Two respondents thought that enhancing the broadband service was key for local businesses – one of the businesses is located in an area where there is not yet a broadband service and this is limiting their business. However, we recognise that this does not fall within the remit of SE Ayrshire.

- Hardware and software assistance was key for some businesses. For example, one business was disappointed there was not more support to get companies hardware up and running and another was looking for more assistance with accounting software other than SAGE.

- Search engine strategies are also seen as important. For example, one business thought that there needed to be more information on how to register their site, as it was the best way of promoting your business. This support is available through SESIM but companies may be unaware of the support.

- Wider publicity of the e-business support programme is suggested. This is reflected in comments like:

  *"….marketing of e-business support is appalling. It's the 'best kept secret'…."*

# 4 CONCLUSIONS AND RECOMMENDATIONS

## INTRODUCTION

4.1 This section presents our conclusions from the evaluation and our recommendations regarding the future of e-business support in SE Aryshire. Our recommendations for the future draw upon the SE National evaluation as appropriate as the Network-wide evaluation provides the framework and context within which support in SE Ayrshire will be developed in the future.

## MANAGEMENT

4.2 There are no formal or informal mechanisms in place to overcome the barriers to regular contact between the Account and Client managers and the advisers who are not collocated. E-business activity and the rest of the business support activity within SE Ayrshire could be more closely aligned as the Network strategy to focus intensive support on high and medium growth companies will rely heavily upon co-operation between the two parties to take forward e-business support in SE Ayrshire.

4.3 Account and Client Mangers need a greater understanding and clarity over what e-business is and what it can offer their companies.

4.4 We recommend a proactive programme of hot-desking to allow the E-Business Advisers based in the E-BDC to be placed within SE Ayrshire and the Business Gateway business support teams on a regular basis to increase their visibility. This would also allow proactive promotion of the services available through the E-BDC to the business advisers.

## DELIVERY

4.5 In general, the e-business support received high satisfaction ratings with 86% of companies interviewed stating quality of the programme of support was good or very good and the 73% rating the relevance of the support to their business needs as good or very good.

4.6 As part of the quality assessment of the overall support received, companies were asked which of the following statements applied to their experience of their package of E-Business support:

1. The support has been ongoing, strategic, co-ordinated and directly related to the needs of my business – 14%

2. The support has been periodic, but always related to the circumstances of my business – 59%

3. The support has been irregular and disjointed and has not been planned in a strategic fashion – 27%

4.7 73% of companies surveyed replied that either statements 1 or 2 accurately described their experience of support received overall. Again, these responses reflect the quality of the e-business support. However, over a quarter of the companies reported that the support had been irregular and disjointed and was not planned in a strategic fashion, which could be interpreted as a cause for concern.

4.8 It is likely that this is a reflection of the nature of the past SE policy where the support was open to the volume market. The targeting of intensive support to Account and Client Managed companies from the start of 2004/05 should allow a more joined up, strategic intervention with appropriate companies and should address this issue.

4.9 Although there are some parts of the e-business service that could be improved for some of the clients, such as the availability of E-Business Advisers and their promptness in dealing with enquiries, generally the service has some measure of goodwill with all surveyed businesses with 87% of respondents indicating that they would attend future e-business events. Furthermore, all of the respondents indicated that they would recommend the services to business contacts, friends or family.

4.10 Additionality was high in Ayrshire with just over a quarter of the companies interviewed reporting that they would not have undertaken the activities in the absence of the e-business support. Furthermore, for most of the companies, the support has enabled them to undertake the activities faster, to a greater quality, or a larger scale than would otherwise have been the case. Deadweight is not an issue in Ayrshire and none of companies stated that they would have undertaken the activities in the absence of support. This reflects very highly on SE Ayrshire as significant deadweight was found in the SE National report (18%).

## IMPACTS

4.11 Tables 4.1 and 4.2 summarise the net impacts of the e-business support on sales and employment for the survey sample and the population of companies having received support from an e-business advisor over the period 2002/03 and 2003/04.

**Table 4.1**
**Assessment of Total Impact of Support on Actual and Potential Sales**

| | *Average net impact* | *Total net impact** | |
|---|---|---|---|
| | | Quantified in Survey | Full Population |
| Actual | **£26,154** | **£183,075** | **£1,424,801** |
| Potential | £130,617 | **£783,700** | **£6,099,230** |
| Sample size | | 23 | 179 |

* Additionality and probability of sales taken into account.

**Table 4.2**
**Assessment of Total Impact of Support on Actual and Potential Employment**

| | *Average net impact* | *Total net impact** | |
|---|---|---|---|
| | | Quantified in Survey | Full Population |
| Actual | 0.7 FTEs | **4.0 FTEs** | **31.1 FTEs** |
| Potential | 1.5 FTEs | **10.4 FTEs** | **81.2 FTEs** |
| Sample size | | 23 | 179 |

* Additionality and probability of employment taken into account.

4.12 These impacts are significant and perhaps reflect the nature of the support in SE Ayrshire. In the SEN study, the vast majority of companies wanted help with website development. In Ayrshire, while a proportion of companies were interested in web development, 39% were interested in systems-related support and indicates a more holistic approach to e-business.

## VALUE FOR MONEY

4.13 A total of just under £585k was spent in the delivery of e-business interventions in 2003/04. This supported a total of 836 interventions in the last year. As identified in Section 2 of the report, the overall cost per intervention is £700. This is a reasonable cost intervention rate and represents good value for money when the considerable impact is taken into account.

4.14 While the relatively small sample size should be taken into account, the evidence from the survey has provided the basis for an estimation of the total impact of the e-business support in SE Ayrshire as £1.4m and 31 FTEs to date.

4.15 It should be noted that the spend on e-business support in SE Ayrshire does not take into account the central costs of development and management of the Network e-business products. In the period 2002/03 to 2003/04, around £9m was invested in e-business support across the whole SE Network (including central costs and LEC spend). Therefore, the impact in SE Ayrshire has to take account of the inputs at the SEN level as well as in SE Ayrshire.

## RECOMMENDATIONS

### SE National Context

4.16 The future of e-business support in SE Ayrshire is, to a large extent, influenced by strategic decisions at the SEN level in terms of the future framework for support in the area of e-business. Therefore, it is important to outline the strategic context within which e-business support sits and the recommendations made in the SEN E-Business Evaluation that are of relevance for the future delivery of support in SE Ayrshire. The strategic parameters set down by SE include:

- **Segmentation** – SE will target its resources at the companies most likely to impact upon the Scottish economy. Therefore, companies will be segmented into High Growth, Medium Growth and Universal with most resources being devoted to the High and Medium Growth companies and high volume interventions being targeted at universal companies.

- **Productisation** – has sought to bring consistency to LEC offerings across Scotland and to remove duplication in terms of development and delivery of support. For the future, the consensus of views is that consistency and flexibility need to be achieved – objectives which might be seen to be at odds with each other. Furthermore, in line with the segmentation model, all Network business support products should be considered in terms of their suitability for e-delivery.

- **Integration** – delivery of e-business support should not generally be stand-alone but should be integrated with other support to give the company a holistic approach to development. For high and medium growth companies, this will be through account and client managers, while for universal companies, it will be through Business Gateway.

- **Delivery** – there is to be an increasing focus on the role of partnerships with private sector and channel partner providers (both internal and external) in terms of the delivery of support, with SE providing a development and co-ordination function.

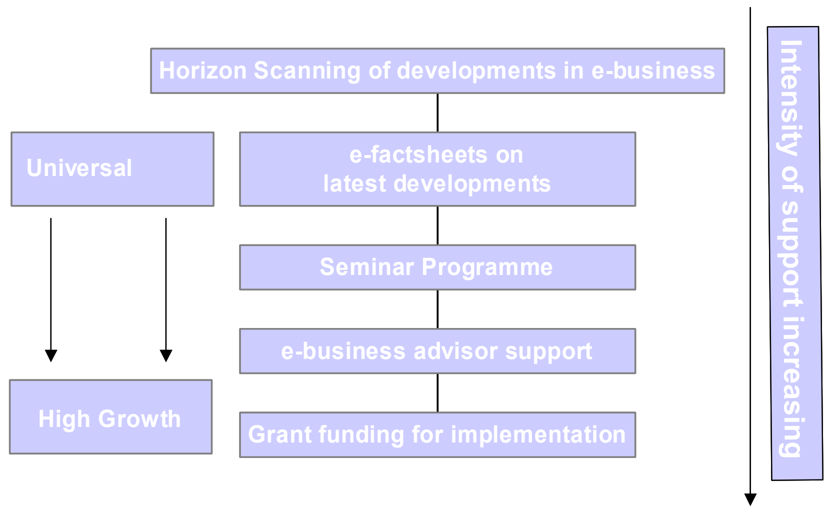
4.17 The future model for e-business interventions must adapt current delivery arrangements to fit with the strategic parameters outlined above. This will involve using the BG for volume interventions with account and client managers dealing with growth potential companies with specialist e-business backup.

4.18 This approach may require fewer e-business advisors in the network and will see increased resources going into the highest potential companies in a focused manner with close working between account managers and e-business advisors being pivotal to success. However, it is equally possible that the increased intensity of support to Account and Client Managed companies will require the same resource level to deliver.

4.19 In all of these options, SE should continue to address the volume market with volume interventions but should pay attention to raising expectations through awareness raising interventions that it is then unable/unwilling to meet.

4.20 Figure 4.1 sets out our thinking on the interventions that should form part of the future e-business strategy of SE. It also shows how they should fit with each other, their appropriateness for companies at different stages of growth and how there should be an expectation of companies receiving a continuum of support as they grow.

**Figure 4.1 E-business interventions in relation to company growth and intensity of support**



## SE Ayrshire Specific Recommendations

4.21 Section 2 of the report identified a number of issues in Ayrshire that have implications for the future delivery of e-business support. Key points to emerge from the *Scottish E-Business Survey*[18] include:

- Connection to the internet has levelled out in 2004 to sit at 60% of organisations in Ayrshire. This figure is one of the lowest connection rates of all LECs in the SE area.
- Almost half of those companies with an internet connection have broadband and broadband access has more than trebled in 2004 representing the greatest acceleration in take-up of all SE LECs.
- Companies in Ayrshire have one of the lowest take-up rates of wireless connectivity.
- Over half (58%) of Ayrshire companies have no internal IT resource and Ayrshire has the highest proportion (62%) of companies of all SE LECs with no specific budget for IT or e-business development, no IT or e-business plan and no IT Director or Head of IT.

4.22 The survey concludes that:

*"The implication is that SE Ayrshire should continue motivating companies to connect to the internet whilst encouraging connected organisations to focus on making more sophisticated use of faster connections."*

4.23 We would endorse this assessment and the implications of this are that there is still a need to engage with the volume market to encourage connection to the internet. This can be achieved through using the more cost-effective volume products such as the workshops and seminars and online tools and factsheets. The companies interviewed for this evaluation were fairly heavy users of these interventions so SE Ayrshire has a good base to build upon.

4.24 SE Ayrshire should continue to work on encouraging broadband take-up to maintain the growth in adoption over the last year. There is also a need to investigate the appropriateness of more advanced connections such as wireless connectivity.

4.25 The fact that over half of Ayrshire companies have no internal IT resource has implications for the company in achieving the most effective use of e-business to maximise the return from their investment. It is clear that the majority of companies are operating in a strategic vacuum when it comes to IT and e-business related matters. This points to a clear need to support companies in determining the best use of e-business.

[18] *Scottish E-Business Survey 2004 – Ayrshire Analysis Report* Scottish Enterprise, 2004

4.26 This can be achieved by targeting intensive support at the Account and Client Managed companies whilst making the best use of less intensive interventions to assist the volume market.

4.27 The E-BDC is also key to the provision of support to both the volume market and Account and Client Managed companies. The E-BDC is the main tool for the LEC to use in the promotion of e-business support to companies. There is a need to raise the profile of the E-BDC so companies are aware of the support on offer. This is summarised by one of the respondents to the survey:

> *"….marketing of e-business support is appalling. It's the 'best kept secret'…."*

## SUMMARY

4.28 Overall, SE Ayrshire should focus intensive support on Account and Client Managed companies but should ensure that the market failures in the universal market are still being addressed through cost-effective volume interventions. There has been considerable success to date in generating impacts and in delivering support that is encouraging companies to progress with e-business faster, on a larger scale and better quality than would otherwise be the case.

4.29 The e-business support in SE Ayrshire has been very well received by the participants and the E-Business Advisers in particular appear to be regarded as a valuable source of support. There has been considerable impact generated to date with further potential impacts expected in the future.

4.30 The changes in staff at the E-BDC at the end of 2003/04 appears to have been a positive change with customer satisfaction high and progress having been made in bringing together e-business activity and the wider business support activity of the LEC.

4.31 The issue of improving communication with Account and Client Managers should be seen as a priority moving forward as it is essential to providing an integrated service to high and medium growth companies. The E-BDC should be promoted as the main source of information on e-business for universal companies and the E-Business Advisers should continue to work closely with the Business Gateway.

| | Actual Impact to Date | | | Potential Impact - next 3 years | | | | |
|---|---|---|---|---|---|---|---|---|
| **Company** | Actual sales increase £ | Additionality % | **Net sales increase attributable to project - £** | Potential sales increase £ | Probability % | Expected future sales £ | Additionality % | **Potential net sales increase attributable to project - £** |
| 1 | | | £0 | | | £0 | | £0 |
| 2 | positive | 25% | | positive | | | 25% | |
| 3 | | | £0 | | | £0 | | £0 |
| 4 | 0 | 0% | £0 | 0 | 0% | £0 | 0% | £0 |
| 5 | 0 | 0% | £0 | positive | 0% | | 0% | |
| 6 | 0 | 0% | £0 | positive | 0% | | 0% | |
| 7 | 0 | 0% | £0 | positive | 0% | | 0% | |
| 8 | 0 | 0% | £0 | positive | 0% | | 0% | |
| 9 | 675 | 100% | £675 | positive | 0% | | 100% | |
| 10 | | 0% | £0 | positive | 0% | | 0% | |
| 11 | 0 | 0% | £0 | 0 | 0% | £0 | 0% | £0 |
| 12 | 80,000 | 100% | £80,000 | 0 | 0% | £0 | 100% | £0 |
| 13 | positive | 100% | | positive | 0% | | 100% | |
| 14 | 0 | 0% | £0 | positive | 0% | | 0% | |
| 15 | 0 | 0% | £0 | don't know | | | n/a | |
| 16 | 0 | 0% | £0 | 500000 | 50% | £250,000 | 100% | £250,000 |
| 17 | 9,600 | 25% | £2,400 | 42400 | 75% | £31,800 | 25% | £7,950 |
| 18 | 100,000 | 50% | £50,000 | 0 | 0% | £0 | 50% | £0 |
| 19 | 20,000 | 25% | £5,000 | 40,000 | 75% | £30,000 | 25% | £7,500 |
| 20 | 0 | 0% | £0 | 1000000 | 50% | £500,000 | 100% | £500,000 |
| 21 | 140000 | 25% | **35000** | 140000 | 50% | 70,000 | 25% | **17500** |
| 22 | 0 | | **0** | 0 | 50% | 0 | | **0** |
| 23 | 10000 | 100% | **10000** | 150000 | 50% | £75,000 | 100% | £750 |
| **Total** | **£350,275** | | **£183,075** | **£1,722,400** | | **£881,800** | | **£783,700** |

| Company | Actual Impact to Date | | | Potential Impact - next 3 years | | | | |
|---|---|---|---|---|---|---|---|---|
| | Actual employment increase FTE | Additionality % | **Net FTE increase attributable to project** | Potential employment increase | Probability % | Expected future Employment | Additionality % | **Potential net FTE increase attributable to project** |
| 1 | | | 0 | | | 0 | | 0 |
| 2 | 0 | 0% | 0 | | | 0 | | 0 |
| 3 | 0 | 0% | 0 | 0 | 0% | 0 | | 0 |
| 4 | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| 5 | 0 | 0% | 0 | positive | 0% | | 0% | |
| 6 | 0 | 0% | 0 | 2 | 75% | 1.5 | 100% | 2 |
| 7 | 0 | 0% | 0 | 0 | 0% | 0 | 0% | positive |
| 8 | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| 9 | 0.5 | 100% | 0.5 | 0 | 0% | 0 | 0% | 0 |
| 10 | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| 11 | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| 12 | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| 13 | 2 | 100% | 2 | 1 | 100% | 1 | 100% | 1 |
| 14 | 0 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| 15 | 0 | | 0 | | | 0 | | 0 |
| 16 | 1 | 0% | 0 | 4 | 75% | 3 | 100% | 3 |
| 17 | 0 | 0% | 0 | 1 | 100% | 1 | 100% | 1 |
| 18 | 2 | 25% | 0.5 | 2 | 100% | 2 | 25% | 1 |
| 19 | 1 | 0% | 0 | 0 | 0% | 0 | 0% | 0 |
| 20 | 1 | 100% | 1 | 5 | 50% | 2.5 | 100% | 3 |
| 21 | 0 | | **0** | 0 | | 0 | | **0.0** |
| 22 | 0 | | **0** | 5 | 75% | 3.75 | 25% | **0.9** |
| 23 | | | 0 | | | 0 | | 0 |
| **Total** | **7.5** | | **4.0** | **20** | | | | **10.4** |