

**SMALL BUSINESS GATEWAY HIGH GROWTH START-UP
SUPPORT EVALUATION**

**A Final Report to:
Scottish Enterprise Renfrewshire**

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February 2003

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Executive summary

This is the report of a study undertaken by SQW Limited on behalf of Scottish Enterprise Renfrewshire (SER) to evaluate SER's Small Business Gateway High Growth Start-up Programme (HGSP) and the related Discretionary Grant scheme. The evaluation concerns the conduct of these activities during the period, 2000-2002.

The scope of the evaluation exercise has been as follows:

- to assess the management and delivery of services contracted to Maitland Associates
- to assess outputs and impacts
- to determine how Discretionary Grants have been utilised and to assess the nature of any interdependence between start-up support and the Grant in terms of achieving outputs and impacts.

The study obtained new data and feedback from 34 client companies, 42% of the population of 81 companies supported by the High Growth Start-up Programme during the period. This included feedback from 14 clients in receipt of a Grant. The study involved a postal survey, telephone and face-to-face interviews with companies as well as consultations with other key stakeholders and a review of monitoring records.

In their overall evaluation of the importance of the Small Business Gateway High Growth Start-up Programme, a large majority of the clients sampled in this study rated the support vital or important to the performance of their business. In addition to quantitative impacts attributed to the Programme, a number of "softer" benefits have been identified, including notably encouraging more openness to external ideas or support.

Extrapolating data from the sample of 34 clients to the population of 81 companies supported to start-up during 2000-2, the quantitative economic impact as a result of the HGSP inputs has been estimated at the level of the Renfrewshire economy to be c.£5.1m in net sales and 139 (net) jobs.

The cost of delivering the HGSP over the period 2000-2 has been £658,325. The average cost per business has been £8,128. Net cost per job in Renfrewshire is estimated at £4,673.

Some 50% of company respondents indicated that they would have taken the same actions in any case even if Programme support had not been available. This reduces the additionality gained by the public sector interventions. Of this number, 50% would have acquired the support by paying external third party providers. Therefore, there is some evidence of crowding out in the responses.

The award of the Discretionary Grant delivers a higher level of additionality. A large majority of companies receiving a Grant indicated that it had been important or very important to them in optimising the value gained from other elements of HGSP support.

Clients scored the HGSP advisors highly on overall effectiveness. High scores were also given for their understanding of business issues, general business advice, advice on finance and on business planning. Responses from a smaller number of companies on the value of support received on technical feasibility and intellectual property issues were more polarised.

In terms of issues relating to “customer relations”, including speed of response and approachability, the business advisors again scored highly.

The contractor has delivered to or exceeded output targets set for it in SER’s contracts. There appears to be an effective working relationship and good communications between the contractor and the management of the Programme within SER.

We would recommend action in the following areas to further enhance the Programme:

- to use the Development Plan as an open document produced in concert with the client
- to ensure that the Aftercare Reports make more explicit references to the “care” delivered or required
- generally chart more fully the nature of the support activity and the level of resource directed by the business advisors to each client during what can sometimes be a prolonged period of support
- consideration should be given to tracking performance of clients at least for 3 years in order to determine whether key entry criteria with respect to turnover and employment goals are being realised
- re-examine the role of the Programme with respect to start-ups and spin-outs from the University of Paisley. The level of interaction and collaboration now appears to be very low.

1 Introduction

1.1 This is the report of a study undertaken by SQW Limited on behalf of Scottish Enterprise Renfrewshire (SER) to evaluate SER's Small Business Gateway High Growth Start-up Programme (HGSP) and the related Discretionary Grant scheme. The evaluation concerns the conduct of these activities during the period, 2000-2002. Our report sets out to provide SER with a better understanding of how its interventions in support of new, potentially high growth businesses are addressing its strategic objectives.

1.2 The scope of the evaluation exercise has been as follows:

- to assess the management and delivery of services in respect of new, high growth company support contracted to Maitland Associates
 - to assess contract performance against objectives and targets
- to assess outputs and impacts
- to determine how the Discretionary Grant scheme has been utilised and assess the nature of any interdependence between the start-up support and the Grant in terms of achieving outputs and impacts.

1.3 In addition to the above, we were asked to consider a number of specific issues:

- the nature of any developments or modifications that would improve the high growth start-up service in future
- the robustness of the process for accepting clients onto the Programme and any improvements that could be made
- the appropriate level of resources that should be directed towards delivery of the Programme
- the nature of targets appropriate for the Programme.

2 Methodology

2.1 A methodology for the research phase of this study was agreed at the outset with SER. It included the following tasks:

- a review of background documents on strategic context/rationale, programme approval papers and service contracts
- a review of programme monitoring data
- a “quick look” review of a sample of the contractor’s records on individual client companies (files on 5 companies were reviewed)
- face-to-face interviews with key stakeholders – in SER, Paisley University and with the representative of Maitland Associates managing the HGSP programme (all consultees are listed in Appendix C)
- a survey of clients using a mix of postal survey, telephone interview and face-to-face consultations (all company respondents are listed in Appendix C)
- a near-end of project workshop with SER staff, and
- a further meeting with Maitland Associates to review a draft of our final report to ensure factual accuracy.

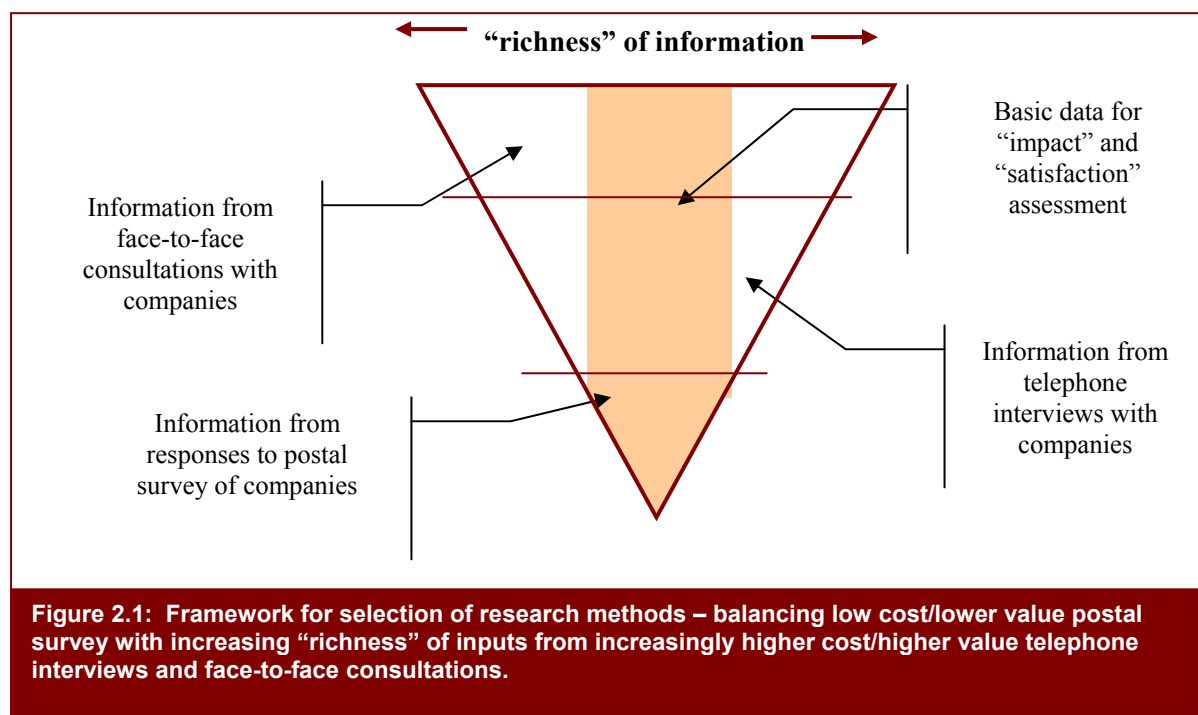
2.2 We received 81 client contacts from the HGSP database of which 79 were sent a letter by SQW to introduce the evaluation exercise. We were advised by SER that two companies should not be approached – one had stopped trading and one was not willing to participate in the evaluation.

Population and sample characteristics

2.3 This population of clients had been characterised previously by the Programme management in the following ways:

- **conventional or developmental** – a reference to how much support and time these clients would need to develop a business
- **grant or non- grant supported** – businesses that had received grant support versus those that had not
- **duration of support** – derived from the date at which the businesses had joined the HGS Programme.

2.4 In order to achieve both sufficient data and a sufficient spread of responses within a budget of 21 consultancy days over a 4 week period, we conducted a postal survey of 64 clients of the HGSP. To obtain additional insights into clients' experiences of the Programme we acquired similar information supplemented by more qualitative feedback via 10 telephone interviews and 5 face-to-face consultations with HGSP clients (See Figure 2.1). A copy of the questionnaire used in the postal survey and as a basis for the interviews is given in Appendix B.



2.5 Our sampling of the population for telephone and face-to-face consultations was purposive, i.e. we selected a spread of companies likely to have had a range of experiences of the HGSP, including some with experience of the recent service delivery as well as delivery over a longer timeframe. We also wished to ensure that companies who had been awarded a Grant and for different purposes were interviewed. Our choice was made to elicit feedback on the "softer" insights that are difficult to obtain from a postal survey.

2.6 Summing the number of respondents to the postal survey (19 respondents out of 64 requests – 29% response rate) with those companies interviewed (15 in total), we have feedback on the HGSP from a sample of 34 clients (42% of the client population). Within this sample, we have feedback from 14 clients that have been awarded a Grant - a total of 24 HGSP clients have received a Grant during the period under consideration, or 30% of all clients.

2.7 Tables 2.1 and 2.2 show the characteristics of the clients in terms of their time of entering the HGSP. Over half the population had joined the programme during 2002. A significant majority of the population has been classed as "conventional".

2.8 Table 2.3 by contrast considers only the 34 companies from whom we have new, primary information from the postal survey or interviews. We note the lag time, albeit it in a small minority of cases, between date of incorporation and time of joining the HGSP – in one instance a company was formed in 2002 but first entered the Programme during or before 2000. Our table only captures year of incorporation and year of joining the HGSP programme - and therefore we wish only to alert SER to the issue of prolonged residence time of some clients in the Programme and the degree to which this may result in diminishing returns for the effort deployed.

2.9 An analysis of actual dates would in retrospect have been of more value but in the absence of monitoring information on the actual staff resource deployed on each case (see later) we would in any event have been unable to draw robust conclusions on the appropriateness of resource allocation to longer term clients.

Table 2.1 Population by date first supported

	Number of businesses
During 2002	41 (51%)
During 2001	21 (26%)
During 2000 or earlier	19 (23%)
Total	81 (100%)

Table 2.2 Population by category determined by term of support received

	Companies provided
Conventional	67 (83%)
Developmental (requiring longer term support)	14 (17%)
Total	81 (100%)

Table 2.3 When sampled businesses were formed and when they joined the HGS Programme

When business was formed	When businesses entered the HGS Programme				Total
	2000 or before	2001	2002		
2000 or before	9	3	0		12
2001	0	6	5		11
2002	1	2	4		7
Null responses					4
TOTAL	10	11	9		34

3 Background - nature of the support

3.1 The High Growth Start-up Programme (HGSP) is designed for new start clients, with or without concrete business proposals, which meet the following criteria:

- the resulting business is expected to achieve a turnover in excess of £750k by year three, or
- employ 15 or more staff by year three.

3.2 A number of important additional entry criteria are set down. The planned businesses are expected to conform to the majority of the following:

- to have a market potential beyond the UK
- to have prior management or business experience
- to demonstrate personal commitment of the owners
- to have an innovative product or service
- to result in limited displacement, and
- to have growth potential beyond the initial three years.

3.3 The Discretionary Grant is available only to companies accepted onto the HGSP and covers up to 50% of ex-VAT project costs incurred. Award is based on the identification of need by the HGSP business advisor and/or the client company, and follows the submission of a Grant application to SER for approval. We note that the Grant scheme is not promoted explicitly by Maitland Associates or SER as a benefit available to HGSP participants.

3.4 The service contract with Maitland Associates is framed in terms of activity and output targets. In addition to a management fee, the contractor receives payment for delivering three elements of activity or output:

- the completion of a Development Plan on each client entering the Programme
- upon submission of documentary evidence that a client has formed a new company
- the completion of an Aftercare Report on the company, with four Aftercare Reports anticipated over the 18 month period during which the start-up company is eligible to remain in the Programme.

3.5 The current contractual arrangements recognise that the time and resource taken to assist prospective companies to start-up may differ considerably. Differential rates of payment are therefore applied by SER to “conventional” and “development” clients, the latter requiring more prolonged and/or human-resource intensive support from the HGSP business advisors.

Operating practices

3.6 Maitland Associates base their business advisors delivering the HGSP in the Small Business Gateway offices in the Hillington Park Innovation Centre. The support is branded as a Small Business Gateway service with Maitland “invisible”. Staff share the Small Business Gateway office with staff of the Innovation Centre.

3.7 Candidate businesses for admission to the HGSP are sourced from a number of places:

- referrals from the Small Business Gateway team concerned with supporting the “volume” rather than high growth segment of the start-up market
- professional service providers such as banks, lawyers and accountants
- other business-related networks, and
- from the pro-active work of HGSP staff trawling through information on new company incorporations.

3.8 We understand that of the referrals from the Small Business Gateway’s “volume” team, c.50% prove to be unsuitable for the HGSP. The HGSP team takes the view that it is better not to deploy too fine a filter at these early stages and it is happy to appraise these referrals. This is a positive approach in our view so long as the high rate of inappropriate referrals is not the result of avoidable lack of clarity at the interface between staff engaged in “volume” and “high growth” support and that it does not introduce unhelpful delay for the prospective client.

3.9 We envisage a “fine line” between promoting the HGSP and its benefits to new and prospective businesses locally, on the one hand, and trawling for clients through already incorporated start ups (however we understand from the contractor, in many occasions companies incorporate to protect a name well in advance of trading). A focus on providing assistance from limited resources to those that have a clear need for the HGSP support would be a key requirement, as distinct from simply building a client base with whom to sell services.

3.10 The early appraisal stage of the HGSP staff’s work with a prospective client is funded via the overall Programme management fee received by the contractor. The work of the business



advisor to move the prospective business to the start-up stage is funded from the Start-up fee provided by SER to the contractor for each new start-up company achieved.

- 3.11 The preparation of a Development Plan in the early stages of the working relationship between business advisor and prospective client forms a key milestone in the process. Formally, it is the point when a client is admitted onto the HGSP. We understand that over the past 4 years there have been only very few occasions (two or three times) when the recommendation of the contractor to admit a client to the Programme has been rejected by SER. We understand that SER and the contractor have periodically met to clarify entry criteria so that ineligible clients are not brought forward. Queries over ineligibility tend to be resolved prior to the submission of a Development Plan.
- 3.12 According to the contractor, some 40% of businesses for whom a Development Plan is written fail to get to the start-up phase. In most cases a failure to raise capital is the reason.
- 3.13 Beyond start-up, companies receive four “aftercare” visits over the next 18 months. An Aftercare Report is prepared by the business advisors and submitted to SER after each visit. The final Aftercare Report makes recommendations on the nature of future SER support appropriate to the company. Options available include:
- becoming an account managed company
 - supported by SER’s “growth team”, or
 - for less well performing businesses, encouraged to seek advice and assistance through the Small Business Gateway as and when required.
- 3.14 In some cases, companies are keen to retain their links with the same business advisor they have had on the HGSP. There appears to be some flexibility within SER’s management of their programmes to allow this to happen in the few cases where it arises.
- 3.15 We were informed by the contractor that clients receiving the Discretionary Grant will often not realise they are the beneficiaries of a separate SER intervention. They are however, upon award, required to accept formally the set of conditions under which the Grant is given.
- 3.16 We understand that some client companies achieving early successes may effectively leave the HGSP before the end of the 18 month period. This may be marked by the company requiring, and being given, additional support from other SER programmes designed for growing companies rather than specifically new starts.
- 3.17 Early operational problems about the respective roles of the HGSP advisors and the staff supporting tenants within the Hillington Park Innovation Centre now appear to be resolved. Tenant companies will now be supported only by the Innovation Centre’s staff.

Observations on operations and their monitoring

- 3.18 Both the contractor and the SER manager responsible for the HGSP express a high level of satisfaction with the working relationship and communications between the two. SER welcomes the responsive nature of the contractor to requirements for monitoring information and indeed comments warmly on the pro-active nature of the contractor in offering ideas for improvement.
- 3.19 In contrast to the clarity of the performance measures applied to the HGSP contract in terms of the production of a Development Plan, together with the presentation of evidence of start-up and the submission of Aftercare Reports, the nature and volume of the work actually done in support of each client by the business advisors is far more difficult to discern from the monitoring records. The key factor for SER is achieving outputs in terms of new company starts. How the Start-up fees paid to the contractor are utilised and for what kind of support appears to be of significantly less concern, although given the nature of the current working relationships, we consider that there is considerable tacit knowledge with SER on the nature of the work done. We would recommend closer tracking of the nature of the support and the level of resource required to achieve Programme objectives. We understand that the implementation of SER's client management system NESICA will assist with this.

Review of client files

- 3.20 From our "quick look" review of the contractor's files on five clients, we wish to make a number of observations. From our small sample, it is clear that the business advisors have to deal with a wide range of prospective businesses with a wide range of needs. The issues we highlight below are in our view important, but we are unable without a much more substantial examination of documentary records to say if they are typical or not.
- 3.21 We observed on a few occasions within our small sample correspondence on file between contractor and SER staff concerning admission of clients to the HGSP. Issues were raised concerning eligibility, especially around forecast business performance, but we found little or no record of how these were resolved. The next file entry recorded the client being accepted to the Programme. Where "risk" factors are discussed at this early stage, the basis for finally agreeing admission should be recorded.
- 3.22 The relationship between the Development Plan prepared by the contractor and the clients' own business planning process should be clarified. We understand that the Development Plan is an "internal" document that is not shared with the client. To identify explicitly those needs of the client to be addressed by the HGSP and how they "fit" with the client's business planning, we would recommend that the Development Plan be adapted to engage the client openly in its preparation. This has the merit also of engaging the client in a further learning

process and can be a way of developing a more specific service charter in which needs and expectations are clearly stated.

- 3.23 We note that some clients join the Programme already in possession of a business plan and financial projections prepared for them by third party professional advisors. The nature of the added value services required of and provided by the HGSP to these clients could usefully be made more explicit, in our view, within the adapted Development Plan discussed above.
- 3.24 Our reading of Aftercare Reports found them couched in terms of what the client company had done in the intervening period. Important as this is, we recommend that the reports should also be more explicit about the role performed by the HGSP and its business advisors. What has been the impact of prior support? Of challenges identified by the company, what if any are to be addressed by the HGSP staff? We found our sample of Aftercare Reports to read more like company status reports only, rather than indicators of the “care” provided or required.
- 3.25 We note that some clients appear to have a protracted period of support from the HGSP’s business advisors. The file on one notable case appeared to stretch back to March 1999 and to be active still. We have not been able to identify how much human resource is allocated to such cases, at what costs and for what return. We can only surmise that the cost, including the opportunity cost, may be significant. Perhaps more importantly, in the case we refer to, we found on file statements recorded during 2000 which indicate that the potential of the client to achieve turnover or employment targets was not known. Also, longstanding issues concerning novelty of the core technology and its relation to existing third party patents seem to “rumble on”, referred to on file records but seemingly never resolved. We have been assured by representatives of both SER and the contractor that such cases are the exception.
- 3.26 In terms of Grant support, in addition to awards for specific pieces of development work such as market studies, we found other examples in which a Grant was used for a bundle of purposes e.g. IT equipment, to cover staff costs and to cover rental costs. We understand that in special circumstances the Discretionary Grant can be used to cover recurrent cost items to overcome the cashflow difficulties faced by clients. We would question the degree to which this is truly a developmental matter and recommend care in justifying such spend.

4 Business characteristics of the client-base

4.1 In response to our enquiry about products and markets, we have been able to compile the profile of client businesses shown in Table 4.1. We have used a relatively high level categorisation based on company responses for illustrative purposes. It demonstrates that the majority of clients are within the finance and business services areas. In Table 4.2 we have attempted to match client responses on their products and markets to the main sectors and clusters which are given national priority by the SE Network. The majority, on the synoptic information available to us, do not seem to fall into the key categories. However, there is a notable minority falling into the software and e-business suppliers category.

Table 4.1 Business sectors in which client companies are operating

Sample size	34
Sector	Total
Finance and business services	20 (59%)
manufacturing	10 (29%)
Wholesale, distribution and consumer services	2 (6%)
Transport, public admin and other services	2 (6%)
Null responses	0
Total	34

Table 4.2 Matching clients to the SE Network's priority sectors/clusters

Sample size	34
Sector	Total
Biotechnology	0 (0%)
Chemicals	1 (3%)
Communications Technology	0 (0%)
Creative Industries	1 (3%)
Energy	0 (0%)
Financial Services	1 (3%)
Food and drink	0 (0%)
Forest industries	0 (0%)
Microelectronics	1 (3%)
Tourism	1 (3%)
Software and e-Business Suppliers	9 (26%)
Textiles	0 (0%)
Other	20 (59%)
Null responses	0
Total	34

- 4.2 We enquired about the origins of the new businesses (Table 4.3) and discovered that only a very small minority could be attributed to management buy-out or to corporate or university spin-out. Given the low level of representation of these categories, notably on spin-outs, there would be merit in SER taking a closer look to determine whether there is untapped potential here and if so why it is not being “touched” by the current Programme.

Table 4.3 Business origins	
Sample size	34
Type of business	Total
Management buy-out	1 (3%)
Corporate spin out	1 (3%)
University spin out	1 (3%)
New start (other)	30 (91%)
Null responses	1
TOTAL	34

- 4.3 We enquired about the way in which clients first heard about the HGSP (see Table 4.4). The majority identified “referral” by a third party. Those responding with “other” methods included those learning of the Programme through informal word-of-mouth from business contacts. From our consultation with the contractor, we understand that a flow of referrals has now developed from local banks and accountancy firms. A substantial number of referrals may come from the Small Business Gateway “volume” start-up support staff (see also Para 3.7).

Table 4.4 How businesses first learned about the SBG HGS Programme	
Sample size	34
Method	Total
At a Small Business Gateway or Scottish Enterprise event	7 (21%)
Referral	14 (41%)
Advertising	4 (12%)
Other	9 (26%)
Null responses	0
TOTAL	34

Factors of importance at start-up to the clients

- 4.1 We noted earlier the important, if subjective criteria to be applied in admitting clients to the HGSP - market potential beyond the UK, prior management or business experience, personal commitment of the owners; innovative product or service; limited displacement and growth potential beyond the initial three years. We sought to determine whether the companies

admitted to the Programme also gave importance to these same criteria. (We omitted the growth beyond 3 years criterion as likely to be non-contentious among presumed high growth companies.) The results show some interesting differences in emphasis but also many strong areas of agreement between Programme requirements and the judgements of the entrepreneurs.

- 4.4 Asked to score the importance of market potential beyond the UK, 15 (or 50%) of respondents viewed this as having low importance (see Table 4.5). On prior management experience, a large majority scored this as of moderate to high importance (Table 4.6) and on personal commitment of the owner, perhaps unsurprisingly, an overwhelming majority scored this as important (see Table 4.7). Similarly, in scoring the importance of innovative products or services, a high proportion of the sample (28 or 91%) gave a high importance by scoring 4 or 5 (Table 4.8). Table 4.9 shows that the majority of clients are unconcerned about local competition. (This probably accords with low results for displacement with respect to sales achieved discussed later in this Report).

Table 4.5 Scoring the importance of market potential beyond the UK

Sample size	34	Average score	3.0
Score (where 5 is high)		Frequency	Percentage
1		9	28%
2		7	22%
3		3	9%
4		2	6%
5		11	34%
Null responses		2	
TOTAL		32	100%

Table 4.6 Scoring the importance of prior management experience

Sample	34	Average score	3.6
Score (where 5 is high)		Frequency	Percentage
1		4	13%
2		2	6%
3		7	22%
4		9	28%
5		10	31%
Null responses		2	
TOTAL		34	100%

Table 4.7 Scoring the importance of personal commitment of owners

Sample	34	Average value score	4.7
Score (where 5 is high)		Frequency	Percentage
1		0	0%
2		1	3%
3		1	3%
4		4	13%
5		26	81%
Null responses		2	
TOTAL		34	100%

Table 4.8 Scoring the importance of innovative product or service

Sample	34	Average value score	4.2
Score (where 5 is high)		Frequency	Percentage
1		1	3%
2		0	0%
3		2	6%
4		16	52%
5		12	39%
Null responses		3	
TOTAL		34	100%

Table 4.9 Scoring the importance of limited local competition

Sample	34	Average value score	2.5
Score (where 5 is high)		Frequency	Percentage
1		11	34%
2		7	22%
3		5	16%
4		6	19%
5		3	9%
Null responses		2	
TOTAL		34	100%

5 Delivery and performance

5.1 In this section we consider the operational targets set by SER for the contractor. We examine the operation of the support programme and Grant scheme. We consider the targets for the HGSP in terms of the business performance expected of companies that are admitted to the Programme. This section also reports back on the views of client businesses and stakeholders on delivery issues.

The contractor's targets

5.2 The delivery of the HGSP over the period January 2000 to December 2002, the subject of this evaluation, was the responsibility of a third party contractor, Maitland Associates. The operational requirements were set out through two contractual arrangements – a fixed cost element to cover overall management, administration and general promotion, and a variable cost element linked to the achievement of specific output targets.

5.3 The targets set for the contractor and the records of achievement are shown in Table 5.1. Although targets have only been set for start-ups, SER have employed indicative targets for Development Plans and Aftercare for budgeting purposes and to keep track of clients in the pipeline. Table 5.1 demonstrates that Maitland Associates have achieved or exceeded the targets set in their contract over the period 2000 - 2002. We understand that of the 90 new starts, 12 have ceased trading, one has re-started and an unspecified number have yet to start trading. On the basis of this activity, we calculate that the cost of delivering the support has been **£658,325**.

5.4 In addition to meeting these targets, we note from our consultations with SER staff managing the HGSP contract, that Maitland Associates have a track record of flexibility, responsiveness and co-operation in their conduct of the work which proves helpful to SER.

Table 5.1: Comparing activity and output targets against achievements for the period 2000-2002

	2000		2001		2002		Total	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Development Plans		55		44		32		131
Start-ups	32	35	25	27	24	28	81	90
Conventional		25		24		26		75
Development		10		3		2		15
Aftercare		57		92		110		259

Track record of companies

- 5.5 The expectations set for levels of business performance supported by the HGSP - £750k turnover or 15 or more staff – relate to performance after 3 years. The HGSP supports new start companies only for a period of 18 months after incorporation. Performance of HGSP clients is only tracked for 18 months. For both reasons, assessing achievement of business performance goals is difficult to determine over the three years after incorporation.
- 5.6 We understand that turnover and employment performance of client companies are not tracked beyond the 18 month residence period in the HGSP’s aftercare phase. Given that a key condition of admission is based around potential to reach certain business performance targets with respect to turnover or employment after a three year period, it is surprising that tracking up to three years is not done routinely for all clients. This seems to us to be an anomaly. We were asked by SER specifically to comment on whether the “right kind” of admission procedures were in place. In the absence of business performance tracking up to three years, this basic *ex post* evaluation tool is not available.

Client feedback on service delivery

- 5.7 In addition to asking for client feedback on matters of quality, relevance and value of “content” of the start-up support provided (see Section 6), we also asked clients about operational matters.
- 5.8 Asked to score the help provided by the HGSP business advisors in implementing the available support, a large majority of clients indicated a high level of satisfaction (see Table 5.2 and the accompanying distribution graph). Also, in terms of speed of response, the business advisors again scored highly amongst a large majority of clients (see Table 5.3). Finally, the advisors scored highly amongst a large majority of their clients for their approachability (Table 5.4). In sum therefore, the contractor appears to have provided a good quality of service in term of general customer relationship issues to a large majority of the companies in our sample. For SER, in the context of an outsourced, high-profile customer-facing activity this is important and reassuring feedback from clients.

5.9 There is also the minority contrary view. We highlight the comments and anecdotal evidence on this and other matters of performance we have received in Tables A36-A40 in Appendix A, illustrating examples of both the positive and negative to supplement the positive statistical evidence discussed above.

Table.5.2 Scoring advisor performance: assistance with implementing support

Sample size	34
Score (where 5 is high)	Frequency
1	3 (10%)
2	1 (3%)
3	2 (6%)
4	10 (32%)
5	15 (48%)
Null responses	3
Average score	4.1

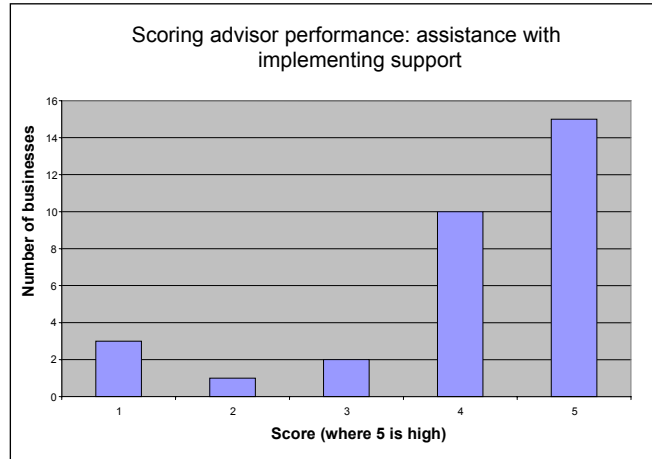


Table 5.3 Scoring advisor performance: speed of response

Sample size	34
Score (where 5 is high)	Frequency
1	3 (8%)
2	0 0(%)
3	1 (3%)
4	12 (35%)
5	18 (53%)
Null responses	0
Average score	4.2

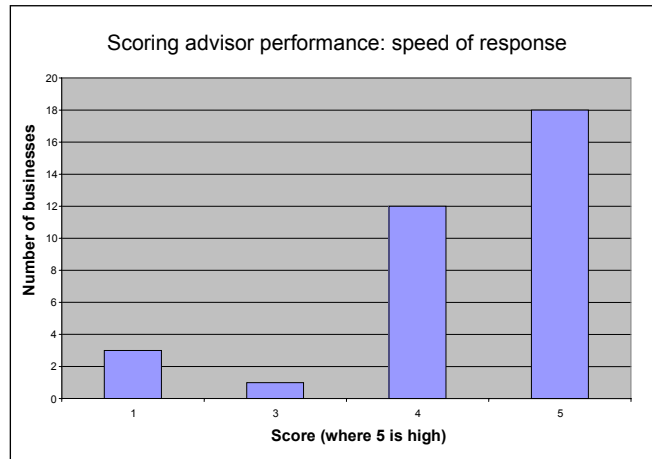
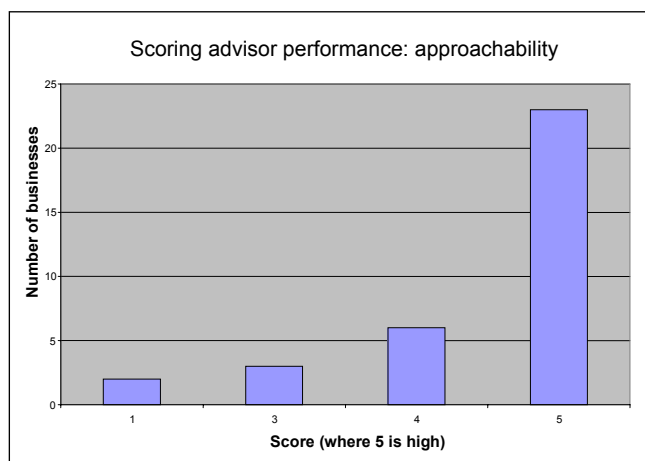


Table 5.4 Scoring advisor performance: approachability

Sample size	34
Score (where 5 is high)	Frequency
1	2 (6%)
2	0 (%)
3	3 (8%)
4	6 (18%)
5	23 (68%)
Null responses	0
Average score	4.4



5.10 Conscious from prior experience of how contentious the administration of grant-awarding procedures can be, we asked businesses how straightforward they believed the process of applying and claiming for the grant had been. As Table 5.5 shows, almost all grant holders in our sample (14) believed that the application and claiming process had been straightforward.

Table 5.5 Process of grant application and claiming

Sample size	34
Experience	Total
Straightforward	14 (93%)
Not straightforward	1 (7%)
Null responses	19
Total	34

5.11 Finally, in this section on delivery issues impacting clients, we asked about the time clients spent with their advisors. The majority of clients (24 or 73% of our sample) were content with the allocation they received. However, a significant minority (9 or 27%) would have preferred more time, in most cases between 25% and 50% more time. In our interviews with businesses expressing this view, we asked what this time would be spent on and typical responses included “handholding”, finishing discussions(!) and providing time to allow the strategic input of the advisor.

Relationship with university start-ups

5.12 Our consultation with representatives of the commercialisation function in Paisley University confirmed the supportive and valued relationship between the University and SER. However, there appears to have been a marked reduction in interaction and collaboration with the High Growth Start-up team over the past two years. Indeed present levels of interaction were

characterised as “zero”. This reduction may date back to the re-location of the team to Hillington.

- 5.13 We also found some confusion over the roles and responsibilities of the business advisors on the staff of the Hillington Park Innovation Centre and those delivering the Small Business Gateway HGSP.
- 5.14 There appears to be a willingness to explore new forms of collaborative working. However, as Paisley has undergone “regime change” recently in terms of its commercialisation function, we are not able from our consultations to offer any insights into what the nature of any new interaction could or should be. We were informed that Paisley University has its own resources to assist spin-outs, but that funds are the key requirement, not advice. We would however draw a distinction between spin-out business prospects emerging from University research and other start-up prospects from entrepreneurial staff and students in which the University may have no intellectual property position and in which the University’s commercialisation function may have less interest. We recommend that the role of the HGSP with respect to company formation derived from the University is re-examined

6 Client feedback on value, relevance and quality of support

- 6.1 As a precursor to obtaining the views of clients on the relevance and value of the support they received from the HGSP and the related Discretionary Grant scheme, we asked our sample of 34 companies what they had been looking for originally from the Programme. Respondents were able to nominate more than one form of assistance. Table 6.1 shows that a significant majority were looking for grant support. This is interesting given that at least the Discretionary Grant is not promoted openly to prospective or actual clients. It is also notable that only a minority were concerned with technology development and IP issues, arguably issues that might have been of more concern to higher tech businesses.

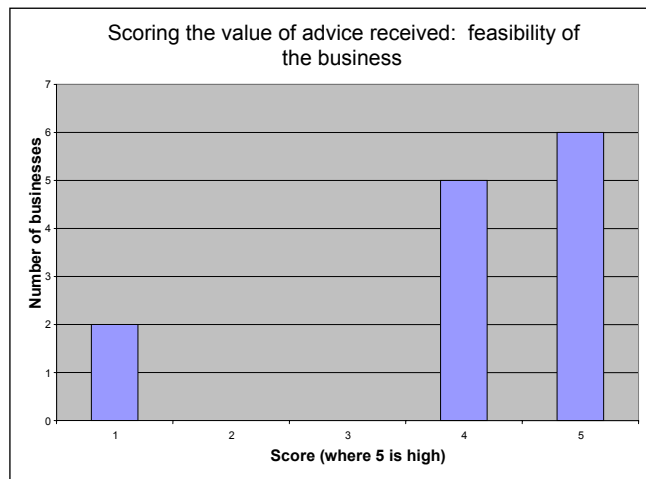
Table 6.1 Assistance looked for from HGS Programme

Sample size	34
Type of assistance	Total
Assessing feasibility	6 (18%)
Technology development	4 (12%)
Assistance with business planning	9 (26%)
Intellectual property advice	5 (15%)
General business advice	16 (47%)
Finance	15 (44%)
Access to grant support	26 (76%)
Other areas of support (e.g. networking)	4 (12%)
Null responses	0
Total	34

- 6.2 Clients were then asked to score the value of each of the forms of support they had actually received. The results are shown in Tables 6.2 to 6.9 and commented upon in turn below.
- 6.3 Concerning advice on business feasibility, although only six companies in our sample indicated they were looking for support in assessing business feasibility we discovered that 15 companies (44%) had received support of this kind. An overwhelming majority found it valuable (see Table 6.2).

Table 6.2 Scoring the value of support received: feasibility of the business

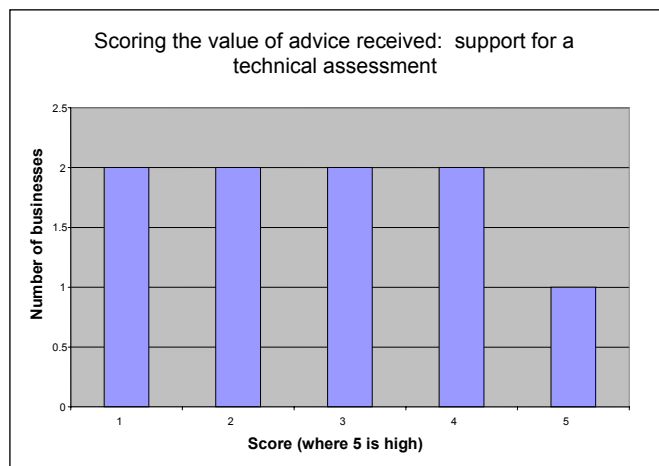
	No
Sample size	15 (44%)
Score (where 5 is high)	
1	2 (15%)
2	0 (0%)
3	0 (0%)
4	5 (38%)
5	6 (46%)
Null responses	2
Average score	4.0



6.4 Concerning support with technical assessments, 10 companies (29% of our sample) received this kind of support but a small majority (6 out of 10) found it at best of moderate value (Table 6.3). We note from Table 6.1 that only a minority of clients were looking for technology-related assistance from the HGSP.

Table 6.3 Scoring the value of support received: support for a technical assessment

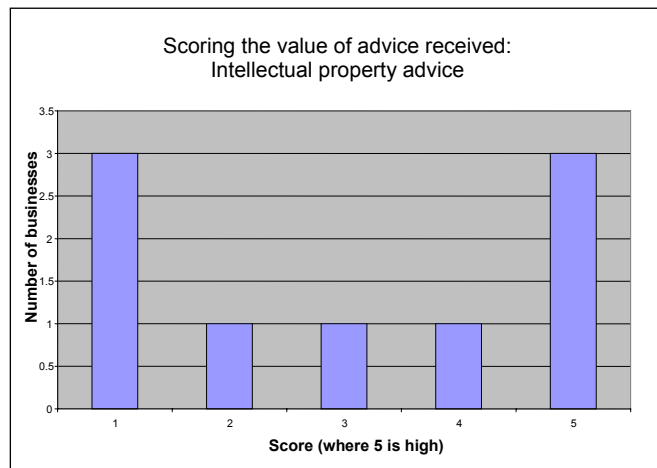
	No
Sample size	10 (29%)
Score (where 5 is high)	
1	2 (22%)
2	2 (22%)
3	2 (22%)
4	2 (22%)
5	1 (11%)
Null responses	1
Average score	2.8



6.5 Nine companies in our sample (26%) received advice on intellectual property. There were polarised views on the value of the advice received (see Table 6.4).

Table 6.4 Scoring the value of support received: Intellectual property advice

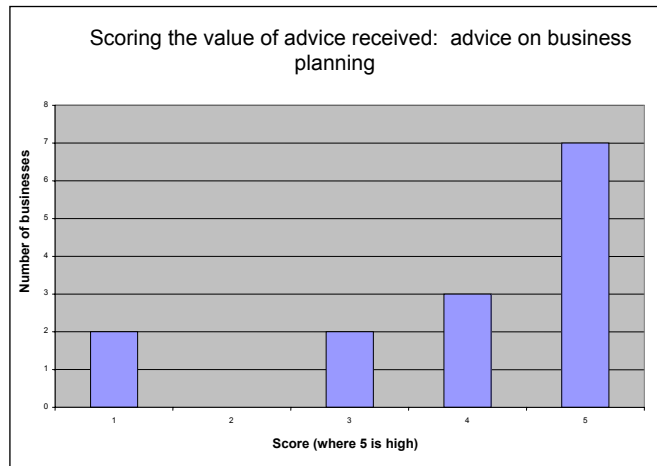
	No
Sample size	9 (26%)
Score (where 5 is high)	
1	3 (33%)
2	1 (11%)
3	1 (11%)
4	1 (11%)
5	3 (33%)
Null responses	0
Average score	3.0



6.6 Table 6.5 records clients' views on business planning advice. Given this is likely to be a basic requirement of all kinds of start-ups, it is important that a majority found the value of the advice received to be high. However, there is a spread of opinion to note

Table 6.5 Scoring the value of support received: advice on business planning

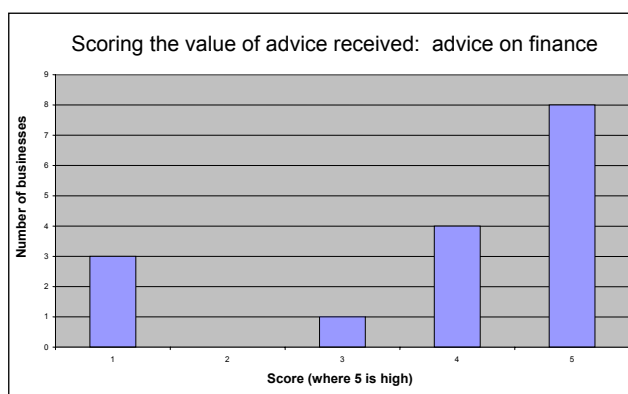
	No
Sample size	14 (41%)
Score (where 5 is high)	
1	2 (14%)
2	0 (0%)
3	2 (14%)
4	3 (21%)
5	7 (50%)
Null responses	0
Average score	3.9



6.7 Respondents were asked to score the value of advice received on finance matters (Table 6.6). Again a large majority found this to be of moderate or higher value.

Table 6.6 Scoring the value of support received: advice on finance

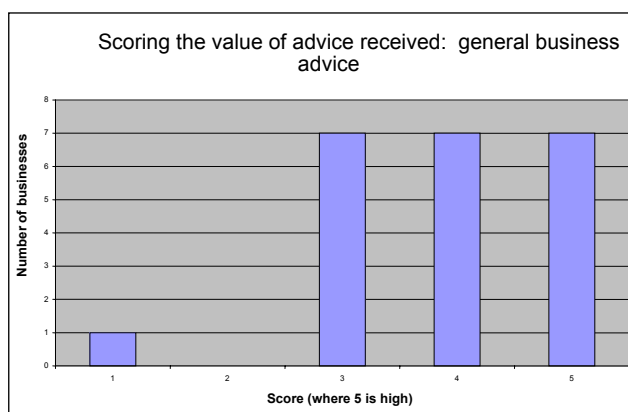
	No
Sample size	16 (47%)
Score (where 5 is high)	
1	3 (19%)
2	0 (0%)
3	1 (6%)
4	4 (25%)
5	8 (50%)
Null responses	0
Average score	3.9



6.8 Businesses were asked to score the value of general business advice received (Table 6.7). A majority once more found this to be of moderate or higher value.

Table 6.7 Scoring the value of support received: general business advice

	No
Sample size	23 (68%)
Score (where 5 is high)	
1	1 (5%)
2	0 (0%)
3	7 (32%)
4	7 (32%)
5	7 (32%)
Null responses	1
Average score	3.9

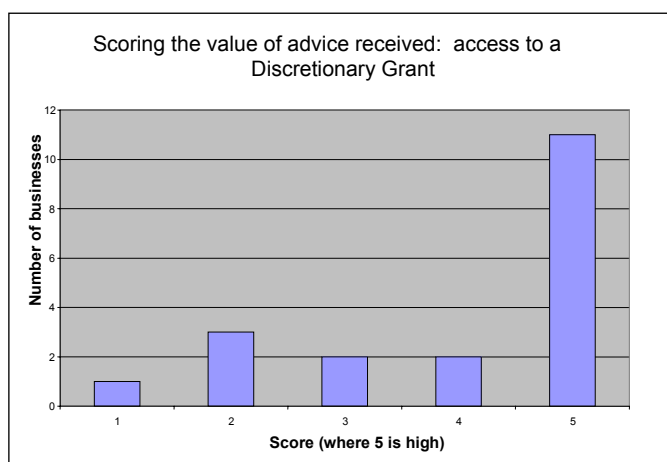


6.9 Views on the value of having access to the Discretionary Grant are shown in Table 6.8. A significant majority accord this moderate or higher value. Perhaps surprisingly given the attractiveness in normal circumstances of grant support, four respondents give a low value score. The reasons behind this apparent anomaly are not evident from responses to our postal survey.

6.10 We have been informed that the discretionary grant support has covered a range of individual grant programmes available from SE Renfrewshire. These include support for e-commerce and exhibitions. As a result, it may have been difficult for some of the respondents to differentiate between them.

Table 6.8 Scoring the value of support received: access to a Discretionary Grant

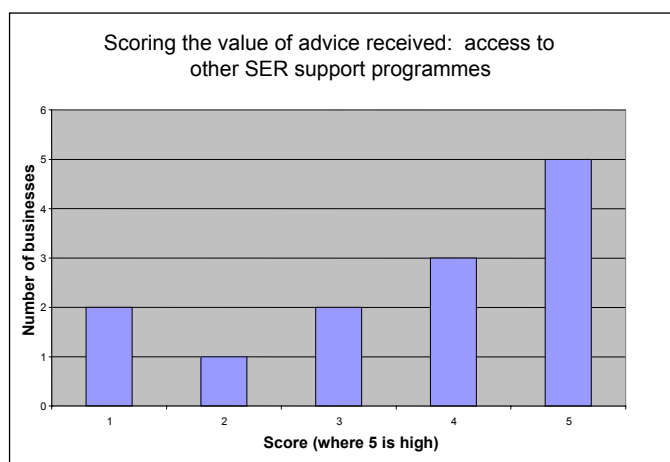
	No
Sample size	19 (55%)
Score (where 5 is high)	
1	1 (5%)
2	3 (16%)
3	2 (11%)
4	2 (11%)
5	11 (58%)
Null responses	0
Average score	4.0



6.11 Finally on this theme, we asked clients for their valuation of the advice they had received with respect to accessing other SER support. Although a majority score this as being valuable, with five companies finding very valuable, there is a notable spread of responses (Table 6.9).

Table 6.9 Scoring the value of advice received: access to other SER support programmes

	No
Sample size	13 (38%)
Score (where 5 is high)	
1	2 (15%)
2	1 (8%)
3	2 (15%)
4	3 (23%)
5	5 (38%)
Null responses	0
Average score	3.6



Valuing the Discretionary Grant

6.12 We asked businesses to provide information on the activities for which they received a Grant. Table 6.10 shows the purpose to which the Grant was put for each Grant holder in our sample. Company J, for example, received grant funding for a combination of purposes – for rent, salaries and the purchase of IT equipment. We have consolidated this information in Table 6.11 to show the main categories of use. Although there is a wide spread of uses, support for marketing-related activity is the main purpose.

Table 6.10 Purpose of Discretionary Grant

Sample size		14		
Business	Activity	Total Cost of Activity	Grant Received	% Business contribution
A	Professional fees	£1,500	£750	50%
B	Exhibition/trade mission	£2,500	£1,050	42%
C	Exhibition/trade mission	£1,000	£1,000	0%
D	Marketing	£5,728	£938	16%
E	Marketing	£20,000	£10,000	50%
F	Marketing	£15,000	£4,000	27%
G	Marketing	£20,000	£5,000	25%
H	Marketing	£5,200	£2,000	38%
I	Purchase of equipment	Unknown	£25,000	Unknown
J	Rent	£3,500	£3,500	100%
K	Marketing	£4,000	£2,000	50%
L	Technology/web development	£100,000	£10,000	10%
M	Rent	£4,000	£2,000	50%
N	Technology/web development	£20,000	£5,000	25%
Null responses				0
Total				14

Table 6.11 Purpose of Discretionary Grant

Sample size		14	
Activity	Total		
Purchase of equipment	1 (7%)		
Exhibition/trade mission	2 (14%)		
Marketing	6 (42%)		
Professional fees	1 (7%)		
Rent	2 (14%)		
Technology/web development	2 (14%)		
Null responses	0		
Total	14		

6.13 In addition to determining the purposes to which Grants were put, we were asked to address the importance of the Grant in optimising the value from other elements of the HGSP – in other words, what level of interdependence exists between the two. Table 6.12 provides some insight into the clients' views. Most responded positively – the Grant had been important to them in optimising the value gained from other parts of the Programme.



Table 6.12 Importance of grant in optimising value from other elements of Programme support

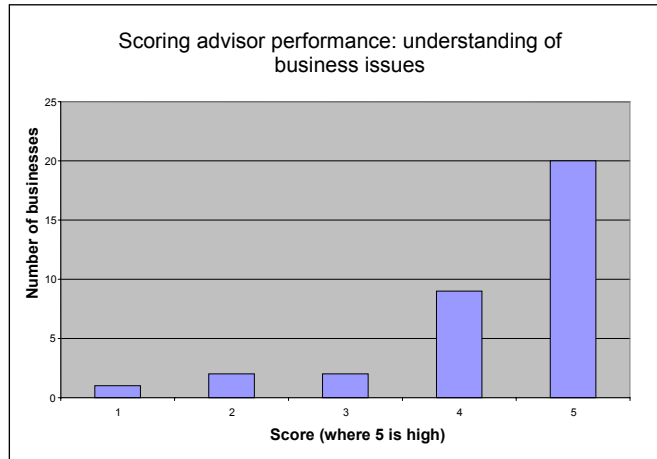
Experience	Total
Very Important	7 (47%)
Important	5 (33%)
Not important	3 (20%)
Total	15

Quality and relevance of different kinds of support

- 6.14 In addition to the key questions of “value”, we asked subsidiary questions to tease out issues of relevance and quality of the support provided. In large part this is in an attempt to highlight particular areas where strengthening might be advisable. The full set of responses for each form of support is given in Appendix A, Tables A28 to A35. Here only the highlights are given.
- 6.15 There are polarised responses in terms of quality and relevance especially with respect to the support received for business feasibility assessment and IP advice. Quality and relevance of business planning support scores very highly as does advice on finance. Perhaps not surprisingly, the HGSP advisors appear to have their strengths in the areas of business planning and financial advice, corresponding to the areas of assistance that most respondents were looking for from the Programme. There are indications that in some more specialist areas, for example IP advice, strengthening of available support should be explored.
- 6.16 We accept that demand for this specialist support may be lower than for other forms and that it is difficult to resource a team of advisors with all the skills likely to be necessary for all clients. However, SER should be alert to circumstances in which support offered by the Programme may need to be outsourced beyond Maitland Associates if higher quality and relevance ratings by clients are to be achieved.
- 6.17 We conclude this section on clients’ view of quality and relevance with responses to some further general queries. Asked to score the HGSP’s business advisors in terms of their understanding of business issues, a large majority scored them highly (Table 6.13).

Table 6.13 Scoring advisor performance: understanding of business issues

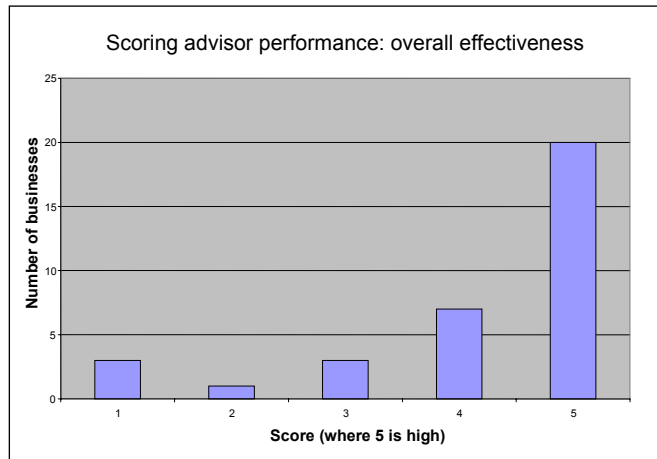
Sample size	34
Score (where 5 is high)	Frequency
1	1 (3%)
2	2 (6%)
3	2 (6%)
4	9 (26%)
5	20 (59%)
Null responses	0
Average score	4.3



6.18 Similarly, when asked about the overall effectiveness of the business advisors, a large majority scored them highly (see Table 6.14).

Table 6.14 Scoring advisor performance: overall effectiveness

Sample size	34
Score (where 5 is high)	Frequency
1	3 (9%)
2	1 (3%)
3	3 (9%)
4	7 (21%)
5	20 (59%)
Null responses	0
Average score	4.2



7 Business and economic impact assessment

- 7.1 In our survey and consultations, we asked clients of the HGSP to provide information concerning its impact on their business. This in turn allows us to estimate economic impact attributable to the HGSP and the award of the Discretionary Grant.

Business Performance

- 7.2 We asked businesses to provide details of investment income, sales, and employment when joining the HGSP, the current position and what was expected in four years. Most businesses (23) provided information on changes (and expected changes) in business performance. The information we received on business performance was partial, mainly because some felt it was confidential or it wasn't available, for example the business had yet to start trading.
- 7.3 Our understanding from the client is that there is *occasional* admission to the HGSP of businesses that have already started trading. Table 7.1 shows a breakdown of those businesses that had a level of sales on joining the programme: some have reported significant sales. The number of companies that had started trading on joining the programme is considered by SER to be high.
- 7.4 There may be several reasons for this level of initial sales. Respondents may be referring to sales 'in the pipeline'. Alternatively, time of 'joining' the programme may be perceived differently by SER and the business. SE Renfrewshire may consider that a business joins the programme when it has been agreed with the HGSP contractor to compile a Development Plan. The business, on the other hand, may view joining the programme after the Development Plan has been produced and support action is introduced. We would advise that the apparent anomaly is addressed in future admissions procedures to the HGSP.

Table 7.1 Sales levels reported by businesses at time of joining the HGS Programme

Company	Sales
1	£100,000
2	£20,000
3	£25,000
4	£250,000
5	£4,000,000
6	£239,000
7	£40,000
8	£39,000
Total	£4,713,000

7.5 Table 7.2 shows gross figures for business performance aggregated across the sample. However, it should be noted that many businesses were starting from a very low baseline, for example 15 businesses had had zero sales upon joining the HGSP. In addition, estimates of future performance should be treated with caution. It is our experience that future projections can be very optimistic.

Table 7.2 Business performance - gross figures for a sample of 23 clients

Sample	23		
	On joining the HGS Programme	At present	In 4 years
Investment income	£1,506,530	£2,771,560	£12,254,500
Sales	£4,713,000	£11,433,000	£79,472,000
Turnover	£4,995,000	£10,540,000	£66,400,000
No of staff	116	229	758

7.6 With this in mind, the figures highlight a number of points:

- there has been an overall increase in investment income, sales, turnover and staff numbers to date.
- investment income has increased and is expected to increase, suggesting good growth trajectories over the longer term
- it is also notable that in four years performance in all aspects will improve considerably.

7.7 Within the sample, our results show that:

- 17 businesses (74%) have seen an increase in sales
- 18 businesses (78%) have increased employment.

- 7.8 Average figures across the sample suggest investment income, sales and staff numbers have doubled to date (Table 7.3). A point of note is that on average, businesses anticipate reaching well above the turnover and employment threshold (£750,000 and 15 respectively) stipulated in the HGSP criteria in a minimum of four years. However, given the likely optimism bias of responses on future performance, we recommend a more rigorous tracking of whether businesses meet the Programme criteria.

Table 7.3 Average business performance for a sample of 23 clients

Sample	23		
	On joining the HGS Programme	At present	In 4 years
Investment income	£65,501	£120,503	£532,804
Sales	£204,913	£497,087	£3,455,304
Turnover	£217,174	£458,261	£2,886,957
No of staff	5	10	33

Actual performance against HGSP criteria

- 7.9 The core performance criteria for the HGSP indicate that supported start-ups should reach £750,000 or 15 employees by year three. On the basis of information available to us, only one business could be identified as being three years old.
- 7.10 Our approach for other companies has been to extrapolate past performance linearly to reach a three year level (Table 7.4). Analysed on this (pragmatic) basis, future performance for all businesses to Year 3 suggests the average turnover will be £420,000 with an average staff of 12. When looked at on an individual basis, only nine of 23 (39%) are likely to meet the performance targets.

Table 7.4 Employment and turnover levels projected to three years

Sample	23			
Company	Employment level in 3 years	Turnover level in 3 years	Meet criteria?	
1	21	£2,885,714	Yes	
2	24	£1,234,286	Yes	
3	21	£830,769	Yes	
4	14	£780,000	Yes	
5	11	£763,158	Yes	
6	21	£314,000	Yes	
7	32	£288,000	Yes	
8	15	£266,667	Yes	
9	40	£68,108	Yes	
10	9	£563,636	No	
11	7	£462,162	No	
12	4	£290,000	No	
13	7	£288,000	No	
14	7	£245,455	No	
15	6	£180,000	No	
16	3	£93,000	No	
17	12	£36,000	No	
18	4	£31,765	No	
19	0	£18,000	No	
20	1	£0	No	
21	1	£0	No	
22	9	£0	No	
23	1	£0	No	

Attribution

7.11 For those businesses that did provide performance information, we were interested in the extent to which any change could be attributed to the support received. Table 7.5 shows the extent to which performance was attributed to the support received. The findings were broadly positive, showing that HGSP support and/or the Grant had had an effect on change in performance. Overall, the HGSP support appears to have had a greater effect than the Grant.

Table 7.5 Change in overall business performance attributable to HGS Programme Support

Sample size	34	
Effect	HGS support	Grant support
Major positive effect	12 (42%)	5 (28%)
Minor positive effect	10 (36%)	7 (39%)
No effect	5 (18%)	5 (28%)
Negative effect	1 (4%)	1 (6%)
Null responses	6	16
Total	34	34

7.12 However, several businesses did say that the support had no effect and in one case a negative effect. The evidence from the questionnaires suggests those that indicated “no effect” includes those clients who had yet to receive significant support.

7.13 The evidence indicates that the negative effect was from a business which had been looking for specific support, in the form of finance and access to grant support. This business had become frustrated and had been unable to access the required support. Interestingly, the business in question would have preferred more time with the advisor, 50% more!

Quantified impacts to date

7.14 Business performance information was used as the basis to estimate quantifiable impact of the HGSP support to date. Our approach to calculating this impact has been to identify the change in sales reported by businesses to date and convert this to employment using the turnover-to-employment ratio for each business. The method for calculating HGSP impact uses the following approach:

- the change in gross sales reported by each business
- deduction made for deadweight sales (non additional sales), i.e. those sales that resulted from action the business believed they would have taken in the absence of support received.
- deduction made for displacement, i.e. those sales made at the expense of competitors in Renfrewshire and in Scotland
- with additions made to factor in the effect of supplier and income multipliers
- to generate a final estimate of net sales. In turn these net sales have been converted to net jobs using turnover-to-employment ratios for each business.

7.15 Each step in our method is described in greater detail in the following sections.



Gross sales

- 7.16 Most businesses surveyed reported their sales increase to date since joining the HGSP. Overall, this produced total gross sales of **£6.72m** for the sample businesses, an average of c. **£292,000** for each business.

Additionality

- 7.17 Additionality measures the extent to which the support, i.e. the outputs of the HGSP, delivered the changes in performance. HGSP support is provided on the basis that it will stimulate action within the business that will improve business performance. In some instances, businesses will have undertaken this action regardless of support, in others the action might have been undertaken at a later date, with lower quality, or on smaller scale. In some cases, the action would not have taken place at all. In calculating economic impact, we have followed Treasury guidelines to ensure an allowance is made for those supported activities that would have been undertaken in the absence of support intervention.
- 7.18 In calculating additionality, we have assumed the HGSP as the principle support (as shown in Table 7.6). An indication of additionality with respect to the Discretionary Grant is given at the end of this section.
- 7.19 The figures show that, for half the businesses, the HGSP support has had some influence in the actions they have taken. Additionality ranges from partial to absolute (would not have taken actions without support). The responses show that the support mostly helped clients take actions more quickly. We would expect this in the context of start-up support, where businesses are often “unfamiliar with the territory” they need to enter.

Table 7.6 Additionality of the HGS Programme

If you had not received the HGS Programme support, to what extent would you have taken the action that led to the change in business performance?

	Responses	%
Would have undertaken the same action anyway	11	50%
Action would have been taken but at significantly lower quality	2	9%
Action would have been taken but at a significantly smaller scale	2	9%
Action would have been taken but would have been significantly slower	5	23%
No action would have been taken at all	2	9%
Total	22	100%

- 7.20 However this said, the results show a high proportion of deadweight (absolute non-additionality) in 11 cases (50%). *In other words, half of the businesses, despite the support received, would have undertaken the same action anyway.* This has implications on the calculation of net economic impact. The change in sales in these businesses must be treated as zero as the sales would have been achieved without support.

7.21 We note also that if HGSP support had not been provided but the businesses would have acted in any case, half of them would have used internal resources to the company to undertake these actions. The remaining half would have paid for outside expertise. We highlight that based on our survey, support for a number of clients may be crowding out other (presumably private sector) sources of support. (We are dealing with a small sample of clients: therefore our findings are given as indicative only but may merit closer examination using a larger sample, perhaps from across the Scottish Enterprise Network.)

Displacement

7.22 Displacement refers to the extent to which improvements in business performance (such as sales, employment etc) are obtained at the expense of other businesses elsewhere in the same geographical area. We have looked at displacement effects at the Renfrewshire area and across Scotland as a whole. The sample businesses were asked to estimate the proportion of additional sales that might have been at the expense of competitors in Renfrewshire and in Scotland (including Renfrewshire).

7.23 Across our sample of 23 businesses, we estimate displacement to be 4% in the local area and 42% across Scotland. Our estimate includes appropriate adjustments, based on experience of other assignments in central Scotland, to compensate for unrealistically low displacement figures provided by some businesses. A large number of respondents, 15 (65%), said displacement was nil at the local level. Displacement at the Scotland level was again low, with a third suggesting nil displacement. There may be a number of reasons for this:

- businesses may be based upon genuinely innovative products/services with little or no competition
- businesses are young and:
 - may not be aware yet of all competitors
 - may not appreciate the extent to which competitors might have been deprived of such sales.

7.24 There may be additional reasons. However, it is this last point that prompted us to make the modest adjustments.

Multipliers

7.25 Further economic activity results from additional business activity in the local area. This includes the extra spending resulting from new employment (wages) and local suppliers (sales). We have used standard multiplier values for Scotland to estimate income and supplier effects. Both multipliers have a value of 1.1 at the local level and 1.2 at the Scotland level.



Economic impact summary

7.26 The net economic impact at the local and Scotland level is shown in Table 7.7. The figures shown refer to the sample of businesses only. In summary:

- just under **£1.4m net sales** have been generated by the sample businesses in the Renfrewshire area. Also **40 net jobs** have been created – an average of nearly two per business
- just under **£8.6k net sales** have been generated in Scotland as a whole. Also, **34 net jobs** have been created – an average of about 1.5 per business. The smaller figure is due to the additional displacement of sales across Scotland.

Table 7.7 Economic impact to date

Sample size	23
Gross change to sales	£6,720,000
After non – additionality (deadweight) deducted	£1, 478,000
At Renfrewshire level	
After allowance for displacement	£1,195,140
Adding multiplier effects - total net sales impact	£1,446,119
Converting to net jobs	40
At Scotland level	
After allowance for displacement	£859, 935
Adding multiplier effects - total net sales impact	£1,238,306
Converting to net jobs	34

Extrapolating from the sample to the population

7.27 The net sales and employment figures have been grossed up on the basis that there are 81 businesses in the population. Assuming our sample was representative of the population, grossing up has meant multiplying our results by 81/23. This has of course limitations, for example it assumes all 81 businesses are alike and have received the same level and quality of support. This is unlikely to be the case. Indeed our results elsewhere demonstrate the variation quite clearly. If our sample contains a disproportionately high number of businesses receiving high levels of support compared to the population, we will have overestimated the overall impact at the population level and vice versa.

7.28 Our grossed up impact for the population estimates:

- just under **£5.1m net sales** and **139 net jobs** in Renfrewshire

- just over **£4.3m net sales** and **121 net jobs** in Scotland. Again the smaller figures are because of the greater displacement of sales across this wider area.

7.29 This suggests that at the Scotland level, support has impacted on each start-up business to the tune of £53,840 net sales and 1.5 net jobs. In order to have a fully rounded sense of impact, however, we must also consider cost effectiveness.

Cost effectiveness

7.30 Cost effectiveness of the support provided has been calculated on the basis of cost per net job created for the sample.

7.31 The total of delivering the HGSP over the three-year period 2000 to 2002 is estimated to be £658,325. Dividing this by the number of clients over that period (81) gives an average cost per business of £8,128.

7.32 Multiplying this average cost per business by the number of businesses in our impact analysis (23) gives us a total average cost of £186,932. Dividing this total average cost by net Renfrewshire jobs (40) gives a net cost per job in Renfrewshire of £4,673. Dividing the total average cost by the net Scotland jobs (34) gives a net cost per job Scotland of £5,498.

7.33 Without a parallel evaluation undertaken on the HGSP in other areas, it is difficult to make a value judgement on whether the cost per net job is particularly high or low for this type of programme. However SQW have undertaken a wide range of business support evaluations in the past and the net cost per job has ranged between £4,000 and £19,000. On this basis at least the HGSP would appear reasonably cost effective.

Contribution to Renfrewshire GDP

7.34 An additional area of interest for SER is the difference HGSP support made to local companies' contribution to Renfrewshire Gross Domestic Product (GDP). This was not part of the original requirements for the assignment and was therefore not built in to our research methodology. However, we are able to provide some indication of the contribution that has been made.

7.35 GDP contribution can be calculated as the total Gross Value Added (GVA) represented by the total net sales at the Renfrewshire level. GVA for an individual company is the proportion of turnover spent on goods and services. However, our research methodology did not allow for this information to be collected directly so an alternative method has been employed which involves some important assumptions.

7.36 Drawing on the Scottish Services Database and the Scottish Production Database 2000, the proportion of GVA to turnover has been estimated for the service sector (27%) and for the manufacturing sector (33%) at the Scotland level. Then for each HGSP client in our sample,



respective proportions were then applied to each company's net change in sales at the Renfrewshire level (depending on whether they were a service or a manufacturing company) to produce estimates for individual GVA. These were aggregated for the sample to provide total GVA. Our calculation suggests an *indicative* GVA (contribution to Renfrewshire GDP) of £462,757 for the sample and £1,629,711 for the HGSP client population as a whole.

Qualitative impacts

- 7.37 We were interested to assess how far businesses had changed in other, more qualitative ways. Businesses were asked whether support had led to any other changes to their business. Twenty four businesses were able to identify some kind of change as a result of the support received. Table 7.8 shows the responses received.
- 7.38 By far the largest changes were with regard to openness to external ideas/support and making the business significantly more ambitious. This should be seen as positive as new start up businesses may often be fearful and have limited self belief. In addition, we might expect young businesses to be very cautious, and play their cards close to their chest. Both situations may limit the new start in terms of its ambitions and openness to external organisations. The HGSP appears to have been beneficial in some key “softer” areas.

Table 7.8 Changes to business as a result of support

Sample size	34
Change	Total
Increased the flexibility of the company	10 (29%)
Encouraged the company to be more open to change	11 (32%)
Encouraged the company to be more open to new ideas internally	10 (29%)
Encouraged the company to be more open to external ideas/support?	17 (50%)
Encouraged the company to become significantly more ambitious	14 (41%)
Other significant changes	4 (12%)
Null responses	10
Total	34

The Discretionary Grant

- 7.39 In the same way as we investigated the additionality of the HGSP, businesses were asked the extent to which they would have taken the actions that led to change in business performance in the absence of the Discretionary Grant. As Table 7.9 shows, the support has greater additionality than the HGSP support. This is to be expected with direct financial support.
- 7.40 Only three respondents reported that they would have undertaken the same actions anyway.



Table 7.9 Additionality of the Discretionary Grant

If you had not received the discretionary grant support, to what extent would you have taken the action that led to the change in business performance?

Sample size	34
Action	Total
Would have undertaken the same action anyway	3 (17%)
Action would have been taken but at significantly lower quality	2 (11%)
Action would have been taken but at a significantly smaller scale	2 (11%)
Action would have been taken but would have been significant slower	7 (39%)
No action would have been taken at all	4 (22%)
Null responses	16
Total	34

7.41 Relatively few businesses said they would have undertaken the same action anyway. Where the support was additional, most businesses felt it enabled activity to be undertaken faster, as with the HGSP. One company reported that the Grant allowed a project to be completed five months faster. Another company discussed how without the Grant, it would not have been able to afford a trip to an exhibition so early in the life of the business. The business in question also reported that the trip to the exhibition helped make new contacts and generate sales.

7.42 Grant holders were asked if they had not received the Discretionary Grant but undertaken the same actions anyway, how this would have been done. As Table 7.10 shows, almost four fifths of all respondents (5) would have used internal company resources; and one company would have paid for outside expertise.

Table 7.10 If business had not received a Discretionary Grant, and undertaken the same actions anyway, how this would have been done

Sample size	34
Method	Total
Using internal company resource	5 (83%)
By paying for outside expertise	1 (17%)
Other	0 (0%)
Null responses	28
Total	34

Overall valuation

7.43 We asked businesses how important the support received within the HGSP had been to the performance of their business. As Table 7.11 shows, over a quarter of respondents reported that the HGSP had been vital and almost half (14) said it had been important.

7.44 Businesses were also asked how important the Discretionary Grant had been to the performance of business. As Table 7.12 shows, two businesses reported the Grant had been vital and nine businesses believed it had been important.

Table 7.11 Importance of HGS Programme to the performance of business	
Sample size	34
Importance	Total
Vital	8 (27%)
Important	14 (47%)
Useful	5 (17%)
Marginal	1 (3%)
Negative	2 (7%)
Null responses	4
Total	34

Table 7.12 Importance of Discretionary Grant to the performance of business	
Sample size	34
Importance	Total
Vital	2 (12%)
Important	9 (53%)
Useful	4 (24%)
Marginal	1 (6%)
Negative	1 (6%)
Null responses	17
Total	34

8 Conclusions

- 8.1 In their overall evaluation of the importance of the Small Business Gateway High Growth Start-up Programme, a large majority of clients sampled in this study rated the support vital or important to the performance of their business. In addition to quantitative impacts attributed to the Programme, a number of “softer” benefits have been identified, including notably encouraging the company to be more open to external ideas or support.
- 8.2 Extrapolating from our sample of 34 client companies to the population of 81 companies supported to start-up over the past three years, the quantitative economic impact as a result of Programme inputs has been estimated at c.£5.1m in net sales and 139 (net) jobs in Renfrewshire.
- 8.3 Some 50% of company respondents indicated that they would have taken the same actions in any case even if Programme support had not been available. This reduces the additionality gained by the public sector interventions. Of this number, 50% would have acquired the support by paying external third party providers. Therefore, there is some evidence of crowding out in the responses.
- 8.4 The award of the Discretionary Grant delivers a higher level of additionality. A large majority of companies receiving a Grant indicated that it had been important or very important to them in optimising the value gained from other elements of HGSP support.
- 8.5 Clients scored the HGSP advisors highly on overall effectiveness. High scores were also given for their understanding of business issues, general business advice, advice on finance and on business planning. Responses from a smaller number of companies on the value of support received on technical feasibility and intellectual property issues were more polarised.
- 8.6 In terms of issues relating to “customer relations”, including speed of response and approachability, the business advisors again scored highly.
- 8.7 The contractor has delivered to or exceeded output targets set for it in SER’s contracts. There appears to be an effective working relationship and good communications between the contractor and the management of the HGSP within SER.
- 8.8 We would recommend action in the following areas to further enhance the Programme:
- to use the Development Plan as an open document produced in concert with the client
 - to ensure that the Aftercare Reports make more explicit the “care” delivered or required

- generally chart more fully the nature of the activity and the level of resource directed by the business advisors to each client during what can sometimes be a prolonged period of support
- consideration should be given to tracking performance of clients at least for 3 years in order to determine whether key entry criteria with respect to turnover and employment goals are being realised
- re-examine the role of the HGSP with respect to start-ups and spin-outs from the University of Paisley. The level of interaction and collaboration now appears to be very low.