

Graduates for Business Review

Report

for

Scottish Enterprise

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economic development & regeneration

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Contents

Executive Summary	I
1. Introduction	1
2. Methodology	3
3. Graduates for Business	9
4. Review Findings	18
5. Conclusions & Recommendations	33
Appendix 1: Discussion Proformas	i
Appendix 2: Documents Reviewed	vii
Appendix 3: Consultees	ix



Executive Summary

Introduction

This report provides an independent assessment of existing project evidence relating to Graduates for Business (GFB), which will be used to inform SE decisions on the future of the product.

Graduates for Business is a Scottish Enterprise product designed to help businesses improve their efficiency and competitiveness by accessing the skills of graduates from Scotland's universities. The graduates help to facilitate improvements or growth through the delivery of quantifiable and measurable projects. It replaced, in 2005, a number of graduate placement programmes that had been delivered across the SE network since the 1990s.

The Assessment

The assessment reviewed:

- the strategic rationale and market failure justification of the product;
- the justification for the GFB product;
- the appraisal, development and delivery processes;
- contractor performance; and
- monitoring data.

Method

The key components of the method were as follows:

- Documentation Review: we reviewed the documentation relating to GFB contained with SE's project folder; and
- Consultation Programme: we consulted with both executives from SE and officials from other organisations.

The methodology was constrained by the timescale for completing the study which was some 3-4 weeks; this prevented consultations with product beneficiaries – companies and graduates – on key issues such as benefits and impact. These were addressed through relevant documentation contained within the GFB Project Folder. However, in order to obtain a view on issues such as market failure and demand for the product views were sought from their representatives – Careers Service and Chamber of Commerce.

Strategic Rationale & Market Failure

GFB was developed in 2005 as a business development tool aimed at business improvement and competitiveness and not as a graduate employment initiative. As such there was a good fit with the relevant strategic frameworks at the time - *Smart Successful Scotland, A Programme for Government*, and *Framework for Economic Development*.

It continues to fit with the:

- *Scottish Government Economic Strategy* – it aims to deliver sustainable growth and create a supportive business environment, through responsive and focused support; and
- *SE Business Plan* - SE has set a target of raising GDP to UK levels by 2011 through stimulating innovation to support growth businesses to exploit new products, processes and technologies.

The market failure rationale identified in EKOS (2004)¹ remains:

- SMEs:
 - *risk aversion*: unsure as to the benefits that would accrue to the company; they perceived the costs to be too high relative to perceived returns
 - *scale and institutional barriers*: little if any spare capacity for staff to become involved in the initial graduate recruitment process; lack of expertise to assist in the career development and progression that graduates would be looking for
 - *externalities*: once a graduate has been trained and acquired higher level skills the graduate will leave the SME for a larger company
 - *information*: lack of knowledge amongst SMEs on how to recruit graduates; and
- graduates:
 - *risk aversion*: SMEs do not have the resources to pay the expected salary and training costs or the career progression route required
 - *scale and institutional barriers*: SMEs lacks the expertise to develop/train graduates
 - *information*: SME do not have the opportunities available for the graduate to utilise his/her skills and knowledge.

¹ EKOS Limited (2004) - *Market Research: Potential Graduate Product*. Report for SE's Product Task Team: Glasgow



Product Justification, Development & Appraisal

GFB replaced a suite of similar types of programmes that were developed to assist SMEs address business development issues, assist graduates to secure employment, or a mix of both approaches. The market research undertaken in 2004 highlighted that this was no longer an approach that was consistent with SE's focus of assisting business to grow. The GFB product would need to be justified as a business improvement product that would sit alongside other business development programmes available to Account Managers working with growth companies.

GFB was developed within the product rationalisation process which has seen the number of SE offerings reduced from around 1,000 to around 50. This has been achieved through a mix of merging similar products, bringing together products with the same offering but branded differently, and no longer offering products that did not fit with SE's primary focus of business improvement. GFB was therefore developed through bringing together similar projects that did fit with SE's primary focus of business improvement; those products that were primarily graduate placement focus were abandoned.

The market appraisal was contained within the EKOS 2004 report, which identified that a single product would address the market failures and that it should be focused on achieving business development outcomes. The economic appraisal was based on historical evidence from similar programmes, and these assessments reported markedly different impacts. The economic appraisal was used to set the targets for GFB, and these were based on SE Glasgow's graduate programme – Grow your Business with Graduates.

Contractor Performance

Views on the performance of the contractors were sought from both product owners and Account Managers. Each was highly supportive of the services that both Glasgow Opportunities and Midlothian Enterprise Trust deliver. Each contractor was viewed as delivering an effective and efficient service in terms of:

- recruiting appropriately qualified graduates;
- assisting businesses to formalise a detailed, structured business improvement project that had clear objectives and measurable economic development outcomes/impacts;
- matching appropriately skilled graduates to the business improvement project; and
- monitoring and mentoring the graduate (and business) through the project delivery stage aimed at securing a successful outcome.



At the Learning Workshop questions were raised as to whether a single contractor delivering and marketing across the SE network would provide:

- greater consistency in approach;
- better and more consistent marketing; and
- enhanced coverage across the whole of the SE Network.

Although no definitive answer emerged the general feeling was that a single contractor could possibly deliver these benefits. This issue could be addressed during the re-contracting process in 2009.

Monitoring Data

The monitoring data highlighted:

- *activity* – in terms of the number of businesses and graduates involved in GFB – was above target;
- *impacts* – increased turnover, private sector leverage, gross and net jobs created – were all below target; and
- *costs* – total costs, costs per gross and net jobs – were all below target.

The impact data is at variance with the views of Account Managers, Product Managers and Product Deliverers, who all suggest that GFB is delivering significant economic benefits. The robustness of the monitoring data therefore need to be addressed, as there are a number of issues relating to how the data is collected and interpreted.

The monitoring data also revealed that take up of GFB varied significantly across the SE LEC network. SE Glasgow accounted for almost 100 projects; conversely no GFB projects were delivered within SE Tayside area. With the exception of SEEL, all other LECs delivered less than 20 projects.

Recommendations

The review highlighted a number of areas for the further development of GFB aimed at enhancing performance.

- Marketing of GFB:
 - in order to more closely align GFB with SE's priority industries more targeted marketing aimed at university departments offering specific degree courses linked to the priority industries should be undertaken
 - regionally focused, rather than national, marketing would help to attract graduates from across Scotland, giving employers a wider pool from which to choose;



- a stand alone or a much more visible web site within the SE web site would help to enhance the profile of GFB;
- Accelerate Market Adjustment:
 - the issue here is one of promoting the benefits of graduate employment in SMEs – both to SMEs themselves and to graduates. The Account Managers highlighted in the discussion that they have numerous case studies that show how a GFB project has enhanced the performance of a business, helping it to overcome a constraint to growth and to generate both additional sales and employment. There will also be a wide range of good news stories from graduates whose careers have progressed within SMEs following a GFB placement;
- Measuring Impact:
 - The first stage in this would be to collect actual figures for turnover growth when the *End of Project Evaluation* report is prepared. The current practice, which ask businesses to allocate turnover growth to a particular band, and then report impacts based on the lower end of the band, under records true impact
 - Account Managers also have a key role to play in collecting/forwarding impact data beyond the end of the GFB intervention given the lags between the project finishing and impacts being realised. The impacts will be realised over time and therefore need to be recorded beyond the end of the GFB project;
- Addressing Equity:
 - GFB does have a role in rural economic development. The review highlighted clear market failure issues relating to rural issues, and these may in part explain poor take up in the Borders, Dumfries and Galloway and Aberdeenshire. Addressing this issue will require action aimed at accelerating market adjustment as discussed above;
- SE Should Continue to Deliver GFB:
 - the review highlighted that the strategic rationale and market failure justification for GFB remains as strong in 2008 as in 2005 when initial approval was sought. However there are some key changes required, other than those discussed above, that will enhance the impact of GFB
 - address geographic coverage of GFB:
 - the use of GFB varies significantly across the SE network. Those who use the product claim significant benefits – but it seems unlikely to us that the GFB intervention to address a growth constraint is only relevant in these areas. Improved marketing/awareness raising of the benefits of GFB (once robust mechanisms are in place) within SE should be undertaken to provide real world examples of how the product assists business growth

- adopt a consistent approach:
 - discussions with product managers and product deliverers have highlighted some differences in approaches, particularly in marketing activity. There may be some scope for more effective and efficient delivery if a common approach was adopted, perhaps through a single contactor. Insufficient evidence was collected during the review to demonstrate definitively that this would be the case, but when delivery is re-contracted in 2009 this issues should be considered in more detail.



1. Introduction

1.1 Preamble

Graduates for Business (GFB) is a Scottish Enterprise product designed to help businesses improve their efficiency and competitiveness by accessing the skills of graduates from Scotland's universities. The graduates help to facilitate improvements or growth through the delivery of quantifiable and measurable projects.

GFB replaced, in 2005, a number of graduate placement programmes that had been delivered across the SE network since the 1990s. It is therefore based on best practice and has sought to realise efficiencies through consistency of delivery and shared centralised procurement and resources, including marketing, website and database resources, that have made the product easier to deploy.

EKOS were commissioned by the SE Appraisal and Evaluation team to provide an independent assessment of existing project evidence to the SE project manager which will be used to inform SE decisions on the future of the programme.

1.2 Objectives of the Assessment

The assessment has reviewed:

- the strategic rationale and market failure justification of the programme. Within the market failure review commentary is made on:
 - the original market failure
 - whether the economic conditions have changed
 - an assessment of the "equity" rationale – focusing on rural, gender and other equality issues;
- product justification:
 - from the project documentation
 - as interpreted and stated by project owners and others involved in the delivery;
- the appraisal, development and delivery processes;
- contractor performance and an assessment by others also involved in project delivery:
 - project owners
 - Account Managers; and
- existing client feedback on benefits and impacts, and existing customer satisfaction reports, activities and outputs recorded in available monitoring data.



In addition the assessment:

- identifies improvements to the product that will enhance delivery or impact; and
- offers recommendations on whether SE should continue to deliver the product.

1.3 Structure of the Report

The remainder of the report will be structured as follows:

- **Chapter 2: Method** – provides a detailed description of the method adopted in the GFB review;
- **Chapter 3: Graduates for Business** – provides a detailed description of the GFB product based on the documents supplied by SE;
- **Chapter 4: Review Findings** – reports on the findings from the desk based review, consultation programme and document/data review; and
- **Chapter 5: Conclusions and Recommendations** – presents a set of conclusions centred on the objectives of the study and presents a series of recommendations.

2. Methodology

2.1 Introduction

In **Chapter 2** we present a detailed description of the research methods adopted to achieve the study objectives. In summary the key components of the method were as follows:

- Documentation Review: we reviewed the documentation relating to GFB contained with SE's project folder; and
- Consultation Programme: we consulted with both executives from SE and officials from other organisations.

Our methodology was constrained by the timescale for completing the study which was some 3-4 weeks; this prevented consultations with product beneficiaries – companies and graduates – on key issues such as benefits and impact. These were addressed through relevant documentation contained within the GFB Project Folder. However, in order to obtain a graduate/employer view on issues such as market failure and demand for the product we sought the views of their representatives – Careers Service and Chamber of Commerce.

Table 2.1, over, presents an overview of the methods adopted to address each of the objectives of the review.

2.2 Documentation Review

The documentation review consisted primarily of a review of SE's project folder for GFB². It contained:

- the EKOS 2004 report that provided the original market failure justification for the product;
- the approval paper that outlined the rationale for the product to replace the suite of graduate placement programmes;
- marketing material text from the web site, which included case study examples;
- GFB operating manual;
- Gate 4 and Gate 5 papers which included some output/impact data; and
- a small number of evaluation reports.

The review sought to understand the development of the product, its delivery and impacts. In addition, to understand the market for graduate recruitment, we accessed some data from Futureskills Scotland's employer survey that focused on the recruitment of graduates.

² See Appendix 2 for a full list of documents reviewed.

Table 2.1: Overview of Review Methods	
Review Objective	GFB Method
strategic rationale justification of the programme	<ol style="list-style-type: none"> 1. review of original approval paper and supporting documentation to identify strategic rationale at the time GFB was developed 2. review of post-2005 strategic frameworks to identify GFB continuing fit and contribution
market failure justification of the programme	<ol style="list-style-type: none"> 1. review of original approval paper and supporting documentation to identify market failure rationale at the time GFB was developed 2. consultations with Product Managers and Account Managers to identify the extent to which market failures continue to exist, and to ascertain whether there had been any market adjustment
changing economic conditions	<ol style="list-style-type: none"> 1. review of data provided by Futureskills Scotland to identify whether there had been any change in employers' experience in being able to recruit graduates 2. consultation with an employer organisation to ascertain whether graduate recruitment was an issue impacting on business growth 3. consultations with university careers advisors to identify changes in the graduate labour market

Review Objective	GFB Method
<p>equity rationale</p>	<p>1. consultations with Product Managers, Product Deliverers and Account Managers to ascertain:</p> <ul style="list-style-type: none"> a. gender mix of ownership of participating businesses b. gender and ethnic mix of participating graduates c. take up by businesses located in rural areas
<p>product justification</p>	<p>1. review of original approval paper and supporting documentation to identify justification for the product when developed and introduced</p> <p>2. consultations with Product Managers, Product Deliverers and Account Managers to ascertain that the original justification remains valid</p>
<p>appraisal, development and delivery processes</p>	<p>1. review of original approval paper and supporting documentation to identify:</p> <ul style="list-style-type: none"> a. appraisal process and outcome: - market appraisal; economic impact appraisal; options appraisal, financial appraisal b. development process c. how the product was to be delivered <p>2. consultations with Product Managers, Product Deliverers and Account Managers to obtain their views on:</p> <ul style="list-style-type: none"> a. the extent to which the product was developed and delivered as intended b. the success of the development and delivery process

Review Objective	GFB Method
contractor performance	1. consultations with Product Managers and Account Managers to seek their views on the delivery of GFB by Glasgow Opportunities and Midlothian Enterprise Trust
activity and outputs	1. review of monitoring data to identify: <ul style="list-style-type: none"> a. number of businesses and graduates participating – how activity compares to targets b. distribution of projects by LEC area (pre-reorganisation) c. budget and actual spend d. private sector leverage e. costs – gross and net jobs
impacts and benefits	1. review of monitoring data to identify: <ul style="list-style-type: none"> a. increase in turnover b. gross and net jobs created 2. consultations with Product Managers and Account Managers to seek their views on the scale and nature of the impacts and benefits resulting from GFB

Review Objective	GFB Method
<p>improvements to GFB</p>	<ol style="list-style-type: none"> 1. consultations with Product Managers and Account Managers to seek their views on how GFB can be changed to enhance impact 2. Learning Workshop with Director of Enterprise Operations, Company Growth Manager, Product Managers and Appraisal & Evaluation Team to present review findings and seek their views of product improvements
<p>recommendations</p>	<ol style="list-style-type: none"> 1. consultations with Product Managers and Account Managers to seek their recommendations on the future of GFB 2. Learning Workshop with Director of Enterprise Operations, Company Growth Manager, Product Managers and Appraisal & Evaluation Team to discuss recommendations on the future of GFB

2.3 Consultations³

The consultation programme with SE officials consisted of discussions with:

- SE’s Product Manager – this interview provided useful background information on how SE has, over the recent past, rationalised its extensive business development support and where the GFB offering sits within the current portfolio of support;
- GFB Product Managers for the West and East – these interviews provided a detailed perspective on the rationale, development and impact of GFB;
- GFB Product Deliverers for the West and East – these interviews provided a detailed perspective on the delivery of the product; and
- Account Managers in the West and East – the two focus groups provided useful insights into how they used the product to assist businesses improve their efficiency and competitiveness.

Given the tight timeframe for the study it was not practicable to consult with individual product beneficiaries – businesses and graduates. Rather, our approach focused on seeking the perspective of business and graduate representatives, which for the purpose of the study were:

- Glasgow Chamber of Commerce – the Chamber provides aid and advice for small businesses based in the Glasgow area. The discussion provided an insight into graduate recruitment issues within the SME sector; and
- University Careers Services at the universities of Strathclyde and Herriot Watt – these were also consulted as part of EKOS’s 2004 study⁴. These discussions provided a useful insight into conditions within the graduate labour market and the role of GFB in assisting graduates into employment within SMEs.

³ The discussion proformas for each consultation are appended. A list of the consultees is contained within a separate appendix.

⁴ Ibid EKOS (2004)

3. Graduates for Business

3.1 Introduction

In this Chapter we present a descriptive overview of GFB based on the document review stage of the study. This includes:

- its development;
- rationale – strategic and market failure;
- delivery structures
- targets; and
- performance.

3.2 Project Development

GFB was developed to replace a suite of graduate placement interventions that were deployed across the SE network. Approval was sought for the product in January 2005. The previous programmes were a mix of projects that sought to match graduates to SMEs, projects that sought to improve business development through the employment of graduates, and projects that were a mix of the two.

The 2004 EKOS study⁵ recommended that matching graduates to employers with existing vacancies should be outwith the scope of the Graduate Product Development project, and that a graduate product should be developed that has clear economic development objectives and focus.

These recommendations were broadly accepted and the GFB product was developed to enable SMEs to improve their efficiency and competitiveness through accessing graduates who would work on structured and managed business development projects. These projects were expected to include:

- new product design and development;
- engineering/manufacturing process development and implementation;
- strategic marketing;
- software development;
- development of HR policies;

⁵ Ibid EKOS (2004)

- quality assurance; and
- environmental management.

Each project would have specific and measureable impacts on business performance.

An option appraisal was conducted which concluded that the GFB product was the preferred option:

- although a number of similar programmes are run by universities elsewhere in the UK, the view was that Scottish universities, with their more limited industrial links, would find it difficult to achieve the same level of benefits within the same timeframe;
- although the DTI's Knowledge Transfer Partnership provides graduates for specific business and technical projects these are typically 1-3 years and therefore there would be a gap (projects of up to 12 month duration) which GFB fills; and
- if there was no such programme then this would set SMEs back in closing the productivity and innovation gap.

The product was developed to address a number of SE Priority Aims:

- to enable businesses to grow, develop and improve competitiveness and productivity;
- to tackle higher level skill gaps within SMEs;
- to assist recruitment and retention of higher level skills especially in rural areas; and
- to rationalise existing graduate placement programmes into one product.

3.3 Strategic Rationale & Market Failure

3.3.1 Original Strategic Rationale

At the time that approval was sought for the new product it was closely aligned with the following strategy documents:

- Smart Successful Scotland:
 - Growing Businesses – through helping companies to develop and grow by providing graduates to research, improve, create and innovate through generating new skills and ideas
 - Learning & Skills – help young adults to face the challenges of businesses and help take graduate skills into the SME community;

- A programme for Government:
 - creating a culture of enterprise
 - increasing the employability of young people; and
- Framework for Economic Development:
 - encouraging a culture of enterprise
 - supporting innovation and commercialisation of research by businesses and industry
 - promoting the use of e-commerce.

Since the GFB product was developed a number of new strategies have been developed. In the following sections we identify the extent to which the GFB product continues to fit with these more recent strategic priorities.

3.3.2 Recent Strategic Frameworks

Scottish Government Economic Strategy 2007

The GFB is consistent with the Scottish Government Economic Strategy (2007) that aims to deliver the sustainable growth and create a supportive business environment, through responsive and focused support.

The strategy aims to utilise world class universities in Scotland to promote knowledge transfer and innovation, particularly in science and technology related sectors, to help boost productivity and sustainable growth, which also was relevant to the delivery of GFB and the sectors in which GFB has been active.

The aim of enhancing the quality and focus of support for businesses and innovation, to stimulate the demand for investment, innovation and skills is also directly actioned in the GFB product.

The GFB also feeds into the economic priority for a continued supply of skilled people and ideas. The strategy emphasises that businesses requires the co-operation of colleges and universities to stimulate improvements in work practices and productivity, which are features of the GFB product.

SE Business Plan 2008-2011

There is also a good strategic fit between the GFB product and the current SE Business Plan. SE has set a target of raising GDP to UK levels by 2011 through stimulating innovation to support growth businesses to exploit new products, processes and technologies – key components of the GFB product.

3.3.3 Market Failure

Strategic fit in itself is not sufficient to justify intervention by public agencies. It is essential to identify gaps in provision and to understand why these gaps have come about. Market failure is the key to setting the strategic rationale for public sector intervention in any local economic development market.

EKOS's 2004 report⁶ established a clear market failure within existing graduate products:

- SMEs:
 - risk aversion:
 - SMEs were unwilling to recruit graduates/higher level skilled labour as they were unsure as to the benefits that would accrue to the company
 - SMEs were unwilling to recruit graduates/higher level skilled labour as they perceived the costs - in terms of recruitment cost, graduate salaries and costs of training - to be too high relative to perceived returns
 - scale and institutional barriers:
 - time - given the pressures on SME existing staff there was little if any spare capacity for staff to become involved in the initial graduate recruitment process and subsequently in the career development that graduates would demand from the company
 - in addition to lacking the capacity to develop graduates SMEs also lack the necessary expertise to assist in the career development and progression that graduates would be looking for
 - externalities:
 - there continues to be a concern amongst employers, particularly SMEs, that once a graduate has been trained and acquired higher level skills the graduate will leave the SME for a larger company, and therefore returns on investment by the company will not be realised
 - information:
 - there is a lack of knowledge amongst SMEs on how to recruit graduates - where to place vacancy notification, salary levels, training and career aspirations required; and

⁶ Ibid EKOS (2004)

- graduates:
 - risk aversion:
 - a perception that the SMEs sector does not have the resources to pay the expected salary and training costs or the career progression route required
 - scale and institutional barriers:
 - a perception that the SME sector lacks the expertise to develop/train graduates
 - information:
 - a perception that the SME sector does not have the opportunities available for the graduate to utilise his/her skills and knowledge.

The extent to which these market failures remain – has the market adjusted in light of the GFB product – was discussed with product managers and Account Managers, and their views are reported in Chapter 4.

3.4 Delivery Structure

Prior to the development of the GFB product those LECs that operated a graduate placement project had their own separate delivery structure. The GFB has rationalised these projects into one product characterised by national coordination but local delivery.

National coordination focused on the development of a single centralised database of graduates by SE Glasgow (subsequently subcontracted to Glasgow Opportunities) which involves: liaison with the universities; national promotion to graduates; maintaining and cleaning the database; provision of access to the database for local delivery agents; and forwarding web based enquiries from companies to local delivery agents.

Product delivery at the local level was provided by locally appointed contractors – in the East this is currently Midlothian Enterprise Trust and in the West Glasgow Opportunities. They have responsibility for:

- liaison with account/client managers;
- assisting businesses with project development, monitoring and mentoring;
- pre-interviewing of graduates;
- short listing/matching graduates;
- liaison with the national coordination agency for provision of local graduates; and
- reporting on local programme progress and activities.

The advantages of this approach are seen as being:

- the provision of a single point of contact for graduates;
- consistency of process of branding which minimises potential customer confusion;
- minimisation of duplication of effort and resource programme promotion;
- local management of SME projects help to ensure that:
 - up take by businesses is maximised
 - projects are relevant to business needs
 - business impacts are maximised.

3.5 Targets

Table 3.1 reports the programme targets as outlined in the Project Approval Paper of January 2005.

Table 3.1: Programme Targets				
Performance Target	Year 1	Year 2	Year 3	Total
No. Participating businesses	150	150	150	450
Increased turnover in participating businesses	£3.75m	£3.75m	£3.75m	£11.25m
Private sector leverage	£0.975m	£0.975m	£0.975m	£2.925m
No. Graduates participating	150	150	150	450
Gross direct jobs created	110	110	110	330
<i>of which fully additional (50%)</i>	55	55	55	165
<i>partially additional jobs (25%) x0.5FTE</i>	13	13	13	39
Total net jobs created (FTE)	68	68	68	204
Total budget (SE+LEC)	£0.247m	£0.236m	£0.237m	£0.721m
Cost per job (gross)	£2,245	£2,147	£2,160	£2,184
Cost per job (net)	£3,632	£3,473	£3,494	£3,533

The key targets were to recruit **150** businesses each year to the product, each engaging a graduate to deliver a business development project. These projects, on an annual basis, were expected to realise additional sales of just under **£4m**, create **110** direct FTE jobs and **66** net additional FTE jobs. These jobs would be created at a net cost of around **£3,500** each.

3.6 LEC Take Up

The take up of GFB varied significantly across the SE LEC network. A chart within the GFB project folder highlights that SE Glasgow accounted for almost 100 projects; conversely no GFB projects were delivered within SE Tayside area. With the exception of SEEL all other LECs delivered less than 20 projects⁷.

The Project file did not contain any explanation for this degree of variation across the SE network. However, our understanding is that SET did not offer GFB due to a lack of funds. Discussions have suggested the low level of take up in other areas may be due to a combination of: lack of targeted marketing; and graduates being unwilling to work in some of the more rural/remote areas such as the Borders, Aberdeen, and Dumfries although companies in these areas have come forward with projects. Graduates are drawn to Scotland's central belt for both universities and work placements and may then be reluctant to either relocate or travel too far outwith the central belt.

3.7 Performance

Performance figures against these targets are taken from the June 2007 Gate 4 Implementation Paper, Gate 5 Benefits Realisation Review, covering Years 1 and 2 of the programme. Year 3 figures were supplied by email by the current programme manager. **Table 3.2** reports performance against targets for the full 3-year period.

Table 3.2: Programme Performance Against Targets				
Performance Target	Target	Actual	Variance	% of Target
No. Participating businesses	450	544	94	21%
Increased turnover in participating businesses	£11.25m	£5.1m	−£6.1m	−55%
Private sector leverage	£2.93m		£2.93m	−100%
No. Graduates participating	450	544	94	21%
Gross direct jobs created	330	280	−50	−15%
<i>of which fully additional (50%)</i>	165	140	−25	−15%
<i>partially additional jobs (25%) x0.5FTE</i>	39	35	−4	−10%
Total net jobs created (FTE)	204	175	−29	−14%
Total budget (SE+LEC)	£0.721m	£0.99m	£0.273	38%
Cost per job (gross)	£2,184	£3,552	£1,368	63%
Cost per job (net)	£3,533	£5,683	£2,150	61%

The increased turnover in participating businesses is based on data in Gate 5 Benefits Realisation paper of June 2007 grossed up to 544

⁷ The chart does not provide the exact values, nor does it give information of the timeframe over which these projects were delivered.



participating businesses. Gross direct jobs figures are based on data in Gate Benefits Realisation of June 2007 grossed up to Year 1&2 delivered projects (332 projects 280 jobs) plus total reported for Year 3 (212 projects and 50 jobs).

Tables 3.2 highlights that the product has recruited more businesses and graduates than target, but that the business performance targets of turnover and employment growth have not been met. As a result costs have increased – however the costs per job figures still represent a good return for the scale of the SE and LEC spend at £3,500 gross and less than £6,000 net.

We would make the following observations on the performance data:

- increased turnover in participation businesses:
 - the actual total is based on 147 Project Evaluation Summaries analysed for the June 2007 Benefits Realisation Review. Results were grossed up to the final number of participating businesses. Companies were asked to indicate the change in sales in brackets of £10,000, up to £50,000. The reviewers used the lower ends of each range in their calculation (but do not say what it was). An alternative method would be to use a mid-point analysis, although this would produce a higher projected turnover benefit it would still be below target;
- gross and net direct jobs:
 - the actual total is based on the gross total reported in the Gate 5 Benefits Review grossed up to the 332 projects delivered in years 1&2. This is 230 jobs. The number of gross jobs reported in year 3 is 50 jobs, giving a total of 280 jobs for the 3-year programme. However, there is an anomaly in the year 3 data as 96 companies report or anticipate increased employment. It seems likely that not all have supplied a figure against this outcome;
 - applying the average gross job per business from the Gate 5 review suggests a revised total of 147 gross jobs for the year and 377 for the programme, exceeding the target by 14%. Applying this average to the 96 reporting or anticipating increased employment suggests 67 gross jobs that year and 297 for the programme, a shortfall of 10%. These variations and assumptions will also impact on net jobs and cost per job calculations;
- cost per job:

- the present data suggests that the gross and net costs per job targets are both exceeded by more than 60%. In part this is because the project costs are also above target, but these calculations are also affected by the anomaly of gross jobs reported for year 3. If the average gross job from the Gate 5 review is applied to 212 delivered projects in year 3 then the cost per job will reduce to 20% above target. If the average gross job is applied to the 96 reporting increased employment, then the cost per job will still be around 50% over target;
- total budget:
 - the final budget for the programme is 38% or almost £300,000 over budget. The Gate 5 review identifies four main reasons for this:
 - underestimating staffing requirements by 2 FTE posts
 - underestimating marketing costs by 50%
 - underestimating graduate applications and therefore screening costs
 - underestimating the number of projects per annum.
 - the cost overrun is greater than the percentage by which the target for participating businesses/graduates is exceeded and so is likely to have had an impact on cost per job no matter what sensitivities are applied to the gross/net job calculations; and
- private sector leverage:
 - no data or assumptions are presented for private sector leverage.

The data therefore suggests that the GFB product is performing below target – this is at variance with the perception of the SE executives who featured in the consultation programme and their views are discussed in Chapter 4.

4. Review Findings

4.1 Introduction

In Chapter 4 we report the results of our detailed discussions with:

- product managers;
- Account Managers; and
- product deliverers.

The discussion agendas are appended. We present a composite report except where there are stark differences between the SE West and the East regions.

In addition we report the results of our brief discussions with university careers services and Glasgow Chamber of Commerce.

4.2 Product Managers

4.2.1 Rationale for GFB

The rationale for the current product had shifted to a clear focus on business improvement, and is based on the needs of the company. The focus is helping companies overcome barriers to growth. GFB is part of a portfolio of products that SE can offer to companies to aid business improvement leading to growth in turnover.

Where a company's growth is constrained due to a lack of internal expertise and resources then a graduate may be a way to address this problem through working on a specific project aimed at overcoming these barriers. GFB offers a solution to the companies that is seen as a more cost effective option address barriers to growth when compared, for example, to engaging a consultant.

4.2.2 Market failure

The current market failures rationale for the GFB product are the same as in the original approval papers and EKOS report⁸, with a particular focus on:

- Risk aversion:
 - businesses lack the confidence to invest in a graduate as they are concerned as to whether the returns will represent good value for money; and

⁸ Ibid EKOS (2004)

- Information deficiencies:
 - they do not have a full understanding as to the benefits that a graduate could bring to their business
 - they lack knowledge on how to identify graduates with the right skills to address their growth constraint.

It is not clear whether the GFB product has been successful in addressing these market failures. The suite of similar programmes offered across the SE network prior to GFB were justified on the basis of similar failures in the market; it was suggested that a number of companies have sought additional graduates through GFB product suggesting that market adjustment has still some way to go⁹.

4.2.3 Aims and Objectives

The aims and objectives of the GFB product are to help SMEs improve their efficiency and competitiveness leading to increased turnover. The involvement of the graduate would also enhance productivity through their higher level skills.

The product was developed three years ago and therefore no equality impact assessment was completed. Equality has not been a key focus of GFB beyond the fact that it is open to any graduate who fits the criteria – there are no restrictions in terms of gender, race, age etc. The programme has not generally been taken up by businesses located in rural areas – either in the traditional rural areas of Borders and Dumfries & Galloway, or those businesses located in rural areas within the urban LECs.

It is not clear from discussions why take up has been low in rural areas – suggestions have included a lack of marketing/awareness raising amongst businesses and reluctance on the part of graduates educated in the central belt to work in companies in rural areas. This could be a market failure – externalities – relating to low wage perception and more limited social and professional developmental opportunities.

4.2.4 Operational Fit

The GFB product is seen as having a good fit with the SE Business Plan, with both having a clear focus on company growth, enterprise and innovation. The reorganisation of the economic development services has provided SE with a clear focus on working with companies to assist them to grow. Going forward, this gives GFB an enhanced fit within a varied but smaller portfolio of offerings to support SE's growth and productivity agenda.

⁹ The data in Table 3.2 does not bear this out – it reports that over the period under review 544 businesses and 544 graduates were involved in the product.

4.2.5 Development and Delivery

GFB was developed within the product rationalisation process which has seen the number of SE offerings reduced from around 1,000 to around 50 – this has been achieved through a mix of merging similar products, bringing together products with the same offering but branded differently, and no longer offering products that did not fit with SE's primary focus of business improvement.

Delivery has been subcontracted to Glasgow Opportunities in the West and Midlothian Enterprise Trust in the East. The contractors have responsibility for recruiting graduates and matching them with businesses, identified by Account Managers, who have a specific project aimed at business development.

There is no integration of GFB with other SE intervention activities - enterprise/ innovation / infrastructure (capital and investment) / priority industry dimensions.

4.2.6 Companies

GFB is targeted at account managed and client managed companies. Account and client managers work closely with their companies to identify opportunities for growth. Where there are constraints the account/client managers have a number of products within the Business Improvement Framework that can be offered to address the constraint. There is no formal campaign aimed at recruiting businesses to the programme - businesses involved in GFB have been identified as growth companies that are able to access SE products that meet their growth needs.

4.2.7 Strengths & Weaknesses

Key strengths identified were:

- a clear focus on assisting account/client managed companies that have been identified as having growth potential;
- a clear focus on implementation of a specific project developed to address a constraint to growth;
- a process that ensures the right fit between the company's needs and the skills of the graduate;
- the calibre of the graduates;
- the graduate working within the company has a greater understanding/contextual knowledge compared with a consultant coming in from outside; and
- the quality of service provided by the contractor.

Weaknesses identified included:

- seasonality with respect to the pool of graduates – the size (and potentially the quality of the graduate) will vary across the year. There is a strong pool in the autumn but this diminishes over time. This is an inevitable consequence of the timing of the academic year;
- there is an increasing number of international graduates whose English skills can be weak, and this can impact on the number of employers willingness to take them into the company; and
- marketing of the product has a too strong West focus.

4.2.8 The Contractor

Product managers both reported that the contractors that deliver GFB are very good at fulfilling their roles and obligation and do so efficiently. Each has built up good relationships with the companies - through assisting them to develop the project, and providing a suitable graduate – and with the graduates through the mentoring process and general support.

4.2.9 Impacts

It is the responsibility of the contractors to record the outcomes, benefits and impacts of a successfully completed project, which would then be forwarded to Account Managers.

The perception of the product managers is that the projects are facilitating growth leading to both increases in turnover and employment – the employment gain was over and above the retention of the graduate to the company's permanent workforce. The conversion of graduate placements to permanent posts are perceived to be high – typically above 70%; however product managers have no real feel for the scale of turnover growth.

4.2.10 The Future

The consensus was that the GFB should continue to be one of the products available to businesses to assist them overcome barriers that constrain growth. This view was based on the following:

- the market has not adjusted – the market failures that were identified when the product was approved in 2005 are still relevant;
- it is addressing constraints to businesses development within account/client managed companies, leading to turnover and employment growth; and
- it facilitates the employment of graduates within SMEs.



In going forward a number of improvements at the margin were suggested reflecting the generally high level of satisfaction with the product:

- regional rather than national marketing to reflect the differing focus on universities and industrial structures; and
- more alignment with SE's priority industries through targeted marketing at specific academic disciplines.

4.2.11 Other Similar Initiatives

The perception was that there were no other initiatives that provided a similar service to that offered by SE through GFB. Both EDGE and Knowledge Transfer Partnership (KTP) place graduates/university student within companies but for much shorter (EDGE - 8 weeks) or much longer (KTP - up to 3 years). This suggests that GFB fills an important gap in the market.

4.3 Account Managers

Two focus groups were held with Account Managers one involving Account Managers from SE East (4) and one involving Account Managers from SE West (5). As the views expressed by both groups were similar we present a composite report.

4.3.1 Rationale for GFB

Account Managers agreed that the rationale for the GFB programme was as valid today as it was when developed in 2005. All agreed that the GFB was a tool for businesses facing barriers to growth rather than a developmental opportunity for graduates.

4.3.2 Market Failures

Account Managers identified a high level risk attached to the recruitment of graduates as the key market failure facing SMEs. The process of attracting graduates of the right calibre, with the appropriate experience and abilities to meet expectations were all cited as barriers to SMEs recruiting graduates direct.

Risk was also attached to the support the graduate may need when they first join the business. As a result, SMEs are reluctant to recruit graduates. A small number of Account Managers indicated that some SMEs are unsure how a graduate could help the business and therefore do not consider accessing graduate skills.

A lack of equity investment in the Scottish economy was restraining the ability of small businesses to fund investment in strategic and developmental projects that would lead to growth – risk aversion in the financial markets. Account Managers felt that SMEs were becoming averse to using consultants for this type of project work, due to their off the shelf products, rather than offering bespoke solutions, and generally higher costs.

A number of Account Managers reported that new graduates tend to seek employment in larger firms, as they were seen as more able to invest in appropriate induction training programmes, professional accreditation better career development and job prospects. Graduates therefore did not consider the employment offer from SMEs – GFB therefore addresses this information deficiency amongst graduates.

Some Account Managers suggested that instead of addressing the risk associated with SMEs recruiting graduates on the open market, GFB has in fact encouraged them to see GFB as a graduate placement programme and potentially encouraging a culture of dependency, as many SMEs sought to use GFB on further occasions when looking to recruit a graduate. The evidence in **Table 3.2** does not in fact bear this out – 544 businesses involved in the product, 544 graduates – although it may be that Account Managers did not allow GFB to be used in this way.

4.3.3 Aims and Objectives

Account Managers were clear that they regarded GFB as a good fit with the growth agenda. First and foremost GFB is seen as a tool for business, while benefits to the graduates were seen as a “positive spin off”. Graduates are seen by Account Managers as a solution to a business growth problem.

There was little feedback about the extent to which equalities and rural agendas were being met in the GFB project as most of the Account Managers were based in urban areas. Additionally, they said that young people in rural areas have to leave to study for degrees and were on the whole unlikely to want to go to a placement that was rurally based. There was also some evidence to suggest that some graduates were more reluctant to fill placements that were in city suburbs.

4.3.4 Integration

Account Managers highlighted that the GFB product was used as part of an integrated toolkit rather than as a product to sell to businesses. They explained that GFB was used as one business tool in the strategic planning process. In-depth discussions with SMEs would result in the identification of needs, related to the business’s mission and key objectives.

From this strategic review, an action plan would result that *may* highlight a need for a developmental project that could be resolved by a GFB placement. Therefore, the Account Managers work from an SME centric focus, and look for products to match the SME needs, rather than seeking to 'sell' products to companies they are deal with. GFB is not always part of the solution.

Feedback on the integration of GFB with priority industries was on the whole positive, although the new co-ordination structure of account managed support to priority industries is yet to be agreed and some were a little unsure on this point. Some felt it would be more useful to market the GFB product by business theme and discipline, rather than sector.

Direct link in with the innovation agenda was cited by a number of Account Managers. Discussions on the comparative benefits of consultants and GFB graduates in working on specific projects, Account Managers agreed that a graduate could not produce a piece of work to an experienced consultant's standards or complete it in the same timescales.

However if the SME was seeking to build a team for the longer term, having a graduate retained the skills within the organisation. Some SMEs were 'fatigued' with the consultancy process and liked the freshness and enthusiasm of a graduate's mind to 'shake the companies up a bit'. Account Managers explained that an SME may use both to resolve a problem; the consultant to create the action plan for a solution and the graduate to carry out actions.

4.3.5 Targeting Businesses

Account Managers clearly explained that they do not target businesses for GFB. Rather, they use it, as appropriate, as a tool to assist in the achievement of a strategic plan aimed at growing the business. Account Mangers carry out a strategic review of the business, and this results in an action plan that *may* highlight a need for a developmental project. Therefore, the Account Managers look for products to match the SME needs, rather than simply selling products to companies they are dealing with.

4.3.6 Strengths and Weaknesses

Strengths

A key strength was the risk and the effort associated with recruitment it took away from SMEs. However it was not thought that GFB undermined traditional recruitment activities with agencies as there are few short term opportunities for graduates available via agencies. One Account Manager highlighted that there had been a private sector attempt to create this type of facility, but it had not proved successful.

Other strengths included:

- it compels the SME to focus on defining a project with clearly envisaged benefits, and to formally evaluate the project to determine whether benefits were realised; and
- provides additional technical knowledge and higher level skills of the graduate to the host SME.

Weaknesses

Weaknesses were identified as:

- using the word 'graduate' in the product title has discouraged some SMEs from participating in the product;
- it is not always clear how much management and support was required to be invested by the SME in the graduate, and some placements that were not sufficiently supported have not been successful;
- a lack of vocational related learning in the GFB, which could benefit both the graduate and the SME; and
- the GFB project had not necessarily made SMEs more likely to employ graduates via traditional recruitment as many tended to go back to GFB for another placement.

4.3.7 Contractors

Overall feedback from Account Managers was very good as contractors performed a support role for the placement graduates that took responsibility away from employers. They were responsive and were good with clients. They provided good calibre graduates and picked up on opportunities to cross refer to other products. The contractor responded when things were not going too well and have set high standards for the GFB product. Overall, contractors have been very successful in maintaining the visibility of the product and have kept up their communications with Account Managers.

Account Managers in the East stressed the importance of regular meetings between the contractor and Account Managers to catch up and assess performance and effects.

Account Managers stressed the importance of keeping up regular meetings to review progress and internal promotion of products among all SE Account Managers.

4.3.8 Impacts and Benefits

Account Managers felt that the GFB product was delivering benefits and outputs across the spectrum of businesses that had used the product – although Table 3.2 suggests that this is not the case as turnover and jobs growth are below target, although as we comment in Chapter 3 there is a need for more robust data to be collected on impacts. As the businesses using the GFB were so different, it was difficult for Account Managers to categorise the benefits accruing to businesses and tended to offer case by case results. However, projects that: took products forward to market; increased efficiency; improved processes; and cut waste were all cited as key business improvement impacts.

One Account Manager made the point that benefits realised in the short term were easier to measure, but it was more difficult to identify long term benefits, due to the short duration of the placement.

4.3.9 The Future

There was a strong consensus that GFB should continue in the future, as it was delivering business growth benefits. Account Managers suggested the product could be improved by recruiting graduates with business skills and the need to increase the supply of software engineering graduates was reiterated.

4.3.10 Similar Initiatives

A small number of Account Managers mentioned the KTP, designed for the placement of post-graduate students. Some Account Managers felt this could be more integrated with GFB. The West based group cited the EDGE project, an opportunity for 16-22 year olds to gain work experience in the summer and had some similarities to the GFB product.

4.4 Product Deliverers

The two contractors that deliver GFB in the SE West Region and SE East Region are Glasgow Opportunities and Midlothian Enterprise Trust. For the most part a composite report of our discussion is provided, but where there are different perspectives these are highlighted. A key role for the contractor is the recruitment and matching of graduates, and therefore the discussion is focused on the graduate experience.

4.4.1 GFB Rationale

Both product deliverers offered the view that GFB has a strong business perspective; it is focused on business development not graduate recruitment although this has been a positive by-product for the product. GFB is about increasing productivity within the SME market which facilitates growth. The GFB projects are clearly defined and targeted at addressing a particular barrier to the growth of the participating business.

4.4.2 Strategic Rationale and Market Failure

Strategic rationale is about contributing to the business growth agenda. The market failures are seen as information deficiencies and risk aversion:

- it is difficult for companies to access the right graduates for their needs as many do not know how to go about it or do not have the appropriate screening/selection skills to identify the right graduate; and
- they do not fully understand the business benefits that graduates can bring to the business and see the costs of employing a graduate outweighing any benefits.

4.4.3 Effect of Changing Market/Economic Conditions

The relatively favourable condition prior to the current economic difficulties has seen a year on year increase in demand for the programme from businesses and from graduates seeking to be placed on the database. MET feels that there is an imbalance in the marketing of GFB to graduates and that additional marketing should be targeted at the universities in the East. The number of graduates seeking placements is not the main issues – typically some 1,700-1,800 have applied to be placed on the database - but calibre is beginning to be an issue in the East.

4.4.4 Linkages

GFB is seen as linking well into other business and people development initiatives, although the links are informal – they do not run in parallel and there are not referrals across programmes. The initiatives referred to by both GO and MET were the ones highlighted by both Product Managers and Account Managers – KTP and EDGE. The point was reiterated that both these initiatives have very different timescale for graduate involvement with a company.

4.4.5 Fit with SE's Business Plan

GFB was seen as providing a good fit with SE's Business Plan in that its focus is on business improvement and company growth, which can be facilitated through the development of new products/processes, innovation and enterprise.

4.4.6 Graduate Recruitment

Marketing of GFB is undertaken by GO across Scotland's universities although there are informal routes into the initiative i.e. word of mouth amongst companies and graduates. The contractors undertake a mix of group interviews and individual interviews. The outcomes of these interviews are placed on the database.



Although GFB is open to graduates across all disciplines the nature of the company growth projects tend to favour graduates from commercial and technical disciplines such as marketing, business, IT and engineering. Businesses are unable to provide training to enable the graduate to deliver the project – they need the necessary skills when they enter the company.

The gender balance is roughly 50:50 and graduates from minority ethnic groups account for around 25% - 10-15% are international graduates, and around 10% domestic minority ethnics. There is however no positive policy aimed at recruiting particular groups.

4.4.7 Companies

The GFB companies are predominantly account/client managed and as such are recruited to the initiative by SE, although contractors have introduced some SE companies to the programme which has involved getting them onto the SE growth pipeline.

As GFB is part funded by EU monies ownership information – gender, ethnicity – is collected. Most businesses are owned by white males – around 20% by females, and much smaller numbers (unable to quantify) by males/females from ethnic minorities. Contractors have no control over this as the companies they work with are referred to them by SE Account Managers.

4.4.8 Allocation of Graduates

Graduates are allocated to companies on the basis of matching their skills to the business growth project. The interview and selection process will have identified their key skills and the type of projects to which the graduate can contribute.

The geographical location of the business can play a part in the availability of graduates to assist businesses particularly in rural areas. A key achievement of the programme has been attracting/retaining graduates to rural areas, as even graduates who originate from rural communities tend to prefer to remain in urban city locations.

4.4.9 Training for the Graduates

No training is provided to equip the graduate with the skills necessary to successfully deliver the business development project. Graduates are matched to projects for which they already possess the requisite skills. Given the size of the database - up to 1,800 graduates - it would not be feasible for the contractors to provide skills training.

However some pre project guidance in terms of CV production skills, interview skills are offered. In addition a one day project management course is offered which is run by GO and delivered in Glasgow and Edinburgh.

4.4.10 Defining Projects

The contractor has a key role in assisting companies to develop the business improvement project. This involves assisting businesses to clearly define their business need, identify the nature and scale of outputs they expect to generate, and crucially, identify the role of the graduate in delivering the project. The contractors' experience is that whilst companies have a general idea as to the nature of the problem and how it can be addressed they are less clear how to structure a formal business development project. The contractor therefore works with both the company and graduate so that all parties are fully aware of how the project is to be delivered – this is seen as crucial to successful delivery of business improvements.

4.4.11 Monitoring/Management of the Graduates

The contractor is always available via email and/or telephone. The length of the project determines the frequency of monitoring visits - for a 3-6 month project they would meet every 6 weeks and at the end of the project, a 12 month project would typically require meetings every 2-3 months. The contractor meets with both the graduate and the company. Mentoring reports provide a formality to the process with email and/or telephone contacts being more informal. The contractors see this contact as being key to the success of the outcome.

4.4.12 Relationships with Participating Companies

Both contractors reported a very positive relationship with participating companies. It is key that they develop a good working relationship with the companies, as they offer support to the graduates but also the companies to ensure the process runs smoothly.

4.4.13 Relationships between Graduates & Participating Companies

Both contractors recognise that 100% satisfaction on the part of the graduate or the company is unlikely to be achieved – however a graduate retention rate of around 70% suggests that relationships are good. Almost all – 90% - of projects are successful in achieving most if not all objectives, and non-completion is around 6-7%.

The contractors' mentoring role helps to ensure that any problems are identified early and are resolved quickly and easily.

4.4.14 Relationship with SE

SE sees GFB as one spoke on a wheel of support that account/client managers can offer to their growing businesses. The contractors have established good relationships with the account/client managers as they provide useful information to each other which increases their awareness of the different types of support that the company and graduate can link into.

In Edinburgh and Lothian (at the request of the product manager) the contractor has inputted their information to the SE CRM system so that SE and the account/client managers can all have easy access to the information – the contractor feels that this is good practice.

4.4.15 Strengths and Weaknesses

Strengths

- a clearly defined business development programme that is understood by all;
- flexible in terms of the type of projects that can be developed and the time period over which they can be delivered;
- positive outcomes for companies in terms of costs saving, increased sales, employment;
- an effective tool for Account Managers to address business growth constraints;
- other benefits such as new products/processes, increased use of ICT etc;
- a high retention rate of graduates who are employed by the company for whom they delivered the project; and
- additional benefits for graduates in terms of communication skills, team working, working to deadlines etc.

Weaknesses

- peaks and troughs in the availability of graduates linked to the structure of the academic year, although not a significant problem;
- disproportionate resources dedicated to marketing in the west – more needs to be done to market GFB in the East;
- the GFB website is hidden within the SE website and difficult to find; and
- inability to apply online to join GFB

4.4.16 Benefits and Impacts

The benefits and impacts of GFB for the company are both quantitative and qualitative in nature:

- increased sales;
- increased employment;
- cost savings;

- development of new products;
- development of new processes;
- entry into new markets;
- knowledge exchange/transfer; and
- innovation.

For graduates it has led to employment and acquisition of other skills such as CV production skills, interview skills and project management skills.

4.4.17 Should the Project Continue

Contractors felt that GFB should continue as there remains a need to help companies address their barriers to growth, as GFB provides one solution to addressing the constraints. In addition market failures continue and the costs relative to the outcomes represent good value for money.

4.4.18 Other Initiatives

As with other consultees KTP and EDGE were referred to but contractors recognised that these operated in different segments of the market from GFB, and therefore GFB was not crowding out other initiatives.

4.5 Other Consultees

4.5.1 University Careers Service

Discussions with university careers advisers in the West and East highlighted that after several good years for graduate employment, they are very apprehensive about the current labour market and what lies ahead in 2009. Although at the time of the discussion they did not know the destinations of 2008 graduates, anecdotal evidence suggest some graduates, particularly law students, are having job offers withdrawn due to a down turn in business activity relating to the housing market and general credit crunch effects.

The other big change since 2004 is the huge number of non-EU graduates who stay on with the Working in Scotland Scheme visa. Strathclyde University Careers Service is conducting a project called *International Talent in Scotland's Labour Market* for the Scottish Government. The findings are still to be published but indicate a huge amount of frustration amongst international graduates over their difficulty in being considered for graduate level employment. There is a high unemployment rate among them and many of those who have found employment said that it is not commensurate with their level of qualification (mainly Master's graduates) or in their field of expertise.



As a result of these developments, the view was that Graduates for Business is needed more than ever as an outlet for graduates seeking employment.

4.5.2 Glasgow Chamber of Commerce

The Chamber offered the view that SMEs have traditionally been disadvantaged in the recruitment of graduates – typically graduates would seek employment with the blue chip international/national brand companies, and SMEs could not match the salary and other benefits. The expectation is that in the current climate this will remain the case for new recruits into the labour market.

SMEs with limited experience of the graduate would lack the appropriate knowledge on how to recruit and are unlikely to have the internal skills – most will be unlikely to have personnel departments with appropriately qualified HR managers. There is a clear information deficiency market failure.

Initiatives such as GFB are important in that they enable SMEs to recruit graduates on a short term basis to address a particular business development issue. Such initiatives both reduce recruitment costs, reduce the risk of an inappropriate appointment, and enable SMEs to see the benefits of introducing higher levels skills into the businesses.

5. Conclusions & Recommendations

5.1 Introduction

Chapter 5 presents a brief set of conclusions organised around the objectives of the study, as outlined in Chapter 1. The conclusions are based on the evidence gathered during the desk review and the consultation programme. Our initial findings were presented at a Learning Workshop and the comments and observations made at the workshop have also influenced our conclusions¹⁰.

We end with a brief set of recommendations, which were also influenced by discussions at the Learning Workshop.

5.2 Conclusions

5.2.1 Strategic Rationale & Market Failure

Although GFB was developed under a different framework for the delivery of economic development services in Scotland than currently pertains, its core rationale as a business development tool remains valid. The Scottish Government Economic Strategy and SE's Business Plan both have a clear focus on enterprise and innovation as ways to enhance productivity and competitiveness. Operationally GFB is one tool within the Business Improvement Framework aimed at addressing a constraint to growth, with the graduate being engaged to work on a specific business development project. GFB is not, as the case in the past, a graduate placement programme aimed at address difficulties in the graduate labour market.

The market failure rationale at the product level remains valid – the information deficiencies, risk aversion, externalities and institutional market failures identified in the EKOS report¹¹ still remain. However, there is some evidence that these market failures may not be valid at the individual company level – Account Managers reported businesses seeking additional graduates through GFB rather than seeking to recruit on the open market, thus using the programme as a graduate recruitment tool.

The graduate labour market underwent some change in the period 2005-2008. In the early period the market strengthened – although graduate employment levels were high in 2004 there were significant levels of under employment. Discussions with university careers advisors suggest that underemployment lessened as an issue; however the graduate labour market is expected to suffer as a result of the current economic difficulties. This could result in more graduates seeking to join GFB, and

¹⁰ The workshop was attended by the Brian McVey (SE Director of Enterprise Operations) Liz Napier (Company Growth West), John Hannah (Product Manager West) Donna Scoular (Product Manager East) and Sheila Perry (SE Appraisal & Evaluation Team).

¹¹ Ibid EKOS (2004)



the increased pool may address the calibre issues highlight by a contractor.

GFB has not sought to explicitly address the “equity” rationale for SE interventions; it was developed before an equity impact assessment was required. Nonetheless contractors suggest that there are equal numbers of males and females participating on the programme, although the majority of businesses are white male owned. These are however factors beyond the control of the product – the participating businesses are those that face a business growth constraint and the graduate participants reflect university admissions to the relevant disciplines. Business projects have been developed which have sought to address environmental management issues in companies, seeking to promote resource efficiency.

5.2.2 Project Justification

GFB replaced a suite of similar types of programmes that were developed to assist SMEs address business development issues, assist graduates to secure employment, or a mix of both approaches. The market research undertaken in 2004 highlighted that this was no longer an approach that was sustainable with SE’s focus of assisting business to grow. Graduate placement programmes did not sit well with this focus and could more effectively be done by other organisations. As such, the GFB product would need to be justified as a business improvement product that would sit alongside other business development programmes available to Account Managers working with growth companies.

The discussions with product managers, Account Managers and contractors highlighted that this is both their interpretation of the rationale for the GFB product and how it is delivered in practice – that graduates more often than not secure employment with the company for who they deliver the business improvement project is a welcome by product but it is not the main focus of the initiative.

5.2.3 Role of GFB

As highlighted immediately above GFB is a business development product, aimed at assisting companies overcome a constraint that is an impediment to growth. The SE Business Improvement Framework is the organising structure under which all the Business Improvement Products, including GFB sits. In total there are eight products under this Framework, which form part of the “product manual” for Account Managers within SE – GFB is one of the eight. Businesses do not “apply” for GFB, as once might have been the case for predecessor projects – rather when seeking to address a growth constraint the business and the Account Manager seek to identify which of the eight products is best able to address the constraint. It is therefore not possible to say whether the current level of usage is appropriate or whether it should be used more or less – this is a judgement for the Account Manager in discussion with his/her portfolio of companies.

However, it is stretching credulity a little to think that it is primarily amongst Glasgow businesses that GFB is the most appropriate tool at the disposal of Account Managers. The geographic variation in take up does suggest that promotion, awareness, targeted marketing activity is lacking outwith the Glasgow and Edinburgh, and that concerted effort should be expended to at least ensure that Account Managers throughout the SE network are aware of the benefits claimed by their colleagues in the east and west regions.

5.2.4 Appraisal, Development & Delivery

The documentation review highlighted that a market, economic and options appraisal consistent with SE guidance had been conducted.

The market appraisal was contained within the EKOS 2004 report¹², which identified both market failure and strategic rationale for the new product, identifying that a single product would address the market failures and that it should be focused on achieving business development outcomes.

The economic appraisal was based on historical evidence from similar programmes, and these assessments reported markedly different impacts. The economic appraisal was used to set the targets for GFB, and these were based on SE Glasgow's graduate programme – Grow your Business with Graduates.

The options appraisal considered a number of options, including “do nothing” concluding that asking universities or the Knowledge Transfer Partnership to take responsibility for GFB would not be appropriate – universities had limited industry links, KTP focused on longer term projects and doing nothing would limit SMEs attempts to close the productivity gap.

GFB was therefore developed by SE, bringing together similar projects that did not fit with SE's primary focus of business improvement; those products that were primarily graduate placement focus were abandoned.

Delivery has been subcontracted to Glasgow Opportunities in the West and Midlothian Enterprise Trust in the East. The contractors have responsibility for recruiting graduates and matching them with businesses, identified by Account Managers, who have a specific project aimed at business development. GO has responsibility for developing and maintaining the graduate database.

5.2.5 Performance of the Contractors

Views on the performance of the contractors were sought from both product owners and Account Managers. Each was highly supportive of

¹² Ibid EKOS (2004)

the services that both GO and MET deliver. Each contractor was viewed as delivering an effective and efficient service in terms of:

- recruiting appropriately qualified graduates;
- assisting businesses to formalise a detailed structured business improvement project that had clear objectives and measurable economic development outcomes/impacts;
- matching appropriately skilled graduates to the business improvement project; and
- monitoring and mentoring the graduate (and business) through the project delivery stage aimed at securing an successful outcome.

Although not raised as a major issue, discussions at the Learning Workshop did comment on whether having contracts with two contractors who had different approaches to contracting as well as only having partial coverage of the SE network was the most effective method of managing GFB. In the main consultees had not seen this as a problem, with the exception of the marketing of the product and the maintenance of the graduate database being the responsibility of one contractor – concern was voiced by some that the marketing has been focused on the west to the possible detriment of the east, where take up has been lower. One deliverer covering the whole of the SE network, including marketing and database management, may be a more effective way of ensuring equal geographic focus.

5.2.6 Benefits & Impacts

The review of the available performance data – sales and employment impacts – are at variance with the perceptions of product owners, contractors and Account Managers. Their perception is that the business improvement projects are delivering significant economic benefits in terms of turnover growth, which lead to employment benefits in addition to the retention of the graduate. The data contained within the documentation presents a different picture.

The documentation highlights that more businesses and graduates are participating in GFB than was forecast, but that the impacts are well below target, resulting in efficiency measures (cost per job) performing less well than the target.

There is an issue here with how the data on impacts is collected and analysed:

- it is collected at the end of the project – our experience of evaluating business improvement intervention is that there is often a significant time lag before impacts are realised, and therefore the data will be underestimating impact; and

- the turnover growth data is collected in bands rather than seeking exact/estimated figures. The analysis is then based on the bottom end of the scale – this too will underestimate impacts.

5.3 Recommendations

5.3.1 Improvements

Although the general consensus from the consultation programme and Learning Workshop was that GFB is operating largely as it was intended to do, and is delivering benefits to participating businesses, a small number of suggestions were made aimed at improving its delivery and performance. These are discussed below.

The consultations highlighted that Account Managers in SE West and SE East viewed GFB as a highly effective and cost efficient tool in assisting businesses to address business growth constraints. The take up of GFB in many of the former LEC areas was very low when compared to SE Glasgow and SEEL. It would seem appropriate therefore to better market GFB to Account Managers in other SE areas thus encouraging them to consider offering it, where appropriate, to their companies.

All consultees highlighted that the appropriate focus for GFB was as a business improvement tool, and that it was not, and should not be seen as, a graduate recruitment mechanism. Discussions with Account Managers did reveal that some companies may see GFB as a graduate recruitment mechanism, as when an identified need for another graduate employee emerges they approach GFB rather than seeking to recruit in the open market. It is therefore important that market failure rationale for the intervention at the company level is firmly established before GFB support is offered.

A number of changes to the way that GFB is marketed would be beneficial:

- in order to more closely align GFB with SE's priority industries more targeted marketing aimed at university departments offering specific degree courses linked to the priority industries should be undertaken;
- regionally focused, rather than national, marketing would help to attract graduates from across Scotland, giving employers a wider pool from which to choose; and
- a stand alone or a much more visible web site within the SE web site would help to enhance the profile of GFB.

5.3.2 Accelerate Market Adjustment

The market failure rationale for GFB is well known and clearly articulated by Product Managers, Account Managers and Product Deliverers. The review, and our previous knowledge gained by evaluating a number of GFB's predecessor programmes, identified that they have remained the

same since graduate programmes were developed. Market failure continues to justify SE's intervention.

There are concerns however that more needs to be done to accelerate market adjustment. Market adjustment may be evidenced in participating companies - although some Account Managers report companies seeking to use GFB to recruit subsequent graduates – but not at the market level. The key market failure is information deficiency, as a lack of information/knowledge also contributes to both risk aversion and externalities.

The issue here is one promoting the benefits of graduate employment in SMEs – both to SMEs themselves and to graduates. The Account Managers highlighted in the discussion that they have numerous case studies that show how a GFB project has enhanced the performance of a business, helping it to overcome a constraint to growth and generates both additional sales and employment. There will also be a wide range of good news stories from graduates whose careers have progressed within SMEs following a GFB placement – indeed one of EKOS's research consultants has benefited from a GFB placement with a previous employers.

It is not sufficient, in accelerating the market adjustment, simply to involve more companies and graduates in GFB and hope that the market adjusts gradually on a drip by drip basis as the good news stories filter out into the market – a more proactive aggressive approach is required.

5.3.3 Measuring Impact

In order for the impact data to align with the anecdotal views of Account Managers and Product Managers a more robust data collection method is required. Our view, based on these discussions but also through evaluation of previous graduate programmes, is that the current method of collecting the impact data under sells the true impact of GFB.

The first stage in this would be to collect actual figures for turnover growth when the *End of Project Evaluation* report is assembled. The current practice to ask businesses to allocate turnover growth to a particular band, and then report impacts based, on the lower end of the band under records true impact.

Account Managers also have a key role to play in collecting/forwarding impact data beyond the end of the GFB intervention given the time lags between the project finishing and impacts being realised. The impacts will be realised over time and therefore need to be recorded beyond the end of the GFB project placement.

5.3.4 Addressing Equity

GFB was developed before an equity impact assessment was required. Issues around gender and ethnicity are outwith SE's influence as it cannot control who owns the businesses or the type of graduates who come forward. However, it does have a role in rural economic development.

The review highlighted clear market failure issues relating to rural issues, and these may in part explain poor take up in the Borders, Dumfries and Galloway and Aberdeenshire. Addressing this issue will require action aimed at accelerating market adjustment as discussed above.

5.3.5 Should SE Continue to Deliver GFB

The documentation review, the consultations and the Learning Workshop participants all agreed that the strategic rationale and market failure justification for GFB remain as strong in 2008 as they did in 2005 when initial approval was sought. We concur with this view and therefore recommend that GFB continues. However there are some key changes required that will enhance the impact of GFB:

- improved and a more robust method for measuring impact:
 - Account Managers, Product Managers and Product Deliverers all claim that GFB is having a significant impact on business growth. However the current method of measuring impact does not capture this “significant impact” and in fact shows turnover growth below target;
- address geographic coverage of GFB:
 - the use of GFB varies significantly across the SE network. Those who use the product widely claim significant benefits – but it seems unlikely to us that the GFB intervention to address a growth constraint is only relevant in these areas. Improved marketing/awareness raising of the benefits of GFB (once robust mechanisms are in place) within SE should be undertaken to provide real world examples of how the product assists business growth;
 - currently there are two contractors delivering GFB – one in the West, one in the East – with marketing activity across the SE network being the responsibility of the West product deliverer. There are concerns that marketing activity is focused in the West to the detriment of other parts of the Network. A single contract for delivery and marketing may be one way of addressing this issue;
- accelerating marketing adjustment:
 - the review has highlighted that the nature of the market failure rationale for GFB remains; it has been beyond the scope of the review to assess whether the scale of the market failure has been addressed, although Account Managers highlighted that a number of companies had request further assistance through GFB, which suggests that any market adjustment had been small. Accelerating market adjustment will require proactive action aimed at addressing the key market failures – information deficiency, both SMEs and graduates, seems to be key as it impacts on other factors such as risk aversion; and

- adopt a consistent approach:
 - discussions with Product Managers and Product Deliverers have highlighted some differences in approaches, particularly in marketing activity. There may be some scope for more effective and efficient delivery if a common approach was adopted, perhaps through a single contactor. Insufficient evidence was collected during the review to demonstrate definitively that this would be the case, but when delivery is re-contracted in 2009 this issues should be considered in more detail.

It is not clear from the review whether the focus and nature of the GFB intervention needs to be changed. It fits with the relevant strategic frameworks and is addressing identified and consistent market failures, although there is a case for Account Managers to more effectively consider the market failure rationale at the company level. GFB is used by Account Managers to address business growth constraints and this should remain its focus.



Appendix 1: Discussion Proformas

Product Managers

1. What has been your/your predecessor's role in relation to this Programme i.e. from the design stage to ultimate implementation? Please specify your/your predecessor's role key tasks in detail and in chronological order
2. What was the original rationale for the Programme and which intervention frameworks does it contribute towards. Does it fit with and contribute to new intervention frameworks
3. What are the market failures that the Programme is seeking to address
4. How successful has the programme been in addressing these market failures – please provide evidence
5. What are its key aims and objectives? How does the Programme fit with SE's equity objectives – equality groups, rural economic development, environmental. Was an equality impact assessment completed
6. How does the programme fit with SE's Business Plan going forward or views on fit with other public sector agencies eg Skills Development Scotland
7. In what context has the Programme been developed and delivered? How does it integrate with the other intervention activities - enterprise/ innovation / infrastructure (capital and investment) / priority industry dimensions
8. How are participant businesses targeted? Are there any particular selection criteria applied
9. What do you perceive as the Programme's strengths and weaknesses
10. What are your perceptions on the role and adequacy of the contractors who delivered the Programme
11. What are your perception/evidence of the impacts and benefits accruing to participating companies and graduates
12. Should the project continue – what market segments/industries would be most relevant. Where do you see room for improvement? What future developments would justify and support ERDF/ESF applications
13. Are you aware of any other initiatives (SE or other organisations) which provide a similar service



Project Deliverers

1. What is your understanding of what the Programme was established to address?
2. What do you understand by the Programme's strategic rationale and market failure justification? Have these changed over time – has the market adjusted in light of the Programme
3. Since 2004 has the market/economic conditions changed – has this had an impact on ability to recruit number/type of graduate. What is the size of the market – has this changed over time – has demand for the programme changed over time
4. Do you have a feel for the linkages between this programme and other business and people development programmes
5. How does the programme fit with SE's Business Plan
6. How and what type of graduate do you recruit? Do you have a gender and ethnicity breakdown
7. What role, if any, do you have in recruiting companies? Do you keep any information on companies in terms of ownership by women, ethnics etc, sector, priority industries
8. How do you allocate graduates to companies/projects
9. What training do you provide for the graduates
10. Do you have a role in defining projects
11. How do you monitor/manage graduates during the projects
12. How would you describe your relationship with participating companies
13. How would you describe the relationship between graduates and companies
14. How would you describe your relationship with your client
15. Strengths and weaknesses of the programme
16. What do you see as the benefits and impacts on participants – graduates and companies
17. Should the project continue – what market segments/industries would be most relevant. Where do you see room for improvement? What future developments would justify and support ERDF/ESF applications
18. Are you aware of any other initiatives (SE or other organisations) which provide a similar service

Account Managers

1. What was the original rationale for the Programme and which intervention frameworks does it contribute towards. Does it fit with and contribute to new intervention frameworks
2. What are the market failures that the Programme is seeking to address at the local level (examples) and at the individual company level (examples)
3. How successful has the programme been in addressing these market failures – evidence
4. What are its key aims and objectives? How does the Programme fit with SE's equity objectives – equality groups, rural economic development, environmental
5. How does it integrate with the other intervention activities - enterprise/ innovation / infrastructure (capital and investment) / priority industry dimensions
6. How does the programme fit with SE's Business Plan going forward or views on fit with other public sector agencies e.g. Skills Development Scotland
7. How are participant businesses targeted? Please detail the selection criteria applied, as appropriate
8. What do you perceive as the Programme's strengths and weaknesses
9. What are your perceptions on the role and adequacy of the contractors who delivered the Programme
10. What are your perception/evidence of the impacts and benefits accruing to participating companies and graduates
11. Should the project continue – what market segments/industries would be most relevant? Where do you see room for improvement? What future developments would justify and support ERDF/ESF applications
12. Are you aware of any other initiatives (SE or other organisations) which provide a similar service



Careers Service

1. How has the graduate labour market changed since 2004 – employment, unemployment
2. For those in employment what is the quality of the job – graduate or under employed
3. Does the quality of the job vary by discipline
4. What is your experience/knowledge of GFB
5. Is GFB still required – why



Chamber of Commerce

1. Do SMEs have difficulty in recruiting graduate employees
2. Does this vary by sector, size, degree subject
3. Are employers recruiting to graduate level jobs or below – does this vary by discipline
4. What is your experience/knowledge of GFB
5. Is GFB still required – why



Appendix 2: Documents Reviewed



Documents Reviewed

1. Report from Glasgow Opportunities (May 2008), which summarised GFB's strategic fit with the current SE Business Plan. The report also contained details regarding projects relating to Priority Industries and Account Managed companies.
2. Bar chart: project numbers per LEC
3. FAQs and company case studies extracted from Internet
4. GFB Operations Manual
5. Gate 4 Implementation and Gate 5 Benefits Realisation Review, June 2007
6. Gate 4 and 5 review: Peer Group Review, August 2007
7. Grow Your Business with Graduates – Social Enterprises; Evaluation, March 2007: external evaluation by Premier Business Development, used to support grant application to EQUAL Fund for social economy strand of programme.
8. Project Approval Paper January 2005
9. A review of the main graduate placement initiatives in use by the SE Network, April 2004, by Campbell Melee (SEEL), Jim Robinson (SEG)
10. Is Fresh Talent the Solution to Scotland's Demographic Problems? March 2005, by Experian
11. Market Research: Potential Graduate Product Report, February 2004, by EKOS
12. Project Evaluation Template as submitted to Sheila Perry 14 May 2008, requesting evaluation support.
13. Correspondence: A McPherson, Evaluation & Appraisal Manager
14. Economic Impact Assessment Guidance Note
15. Correspondence: Jim Robinson, GFB Programme Manager until 9 May 2008; Donna Cooper, GFB Acting Manager since 12 May 2008; Sue Lindsay, Depute Chief Executive, GO Group (who employ GfB team)
16. Draft documents prepared September/October 2007 re potential procurement process:
 - a. Tender Strategy Approval Form
 - b. Invitation to Tender Project Risk Register
 - c. Invitation to Tender



Appendix 3: Consultees



Consultees

Product Managers

Donna Scoular – product manager for the SE East Region

John Hannah product manager in the SE West Region

Product Deliverer

Jim Robinson – Ex Glasgow Opportunities (now SE South Region)

Donna Cooper – Glasgow Opportunities

Miriam Smith – Midlothian Enterprise

SE Product Manager

David Quinn – Network Products Team Manager

SE Account Managers

Iain Findlay

Andrew Ebsen

Rupert Jones

Christine Noonan

Cameron Ritchie

Ray Calder

Allan Cameron

Doug Clark

Gordon McKeown

David Anderson

University Careers Service

Barbara Graham – University of Strathclyde

Keith Kilgore – University of Herriot Watt

Chamber of Commerce

Richard Cairns – Glasgow Chamber of Commerce