EVALUATION OF E-BUSINESS ADVISORY SUPPORT

Final Report to:
Scottish Enterprise Grampian

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1 Introduction

Study background

1.1 SQW Ltd was commissioned in September 2005 by Scottish Enterprise (SE) Grampian to undertake an evaluation of E-business Advisory Support. This study was part of a wider SQW study to evaluate 12 separate projects for the 2005/06 SE Grampian Evaluation Plan.

1.2 E-business Advisory Support is currently provided by Enterprise North-East Trust (E-Net), which has been operating the SE Grampian Business Gateway service (BG) contract since 2002. E-Net offers a number of different E-business related products and services to Small and Medium-sized Enterprises (SMEs) in Grampian, including:

- E-business Projects – high level projects requiring intensive support
- Low level Project – less intensive support to address a low-level E-business need
- Web Audit – using the on-line web audit tool to assess a business website
- Events – to promote Business Gateway support and drive the take-up of E-business
- Assists – helps businesses address an E-business issue signposting to local suppliers if necessary.

1.2 The purpose of the evaluation is to answer three key questions:

- does the project offer value for money – what is the ratio of financial impact to cost?
- is the project addressing a market failure, i.e. the failure of the market to increase E-business in SMEs?
- is the current method of delivery conducive to achieving the desired aims of E-business Support?

1.3 The evaluation focuses on support provided between April 2003 and March 2005. More detail on the services offered and the outcomes they are intended to achieve is given in Chapter 2.

Methodology

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

- **Stage 1 – Inception meeting**

  A meeting was held with the client to fine tune the methodology and obtain documentation relating to the project.

- **Stage 2 – Desk research**

  Research was undertaken to assess the strategic fit of the project with regard to national and local E-business strategies, and to establish the rationale of the project. Finally, activity and performance data on the E-business project was researched and analysed.

- **Stage 3 – Primary research**

  A combination of email and telephone survey of 102 businesses was employed to establish the economic impact of the support and the benefits for participating businesses. In addition 3 face to face consultations with the representatives of the key E-business service providers in Grampian: E-Net, Building Buchan, and Huntly E-business Demonstration Centre.

- **Stage 4 – Analysis and recommendations**

  An analysis of the business survey data and findings from the consultations was undertaken to establish the economic impact of the support as well as an assessment of what is working well in terms of delivery and where delivery can be improved if applicable.

Report structure

1.5 The remainder of the report is structured as follows:

- Chapter 2 assesses the strategic fit and rationale of E-business support and describes the current support and targets in more detail
- Chapter 3 draws on the evidence from the business survey to establish the benefits of the support to participating companies
- Chapter 4 reviews the business survey data and sets out an estimate of the economic benefit that the programme has had to date

- Chapter 5 draws on the findings from the face to face consultations with key stakeholders to establish ways of improving service delivery
- Chapter 6 draws on the analysis undertaken to highlight the most important aspects of learning and development to come from the programme
- Chapter 7 draws on the analysis undertaken to present conclusions and recommendations for the future of E-business support in SE Grampian.

2 Background

Background

2.1 The origin of the current E-business service operated by E-Net under the BG banner can be traced back to the Department of Trade and Industry (DTI) funded 'UK Online for Business' Programme. Under this programme, a fully-equipped E-business Centre was set up to house two E-business advisers who would dispense specialist advice to SMEs in Aberdeen and rural Aberdeenshire.

2.2 The 'UK Online for Business' programme operated for four years until it was decided in 2001 to contract this service under the Business Gateway for the following reasons:

- advisers spent the majority of their time working outside the E-business Centre, leaving the facilities within the Centre largely unused at a cost of £20,000 per year
- the companies being targeted under this programme were the same types of companies being targeted by the Gateway business advisers, a complementary service.

2.3 BG took on the two advisers from the old programme and began to focus on a new programme serving the wider business base, i.e. those companies who are not account or client managed.

Current advisory service

2.4 In 2002, Enterprise North-East Trust (E-Net, formed from a merger of the four Enterprise Trusts) took over responsibility for the BG contract, and through the use of European funding added an extra adviser to bring the total number to three.

2.5 Initially, advisers concentrated on assisting small start-up companies, from where the bulk of referrals were received. Targets were 600 'assists' per year and concentrated on 'light touch' awareness raising. However, the service provided has developed into focusing on still small, but more established companies, advising them on how to use their technology more effectively to add value. The target for the current programme is for 526 businesses assisted per year.

Other E-business support

2.6 The E-Net Business Gateway support is not the only support funded by SE Grampian available to businesses in the area. An E-business Demonstration Centre, funded initially by the broadband access programme, is now maintained by SE Grampian funding. The Centre is primarily used to serve the broadband access programme (although the majority of companies in Grampian now have broadband, there still remain a couple of 'blackspots' where no service is available and the Centre addresses this) and to deliver workshops on E-business. An adviser was taken on to manage this Centre and deliver these workshops. Part of his role is to refer relevant clients to E-Net for further E-business support, but also to deal with referrals in the other direction, i.e. from E-Net.

2.7 The Buchan Local Action Plan, funded by SE Grampian, also has an active programme of E-business support, which differs from that provided by E-Net in the sense that it has both a Broadband element – it was initially set up as a programme to encourage the take-up of Broadband in Buchan – but also a socio-economic element, in that part of its remit is to encourage the take-up of E-business in an area that is traditionally economically disadvantaged. The Buchan initiative also has a physical Demonstration Centre which hosts workshops.

Strategic Context and Rationale

2.8 The 2004 SE Grampian approval paper[1] for E-Net to provide UK Online for Business services on behalf of SE Grampian sets out both the rationale for the current provision of E-business services to business in Grampian, and the Strategic Context for the provision of these services. In addition there is a wider strategic context in which the current support provided in Grampian can be seen.

2.9 SE Grampian E-business assistance is aligned with both national and local strategic aims and objectives for SMEs. The strategic vision for Scotland, as set out in Connecting Scotland[2] is to be a main European hub for e-commerce, with an economy "characterised by E-business dealing via e-commerce and continually generating enterprise around e-commerce opportunities".

2.10 Nationally, A Smart, Successful Scotland (SSS)[3] and its 'Growing Business Agenda' asserts a need for more E-business uptake in both new and existing firms, "using business advice and support, to improve the awareness and take-up of E-business amongst Scottish companies in order to accelerate business take-up". Scottish Enterprise's Operating Plan 2004-07[4] sets out the changes to the Scottish Economy required to bring about business innovation.

2.11 The focus of SE with regard to E-business, as set out in the Operating Plan, is to "encourage more Scottish organisations to make more advanced use of E-business activities to achieve real business benefits". SE National has committed approximately £10million to E-business activities in 2005-06. *The focus has moved however from encouraging the take-up of E-*

[1] Scottish Enterprise Grampian Approval Paper E-business Advisory Support 20 January 2004.

[2] Connecting Scotland, Scottish Enterprise 2000

[3] A Smart, Successful Scotland (SSS), Scottish Executive January 2001

[4] Scottish Enterprise Operating Plan 2004-07

business technologies to encouraging businesses to move towards more sophisticated E-business adoption through the better integration of E-business into their activities.

2.12 The Scottish E-business Survey indicates that there is a "skills and support gap" within many organisations in Scotland. Around a quarter of organisations have IT technology and systems in place but no internal IT resource to support the systems. In addition, *around a quarter of organisations would like help in E-business or IT but are unaware of where to locate this help or advice.*

2.13 The aims of SE Grampian's E-business Advisory Support are aligned with national strategic objectives to enable high growth businesses to maximise their return on their investment in E-business, thus enabling them to progress up the E-business adoption ladder.

2.14 At a regional level, E-business support fits with the SE Grampian Statement of Intent by supporting E-business: "Promoting the availability to and adoption by our businesses of ICT connectivity (e.g. broadband and wireless technology). In turn, this leads to supporting business to make the most of this technology for example through online trading"[5].

Rationale

2.15 There are a number of benefits for companies that adopt E-business, for example:

- reduced costs of doing business
- improved customer service
- new market opportunities.

2.16 SMEs who do not exploit these potential benefits through failing to adopt E-business face being at a competitive disadvantage to the wider business base who do choose to exploit these benefits.

2.17 However, if it is left to individual companies to invest in E-Business in order to realise these benefits, there is likely to be underinvestment in E-business technology. Individual companies are often unaware of the full potential benefits, and even when they do realise these benefits they are often uncertain as to how best to incorporate E-business into their business. Therefore it is important for the Government to play a role in the provision of E-business to ensure the full benefits are realised.

[5] Scottish Enterprise Grampian Approval Paper E-business Advisory Support 20 January 2004

2.18 The aim of SE Grampian E-business support is to correct market failure by:

- raising awareness of the business benefits Information and Communication Technology (ICT) can offer
- providing support to businesses in developing invitation to tender for private ICT consultancy
- providing access to limited free basic consultancy.

2.19 The Approval Paper indicates that the additionality of the E-business offering should be 100%, due to there being no other affordable ICT companies present in Grampian which can meet the aims and objectives described above with respect to SMEs in the area.

2.20 *One of the key aims of this evaluation is to assess the extent of additionality by testing both the extent of market failure present in Grampian with respect to E-business- i.e., would SMEs adopt E-business without SE Grampian support, and who would provide this support.*

Development in the rationale and aims of project

2.21 Recent research[6] into E-business adoption in the Grampian area has shown a change in the nature of the market failure, from one of a lack of awareness and a consequent lack of adoption of E-business practices, to one of a limited capacity to realise the benefits of such practices despite increased awareness and adoption.

2.22 Within the SE Grampian area, E-business adoption levels are either equal or better than the SE average. In Grampian 69% (2% above the current Scottish average, and 10% above the 2002 Grampian average) of organisations believe E-business will become essential, very important or important to the future needs of their organisation in 12-18 months time. Markedly more organisations in Grampian connected to the Internet (76%) than last year, this proportion is also higher than the SE average (75%), an 11% rise from the previous year. However, the survey revealed tangible business benefits to be less prevalent. Of the 48% of Grampian organisations that have used a website, around one in four perceived no sales, orders or business as a result. In addition, of the organisations that allow customers the ability to pay online, nearly one in ten do not receive any monies online.

2.23 Based on this research it is clear that the earlier stages of the E-business project, which were intended to raise awareness of and encourage adoption of E-business by delivering 'light touch' assistance, have been largely achieved.

[6] 2003 Scottish E-business Survey, 2003

2.24 As a result of this change in the nature of the perceived market failure, the current service has been planned in a way that focuses less on the first of the stated aims of the E-business programme and more on the final two objectives:

- providing support to businesses in developing invitation to tender for private ICT consultancy
- providing access to limited free basic consultancy.

2.25 The emphasis of the current service is now on ensuring businesses move to the 'next level', and that *E-business awareness and adoption is converted into actual business benefits.*

2.26 One of the key aims of this evaluation then is, with regard to this more specific type of market failure described above, to assess to what extent the current E-Net E-business offering has been successful in helping SMEs in Grampian achieve real business benefits.

Project delivery

Service Contract and targets

2.27 The E-business services to be provided under the current agreement for general E-business implementation advice, and the targets for the number of each service provided per year by E-Net, is designed to reflect an increased focus of SE Grampian's E-business priorities on assisting companies to implement solutions and achieve real benefit from these solutions. At the same time the contract also continues to encourage lower level adoption of E-business and consideration of the longer term opportunities associated with this.

2.28 The services to be provided and the number of assists that must be carried out in order to meet targets are outlined below. The overall revised target for 2005/06 for number of projects completed, which encompasses all of the below services, was 526.

- **E-business Project - Up to 3 days support following a need identified from a Business Development Review.**

  Target: 20

- **Low-level Project - Up to 1.5 days support to address a low-level E-business need identified from a Business Development Review.**

  Target: 25

- **Web Audit - Completed use of the on-line web audit tool with a company.**

Target: 200

- **Events - Organise and deliver Networking events promoting Business Gateway support to drive the uptake of ICT and E-business.**

  Target: 4

- **Assists - Ideally a minimum half day support to companies to help address an issue and signpost to local suppliers, on-line tender tool, etc. However, target may be claimed if a minimum of 2 hours of adviser support via a quality intervention which adds value to the client can be demonstrated.**

  Target: 277

2.29 There are three E-Net E-business advisers responsible for providing this service. As well as providing the general advice outlined in the services above, it is the advisers' responsibility under the service agreement to:

- **identify and refer on clients who can benefit from additional support from SE Grampian and contribute to National Priority Operating Targets (NPOTs)**
- **signpost to SE Grampian E-business Demonstration Centre services such as E-business Workshops and Seminars where necessary**
- **accept referrals vertically from both directions, i.e. lower level E-business Demonstration Centre and higher level NPOTs.**

Funding

2.30 The total funding for the programme is £124,160. Table 2.1 below shows how the total value of the contract is made-up in terms of payments for each service:

Table 2.1: Target payments

Service	Target	Payment per Project (£)	Maximum Overall Payment (£)
E-business Project	20	1,260	25,200
Low-level Project	25	600	15,000
Web Audit	200	100	20,000
Events	4	750	3,000
Assists	277	220	60,940
Total	**526**		**124,160**

Meeting of targets

2.31 Table 2.2 shows the extent to which the revised targets for 2005/06 have been met so far[7], and compares these to 2004/05 targets achieved. In 2004/05, all of the targets were either met or exceeded with the exception of low-level projects. Ninety eight percent of the overall target of 923 for 2004/05 was achieved. So far in 2005/06, only the target for events completed has been reached. With the exception of events, web audits and assists are closest to reaching their target, with almost three-quarters achieved. Just over half of the low-level project target and under one-third of the specified amount of E-business projects has been met. The target for E-business projects looks especially unlikely to be hit in the current year. So far in 2005/06, 69% of the overall revised target of 526 has been attained with two months of the year remaining.

Table 2.2: Targets achieved 2004/05 & 2005/06

	2004/05		**2005/06**	
	Number	Target	Number	Target
E-business Project[8]	35	23 (+52%)	6	20 (30%)
Low-level Project	128	200 (64%)	14	25 (56%)
Web Audit	100	100 (100%)	143	200 (72%)
Events	N/A[9]	N/A	4	4 (100%)
Assists	647	600 (+8%)	196	277 (71%)
Total	**910**	**923 (98%)**	**363**	**526 (69%)**

[7] Numbers achieved for 2005/06 do not include full information as figures for February 06 and March 06 have yet to be recorded at time of publication.

[8] Formerly labelled a 'High-level Project' in 2004/05

[9] 'Events' did not exist as a target prior to 2005/06.

3 Business survey results

Introduction

3.1 This chapter sets out the impact, both quantitative and qualitative, of E-Net E-business Advisory Support on participating businesses, as well as assessing the extent of the market failure and additionality. From a total of 699 participating businesses, 174 businesses had email addresses that were undeliverable. Of the remaining 525 businesses, a sample of 102 businesses was surveyed: ninety six by email and six by telephone. Six telephone interviewees were selected from a sample of 14 businesses who had received the most intensive support from the overall sample. The response rate from the 525 contacted, for both the email and telephone survey, was 19%.

3.2 The average turnover of businesses participating in the survey was £110,000, and average employment amongst these companies was four employees. However, the median value of turnover for the businesses was £38,000.

Support received

Routes to support

3.3 Businesses were asked how they first found out about E-business support. Half of all businesses who received support (see Table 3.1) found out through a Business Gateway contact. This was usually as a result of a BG adviser passing the business on for more specific E-business support.

3.4 For example, one respondent commented:

> "I was receiving advice on how to develop my business from my Business Adviser, and he recommended that I would benefit from getting my website up and running, so he put me in touch with his E-business adviser contact"

Table 3.1: Routes to finding out about service	
Sample	**92**
How did you first find out about E-business support?	**Percentage**
Business Gateway contact	50%
Participation in other SE programmes	13%
Own enquiries	7%
Other	7%
Press coverage/advertising	3%
SE website	2%
Non-LEC/BG individuals	1%

3.5 Other methods of referral that were less common included:

- through participation in other SE programmes
- their own enquiries
- through SE Advertising/website.

3.6 It is also important to record that the proportion of those – over one quarter – who, despite being recorded as having received support, claim either to have never requested support, or to have requested but never received support. Also included in this group of businesses are those who claimed to have had support from another source, e.g. the E-business Demonstration Centre or Building Buchan, or a separate SE contractor not associated with E-Net. This could indicate that businesses have problems differentiating between the different elements of E-business related support available within Grampian.

3.7 Forty percent of businesses had only one contact with an adviser, receiving one-off support. Twenty five percent had three contacts, while a minority (15%) had more than three contacts with an adviser.

Nature of support

3.8 Businesses were asked what support they had received, and where they had received more than one type, which was most valuable to them. Table 3.2 shows the results.

Table 3.2: Support received and most valuable

	Received		Most valuable	
	Number	Percentage	Number	Percentage
E-business advice	**53**	**64%**	**33**	**62%**
Seminar/workshop	**26**	**31%**	**13**	**50%**
Web audit	29	35%	10	34%
Networking event	13	16%	4	31%
Online mkting. strategy	14	17%	3	21%
Online tools	10	12%	2	20%
Factsheet	25	30%	5	20%
E-business publications	13	16%	2	15%
Total respondents	**83**		**73**	

3.9 The table shows that 64% of businesses received one-to-one advice from an adviser. Of these, 62% reported that this was the most valuable assistance to them. The next most valuable type of support were seminars and workshops, with half of all those attending saying it was the most valuable.

3.10 This suggests two important findings. Firstly that the 'light touch' support offered through seminars and workshops is still of value to many businesses; and secondly that businesses value the face to face contact with an adviser. It also allows the adviser to understand their business better, an issue that was reported more generally in other comments.

3.11 Businesses also gave more detail regarding the nature and extent of support they received. The following examples give a flavour of this support:

> *"Adviser conducted a review of our website and sent us a report."*

> *"Received very good advice on how to set up a website, everything was on a CD to look-up at my leisure, which was very impressive."*

> *"Several meeting with adviser re website construction – very informative – feel that I would not have achieved such a good result without this advice and support."*

> *"I received a report/survey of the current state of our web presence. I never spoke to the author of the report."*

"Got good advice by speaking with the adviser and having him review my business plan."

"I needed to find someone who could help me get the website designer sourced and help with designing a basic specification to get quotes for. From a list I asked the adviser who would be best and most cost-effective – this helped me considerably."

"Discussion of various issues particularly with regard to marketing."

"Had a report done on our website and how it worked. Proposals were made regarding how to improve the website."

"Adviser met with me to confirm my suspicions regarding the web package I was receiving from my web company was not what I was paying for – adviser gave excellent help and advice regarding this matter."

"Provided an overview of our site: its strengths and weaknesses."

"I got advice on how to approach commissioning a web designer, what to ask for, pricing etc."

"Full support involving 3 hour meeting with adviser and dissemination of my website. All practical hints and legal knowledge supplied to enable me to continue to operate efficiently."

"Adviser audited our existing website and advised on developments required."

"Adviser reviewed our websites and then I had a meeting with him along with my business adviser. Adviser had sent me the reports on our websites so we used the meeting to elaborate on the feedback. I also attended a workshop/networking event which covered the wider E-business picture. Both events were very useful and we are now incorporating the feedback on our websites into the upgrading process we are currently undertaking."

"I had initial discussions with adviser about setting up a web business. I feel the advice he was able to give was too generic and too vague. I needed to know the ABC of setting up a commercial website, which local companies were good and could help in the AB & C's not just in website design. Recommendations or referrals to other people who had set up sites would have been highly beneficial. Looking back I wasted nearly £5000 on getting my first website built. 12 months later, after learning the hard way I had a far better site built for a 3rd of the cost. (Quite frankly with what I've learnt I could give some very good advice about how to set up a website)"

3.12 These examples show that support is often focused on developing a business website for marketing purposes – around 75% of all support was focussed on this.

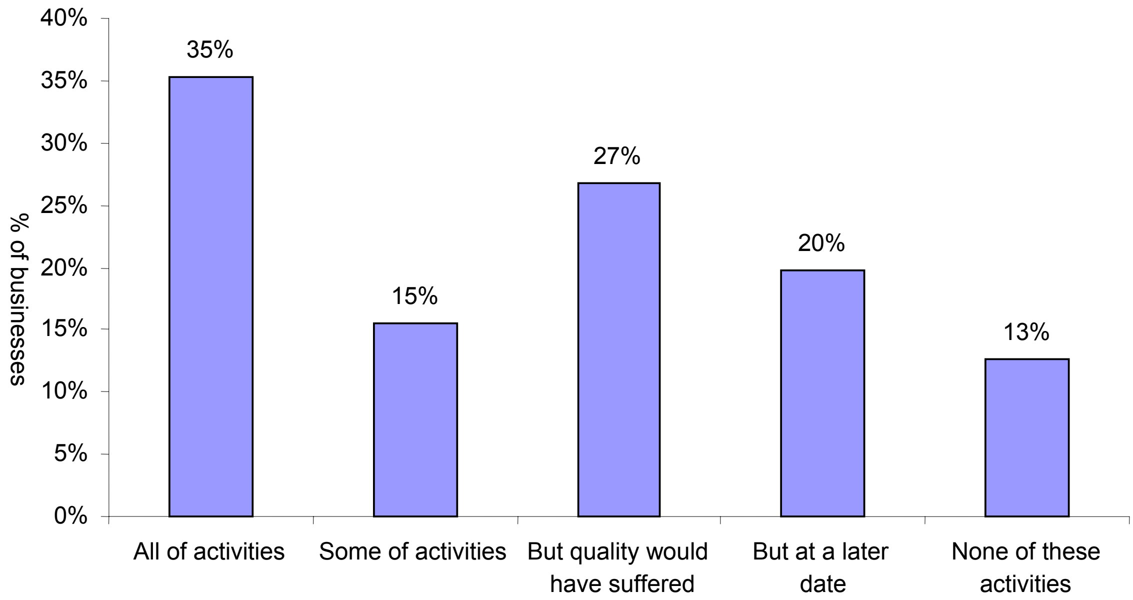
3.13 Helping businesses to deliver E-business solutions is the primary rationale behind the provision of the support. Table 3.3 below shows the activities that resulted from the advice received. Most of the activities relate to using the internet to either support sales or to improve ordering. There are some encouraging signs: *online international trading at 16% is a significant benefit, as is 24% undertaking e-learning.*

Table 3.3: Activities resulting from support	
Sample	**92**
Which of the following activities have you undertaken in your business as a result of receiving E-business support?	**Percentage**
Internet ordering	55%
Electronic payments	34%
Marketing	26%
Identification of suppliers	26%
E-learning	24%
Remote working	18%
Online international trading	16%
Track orders online	13%
Web-based after sales support	13%
Larger file transfer	11%
Video conferencing	5%

Market failure and additionality

3.14 Figure 3.1 shows how businesses responded when asked to what extent they would have undertaken these activities had they not received support. The responses from businesses show that the vast majority claim they would have undertaken the activities in some form anyway, even without the support. Only 13% of businesses said that without support they wouldn't have undertaken any of the activities. Half of all businesses said that they would have undertaken some or all of the activities anyway, and nearly half (47%) reported that they would have undertaken the activities, but the quality of output would have suffered, or the activities would have been delayed. All of this suggests that the additionality of the project is more limited than anticipated.

Figure 3.1: Would have undertaken….



3.15 The programme makes a difference in 75% of users. The main effect is in assisting, speeding-up or improving activities that businesses claim they would have done anyway. This does not represent the 100% additionality the programme aims for, but it is smoothing the way for many clients. It is also important to understand what these businesses would have done without support.

3.16 Those who indicated they would have undertaken the activities anyway, without assistance, were asked who would have provided this support had they chosen another route. The majority (60%) said they would have carried out the activities themselves, 10% had no idea, while the remaining 30% cited a number of other sources of available support, including:

- private consultancy (UK)
- international private consultancy
- further education
- business contacts
- in-house IT
- friends/family

3.17 Some the alternatives cited however were not entirely convincing, and quality is likely to have suffered. In addition, some businesses commented that they would have been reluctant to do it themselves because such support would have been expensive without the guarantee of thoroughness the E-business support offered, so there was a greater risk attached to sourcing alternatives.

Quality assessment

3.18 Businesses were asked to rate the performance of their E-business adviser as well as the general quality of the support they received, taking into account a number of criteria including:

- availability
- promptness in dealing with enquiries
- appropriateness of support offered
- technical knowledge
- relevant business knowledge.

3.19 *The vast majority (78%) of businesses rated both the overall quality of support and that of the adviser as either good or very good (49% rated it very good).* Eighty percent of businesses rated the overall calibre of the adviser as either good or very good (58% rated their adviser very good). This denotes a generally very high level of satisfaction with the assistance received.

3.20 It is interesting also to note how some of the performance criteria were rated more highly than others by businesses. Table 3.4 shows the percentage of businesses rating each of the criteria as very good, the best rating possible.

3.21 The technical knowledge and the calibre of the adviser were rated highest. Fewer businesses rated the promptness of the support offered and the appropriateness of the support offered as highly, and the least amount (30%) of businesses thought that the adviser had a 'very good' knowledge of the respondents' business. This is not surprising given the limited contact with the business and reinforces the general feedback that although advisers are generally technically very good, it is more difficult to tailor the support to specific business needs.

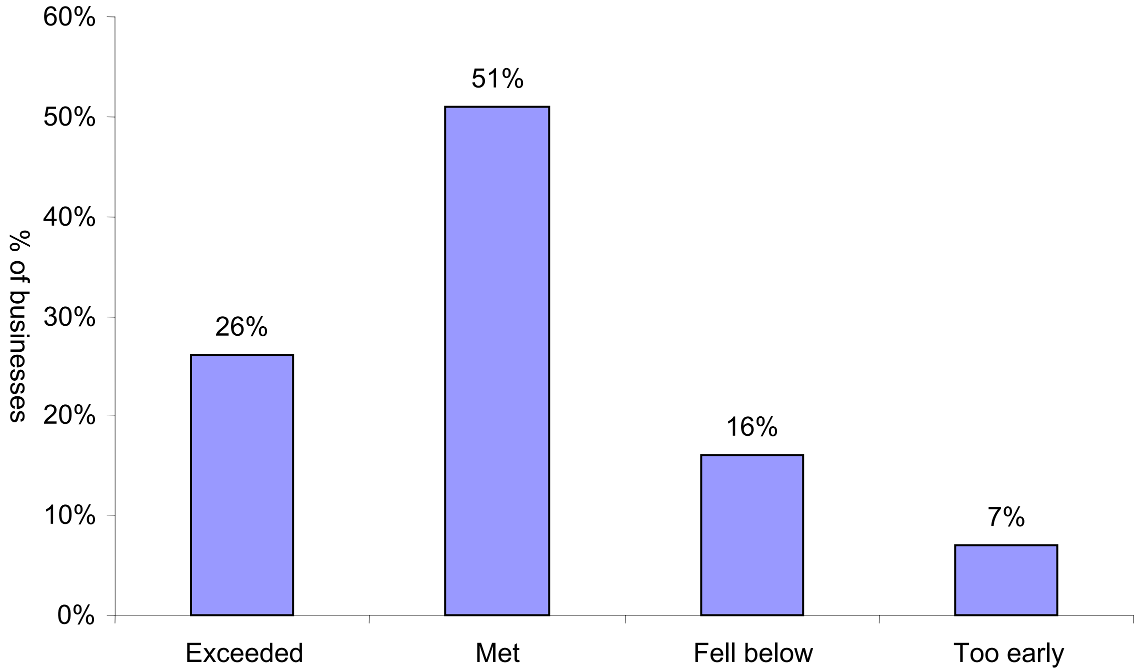
Table 3.4: Quality of different elements of support (% rating support as very good)

	Number	Percentage
Technical knowledge	47	49%
Calibre of adviser	44	46%
Promptness in dealing with enquiries	39	41%
Appropriateness of support offered	38	40%
Support offered	37	39%
Business knowledge	29	30%

3.22 Figure 3.2 shows the degree to which businesses felt that the support met their expectations. The chart shows that most businesses – over half (51%) - felt that the support they received had met their expectations, while just over a quarter (26%) said the support had exceeded their expectations. Relatively few (16%) thought that the support had fallen below their expectations, while 7% said it was too early to say. Eighty six percent of businesses said they would recommend E-business support to others. Again this points to a high level of satisfaction.

3.23 One of the principles behind the programme is in encouraging businesses to recognise the benefits of ICT so that in future they are willing to make a full investment. This would represent a 'sustainable market adjustment'. Respondents were asked whether the support they had received had made them more willing to pay for future E-business support. Twenty four percent said that they were now more willing to pay for other forms of support in the future. While a critical question, it is also difficult to interpret, however it should be central to SE Grampian's approach to supporting E-business.

Figure 3.2: Degree to which support met expectations



3.24 A number of recurring themes were evident from respondents when asked how they would improve the service. These are summarised below:

Tailoring support

3.25 The support provided should be tailored to the needs of the business and less 'generic'. To quote one respondent, "The service needs to be taken out of its strait-jacket". The service should move away from offering a pre-set menu of services and be more flexible, which is of more value to the customer. Perhaps the adviser should take longer to establish the specific needs of the business and what it wants to get from the support.

Specific business knowledge

3.26 Advisers need to have more knowledge of the business and the environment it operates in. There is too much 'jargon' on occasions which can make customers feel isolated. A more holistic knowledge of business is required that goes beyond technical knowledge.

Capacity and follow-up support

3.27 There are problems in support being offered and then not being delivered, or being severely delayed to the detriment of the business. There are suggestions from businesses that the primary reason for this is that there are not enough advisers available to provide support. In addition, there are several examples of businesses who have tried to get in contact with their advisers for follow-up support but have been unable to secure it because of capacity constraints.

Marketing

3.28 This applies to ensuring a local presence, but also to raising the profile of the support available so businesses are in a position to understand what is on offer, how it can benefit their business and what they should be seeking to take their business forward. Businesses have cited a local presence as important so businesses do not have to travel far to attend seminars and workshops. Businesses are more likely to take-up support if its presence is advertised locally. It is also important to advertise the range of support on offer and what it can do for the business.

4 Economic impact

4.1 This chapter reviews the data collected from the e-survey of businesses and sets out an estimate of the economic benefit that the Programme has had to date.

4.2 The questionnaire was designed to capture the activities that the support had stimulated, the value of that activity in terms of new sales generated and the costs that it saved and then to attribute these values to the Programme. This is done in the following stages:

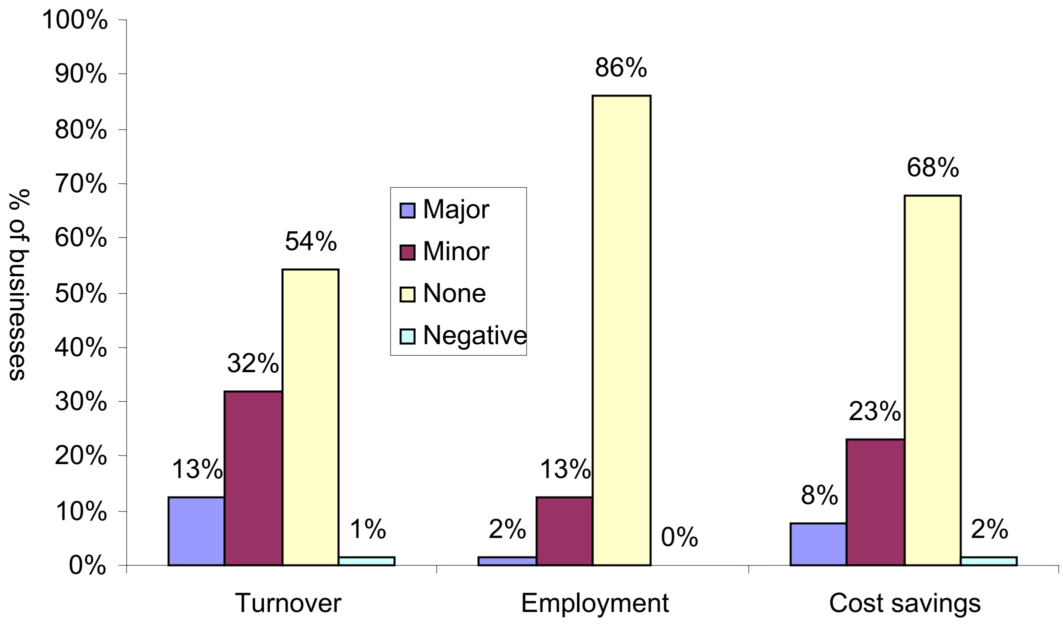
- businesses were asked whether any new activity had generated new sales or cost reductions
- where it had, they were asked to estimate the value of these changes as a proportion of their annual turnover (gross impact)
- businesses were then asked whether they would have undertaken the same activities without the support (over a different time or on a different scale) (additionality)
- businesses were also asked whether any new sales were at the expense of sales that could potentially be made by other competitor businesses within Grampian (displacement).

Activities and impacts

4.3 Figure 4.1 shows businesses' estimation of the magnitude of the impact of the support on turnover, cost savings and employment. The chart shows the biggest impact of the support to be on turnover, with just under half of businesses citing some kind of impact, most likely to be a minor one – only 13% of businesses said there had been a major impact on turnover as a result of the support.

4.4 The majority of businesses said there had been no impact at all on cost savings or employment. Only 15% of businesses said there had been an impact on employment, while almost one-third (31%) said there had been a positive impact on cost savings in the business as a result of the support.

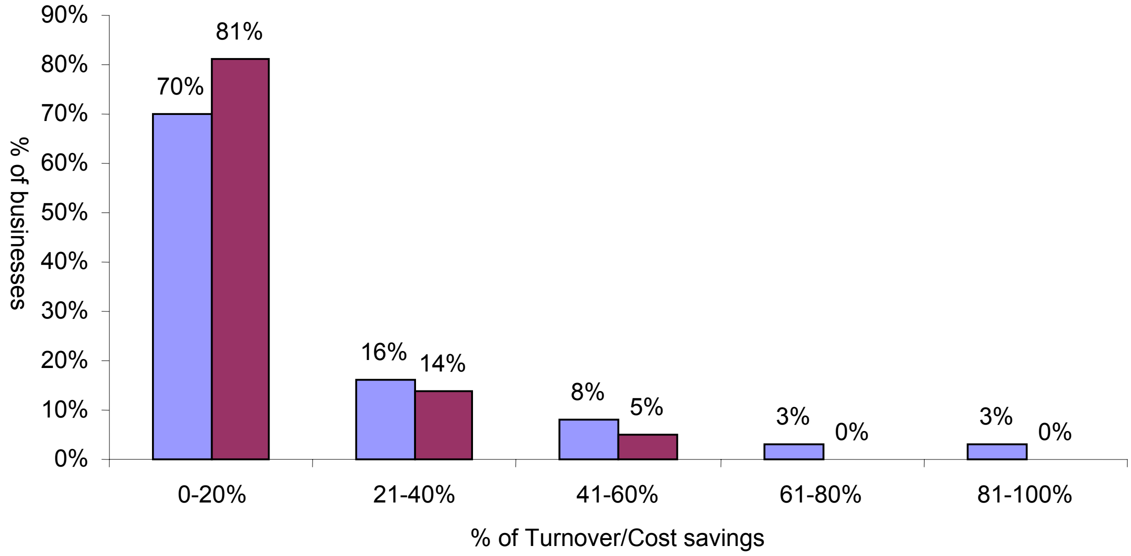
Figure 4.1: Impact of support on turnover, employment and cost savings



4.5 Figure 4.2 reinforces the scale of the impact of the support on turnover and cost savings. The chart shows the distribution of businesses who estimated there had been an impact, and the size range of impacts estimated as a percentage of turnover and cost savings respectively. The vast majority of impacts for both turnover and cost savings are between 0-20%, with a small number reporting impacts estimated at greater than 20%. Turnover impacts are slightly more likely to be major than impacts on cost savings.

4.6 Very few businesses indicated any kind of impact on employment at all resulting from the support received. Of those who did estimate an impact, the average employment increase reported was 0.75 Full-Time Equivalents (FTE). The total estimated employment impact equates to approximately six FTEs.

Figure 4.2: Range of turnover and cost savings impacts



4.7 Almost two-thirds of businesses (see Table 4.1) said that marketing and customer services were the main business areas to benefit from the E-business activities undertaken.

Table 4.1: Activities resulting from support	
Sample	**75**
If there has been an impact on the business, which areas of the business have been affected?	**Percentage**
Marketing	37%
Customer Services	21%
Management information systems	15%
Finance & accounts	11%
Internal learning	11%
HRM	3%
Stock control	1%
Procurement	1%

4.8 It is clear from the above that the support given to businesses has had moderate impact to date on business performance. Part of the reason for the relatively modest impact of the support to date can be attributed to time-lag effects, i.e. not enough time has passed after the support has been delivered for the benefits to be realised – and indeed a markedly higher proportion of businesses said they expected to realise future impacts than said they had already realised any (see figure 4.3).

4.9 Those businesses that have experienced the biggest impacts in absolute terms, tend to be those higher growth businesses that have had more intensive support. Boxes 4.1 and 4.2 below give two examples of companies which reported major impacts. The case studies illustrate the kind of business more likely to experience bigger impacts (see more below).

Box 4.1:

Company A

Company A provides an internet-based ship Marine Intelligence service for ships of all kinds. The company has a turnover of £4million per year approximately.

The company needed to find the right company to build a bespoke Marine Intelligence Software, which would enable their website service to be run worldwide and made available to all types of ship. Purchasing bespoke software was a condition set by the data supplier for the website.

The role of the adviser, who the company was referred to by Business Gateway, was to help locate the right software company for the job of building the software, and to help write a tender specification detailing the requirements for the bespoke software, in the process helping the company decide how much they were willing to pay for this service.

The process took several months, during which the adviser visited the company 20-30 times to provide support. The software was crucial to the company's continuing operations, and resulted in a large increase in turnover, part of which was attributed to the support provided by E-Net. Without the support, although the company would have to have had the software built anyway it may have had to pay a bit more and do further research into who could provide this.

What the company found particularly helpful about the support was the knowledge of the advisers in taking them through the process of writing a tender specification, and the amount of support given. They were less happy about the promptness in dealing with enquiries due to other commitments, and the sometimes generic nature of the support.

As a result of the advice they had received, the company was more likely to pay for other similar forms of e-business support in the future.

Box 4.2:

Company B

Company B is a specialist textiles business which sells its product mainly to customers overseas. The company has a turnover of £300k approximately.

The company had an existing website, but wanted to improve it in order to make it a more effective a marketing tool.

The role of the adviser was to review the existing website, recommending how to improve the quality of the site, including giving tips on how to make it more accessible to search engines. He also helped the company to put together a tender specification for a private IT company to do the work needed to improve the site.

The company received support on at least three separate occasions, from two separate advisers. In the final session, after the changes had been made to the website, the adviser gave further recommendations on how to improve the site in the future.

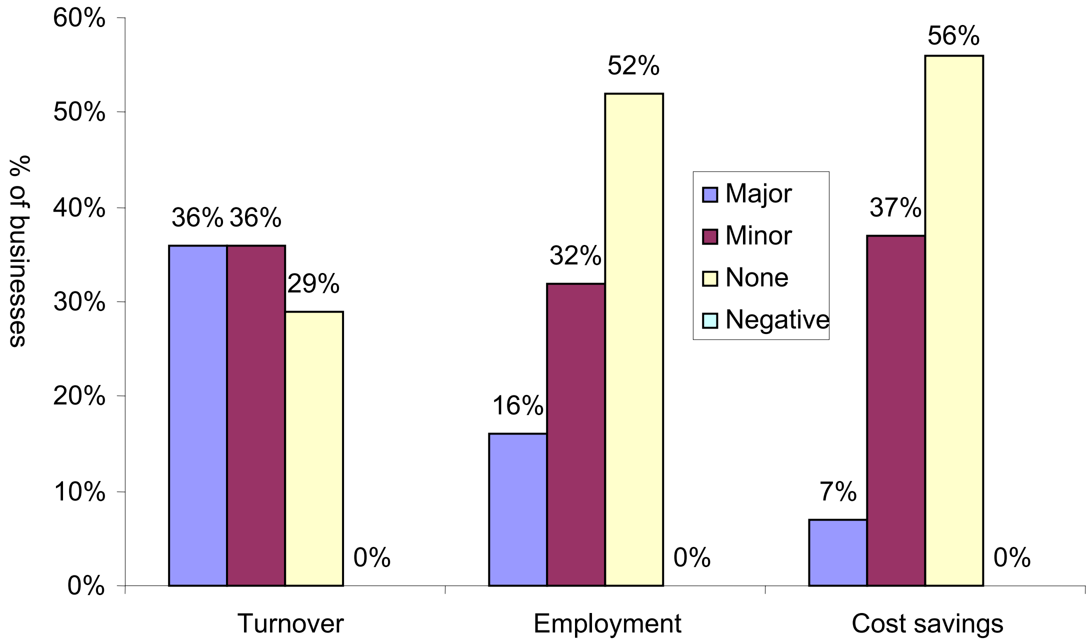
Improving the website was important to growing the business, and it now estimates that sales have increased considerably. Because the changes were so important to the business they would have made some anyway, but this would have taken much longer.

What the company found particularly helpful about the support was the advisers being on hand to give one-to-one advice on a number of occasions, and that the advisers seemed genuinely concerned with improving the performance of the business.

As a result of the advice they had received, the company was more likely to pay for other similar forms of e-business support in the future.

4.10 Although the reported impact of the support to date has been limited, when businesses were asked what the future (next three years) impact would be of the support on the performance of the business, the results were more positive. Figure 4.3 illustrates this. Nearly three-quarters (72%) of businesses expect a positive future impact on turnover (whether major or minor), regardless of current impact. Almost half (48%) expect to see a positive future impact on employment, regardless of current impact, and 44% of businesses expect future increases in cost savings as a result of activities undertaken. A markedly higher proportion of businesses were prepared to predict future positive business impacts than are citing impacts of the support to-date.

Figure 4.3: Future impact of support on turnover, employment and cost savings



New sales generated

4.11 Most of the support focused on marketing and specifically on website development and improvement. From this, businesses would be expecting to generate increased sales value rather than cost savings. The impact calculated here is based on new sales, although we have indicated the proportion that also reported reductions in costs.

4.12 In total, of the 96 businesses in the survey, 12 reported a major increase in turnover and 31 reported a minor increase. Businesses were asked to categorise this increase as between 1% and 20%, 21% and 40%, 41% and 60% and above. Responses tended to fall into the first two categories and we used a mid-point of a 10% increase for the first category and 30% for the second. The client base is mainly micro businesses with a turnover of around £40,000 so these estimates of impact, although high in percentage terms, are relatively low value.

4.13 Applying these proportions to the annual turnover figures gives the gross impact of the new activities that have been supported.

Additionality of support

4.14 The additionality of the support has already been discussed more generally earlier in the report. The results are used in these calculations, case by case. This means that new sales generated by the new activity are adjusted for each business depending on their response to the additionality question. The following factors were used:

- where a business reported that they would not have undertaken the activity at all, we have attributed 100% of the impact to the Programme
- where they reported that some of the activities would have been undertaken we have attributed 50% (assuming that half would have been done anyway)
- where they would have done this anyway but at some time in the future we have attributed 30% of the impact[10]
- where it would have been done but to a lower quality we have allowed 50%
- where it would have been done in the same way, in the same time period and to the same quality we have attributed 0% to the Programme, as the same outcome would have been reached without the intervention.

Displacement

4.15 Finally, we have also made an allowance for displacement. Although a question was included in the survey, it is notoriously difficult for the full displacement effects to be assessed accurately by a business. The question is essentially asking whether any of the new sales made have been generated at the expense of other local businesses. This is purely hypothetical and can only be estimated based on the profile of businesses and the type of activities that have been supported and their markets.

4.16 Small businesses often serve more local markets and reviewing the companies included in the survey would suggest that for many, new sales are likely to have been gained at the expense of local competitors. Displacement should also include an allowance for "substitution" where businesses effectively generate sales from one market at the expense of another. This may also be true in some cases. Against this, the fact that so much of the support relates to web development which will support potentially new markets would limit the displacement effect.

4.17 Given these factors, overall, we have assumed a mid range displacement factor of 50%. In other words 50% of the new sales generated are considered to be genuinely new to Grampian.

Estimated economic impact

4.18 Applying these factors gives the results shown in Table 4.2. From the sample of 96 businesses, the net new sales in Grampian are estimated to have risen by £95,000. In addition, telephone consultations with a further six businesses suggested another £41,000, a total of £136,000 for the full sample. Extrapolating from this to the population as a whole

[10] Note that this attributes a much higher proportion than would be accounted for simply through using a time preference factor. This allows for the relatively high risk that the activity may not have been done at all.

gives a total of £573,000 in new sales, including an estimated 14 "intensive" cases which make up £96,000 of this.

4.19 From the earlier chapters we know that the average turnover per FTE job in the sample was £36,800. On this basis the Programme is estimated to have supported 15.6 FTE jobs.

4.20 In total the Programme cost £250,000 over two years, giving a cost per job equivalent of £16,100.

4.21 The Annual Business Inquiry[11] data indicates that average GVA/turnover ratio is 38% across all businesses in Scotland. Using this with the total net turnover supported gives a net additional GVA from the Programme of £218,000.

Table 4.2: Economic impact of E-business adviser support

	sample	population
Sample of 96	£95,000	£476,979
6 intensive	£41,000	£95,667
Total	**£136,000**	**£572,646**

T/o per job	36,800
FTE jobs equivalent	15.6
Programme costs	£250,000
Cost per job	£16,066
GVA/t/o	38%
Net GVA p.a.	**£217,605**

4.22 The results here are based solely on the reported increases in sales to date and in many cases the benefits of the work will not have fed through into new turnover yet. We would therefore expect the GVA supported to increase further over time. The results are also very sensitive to displacement assumptions. Changing this assumption from 50% to 25% displacement would increase the value of GVA to £325,000.

Key findings

4.23 Overall impact could be described as medium to low depending on future improvement on sales performance and displacement assumptions.

4.24 Additionality, which plays a large part in determining impact is largely "partial" in that businesses reported that they would have done some of the activities anyway, at some time. Only 13% would not have done anything. This reduces the overall impact and future development of the programme should focus on how this can be improved.

[11] 2003 data from the Scottish Executive

4.25 More generally, the typical client business is small with a median turnover of £38,000. These are very small businesses which means that even making a big difference will not generate large increases in sales. This points to working with businesses where the support can make a bigger absolute difference.

4.26 There are a smaller number of strong cases where the impact is larger. The survey work indicates that these have tended to be the more intensive ones and suggests that where the advisers have engaged more with the business the results are far more significant. The key is to know which businesses those are and how to engage with them.

5 Consultations findings

5.1 This chapter sets out our findings from the three face to face consultations we carried out with the key providers of SE funded E-businesses support in the Grampian area, including E-Net. As part of the consultation phase we spoke to:

- Alistair Reid & David Percival (Contract Manager & E-business Adviser, E-Net)
- Mark Grant (Manager of Huntly E-business Demonstration Centre)
- George Chyla (Manager of Buchan Local Action Plan)

5.2 The aim of the consultations is to gain an overall picture of the E-business support services offered to businesses in Grampian, where E-Net 'fits' in this picture, and how the services can be better organised to ensure the most effective provision of support by E-Net.

Building Buchan

5.3 Building Buchan (BB) is a three-year action plan to provide assistance to SMEs specifically in the Buchan area, with a regeneration remit to provide assistance to an area that has been subject to recent economic shocks including the effects of EU laws on the fishing and fish processing industry primarily in Peterhead, where incomes were around 40% lower than in Aberdeenshire.

5.4 The main original remit of BB was to stimulate and encourage the take-up of Broadband in Buchan. The programme is a funding partnership between SE National (30%), Aberdeen Council (25%) and European Social Funding (45%). However now that Broadband is almost at 100% take-up this original remit has mostly been fulfilled, and the majority of these resources are now devoted to providing E-business support.

5.5 The E-business support BB provides is similar to E-Net's in that it is focused mainly on taking small businesses from adoption to using E-business for marketing purposes. Referrals for E-business support are made from BB Business Associates. Edinburgh Business Development (EBD) advisers provide most of the E-business assistance on behalf of BB and SE Grampian. BB also has a physical Demonstration Centre in Fraserburgh which offers a similar service to the Huntly Demonstration Centre, offering all of the same workshops and often making referrals to Huntly when overbooked. Workshops are also held throughout Buchan at local colleges.

5.6 What is clear from our consultations with Building Buchan is how their activities have begun to overlap with those of E-Net since they have started to move away from their original remit.

5.7 It is clear that many of BB's customers in Buchan have already been contacted by E-Net also, which suggests a strong element of duplication of services. This duplication can only increase further should BB start to look outside their traditional catchment area for new business. Our discussions have indicated that this is a possibility as the market within Buchan is approaching saturation point (there are around 500-1000 SMEs in Buchan, with at least 50% of the market already catered for).

5.8 There are certain strands of the support provided by BB which seem distinct from E-Net support, such as that provided to community and rural groups. With the exception of this support however, it is not entirely apparent what the distinction between Building Buchan and E-Net support is. It is clear that much of the reason lies with funding arrangements, and there is clearly an issue around how these agencies work best together to avoid duplication given they are both administered by SE.

E-business Demonstration Centre, Huntly

5.9 An E-business Demonstration Centre, funded initially by the broadband access programme, is now maintained by SE Grampian funding. The funding for the Centre, including the adviser managing the Centre, is shared between SE Grampian (55%) and European Social Funding (45%). After the current year of funding ends, however, the Centre is due to be 100% funded by SE Grampian. In the past the Centre was funded by SE National. The investment in this Centre dictates another year of use at which point its remit can be reviewed by SE.

5.10 The primary remit of the Centre is to serve the broadband access programme (although the majority of companies in Grampian now have broadband, there still remain a couple of 'blackspots' where no service is available and the Centre addresses this) and to deliver workshops on E-business. An adviser was taken on to manage this Centre and deliver these workshops. A large part of his current role is to refer relevant clients to E-Net for further E-business support, but also to deal with referrals in the other direction, i.e. from E-Net.

5.11 The objective of the E-business Demonstration Centre is to provide impartial information & demonstration of E-business and associated resources, ultimately with the aim of raising awareness of the benefits of E-business.

5.12 There are currently thirteen E-business Seminars and five E-business Workshops run regularly throughout the year. These workshops and seminars are intended as 'tactical information only' and delegates are encouraged to actively evaluate how the information can best be used by their respective businesses.

5.13 Currently, businesses and individuals are referred to the Centre via the Business Gateway and E-Net advisers, but there is a concern that E-Net do not make proper use of the Demonstration Centre, possibly because there is an element of competition given the target-driven environment E-Net currently operate in. Instead, there should be a recognition that the Centre is a 'toolkit' for E-Net's use to educate clients so they have a better idea of what they want to get from E-business support before seeking full assistance for their business.

5.14 Instead of receiving the majority of its referrals from E-Net advisers, the Demonstration Centre spends most of its time catering for 'overflow' customers from Building Buchan's Demonstration Centres (there exists a good relationship between the respective managers of Building Buchan and the Huntly Centre). There is scope for E-Net to make more use of this resource.

5.15 There is a case then for greater integration and co-operation between E-Net and the E-business Demonstration Centre at Huntly. Such a change is likely to have positive effects on the impacts of any support provided by E-Net and the outputs achieved, because businesses are starting from a higher base of knowledge with regard to E-business and what can be achieved. Such an understanding, for most businesses, necessitates participation in the workshops/seminars at Huntly.

E-Net

5.16 E-Net support SE client managed companies, 95% of referrals for which come from Business counterparts in Business Gateway. The funding for E-Net E-business Advisory Support is split between SE Grampian (55%) and European Social Funding (45%). It is apparent from discussions with E-Net that a major challenge they face is accessing companies who have not already had E-business support.

5.17 Most of the support E-Net provide is currently website marketing based, but E-Net faces pressure to deliver more 'E-business Projects'. The type of assistance provided under this type of project tends to be associated with providing more sophisticated support, e.g. Back Office and Procurement processes to higher growth businesses. The problem, however, according to E-Net is that the businesses they are assisting are increasingly smaller, and it is proving difficult to access the high growth, larger companies. It has been suggested that a marketing campaign, which focuses on selling the benefits of this type of support, could help generate demand.

5.18 Any significant marketing effort has to be cleared and funded by SE National. It has also been suggested that the focus of any new marketing should be on one specific type of 'higher level' support. For example, SE could advertise free support and advice to those businesses who wish to "Integrate their accounts system, customer management system and e-commerce activities"

5.19 There is also a concerted move on behalf of E-Net towards providing a more holistic service – E-business and business are increasingly linked – possibly by combining E-business and general business support. E-Net is also currently looking at upskilling general business advisers to be able to carry out relatively simple E-business projects.

6 Learning and development

Introduction

6.1 Learning and development from this Programme comes in two forms:

- The learning that is evidenced from the way in which the Programme has developed over time and the changes that have been made

- Learning from the evaluation.

Learning from the Programme

- The E-business advisory support programme takes place in what has now become very crowded space. It directly overlaps with the work of Building Buchan and of the Demonstration Centre in Huntly as well as related provision through the Rural e-access centre at Thainstone. Overtime, the focus of these initiatives has shifted and caused increasing overlap. Because of funding arrangements it is not easy to align these projects leaving some potential for confusion. One of aspect of learning is appreciating how these might have been better fitted together in their development and in taking account of their roles

- The E-business advice service has also changed over time from a focus on raising awareness to greater emphasis on working with businesses to maximise their use of ICT. This has been done by broadening the remit of the Programme. This is evidence of how delivery of the Programme has responded to changing market conditions and to changing direction from SE. The recommendations in this report take that shift in emphasis further, again in response to evidence

- Given the crowded space that the initiative operates in it is also important to ensure that demand continues to exist and that the rationale for using public money in this way remains. One of the learning points from this work is that while the study can show the level of additionality and uptake of the support among its current client base, it is more difficult to anticipate demand among *potential* client groups, in this case slightly bigger businesses.

Learning from the evaluation

- The e-mail survey used worked with a good level of response. The approach of using a small number of telephone interviews with the most intensively supported businesses was also effective and was incorporated into the overall analysis. This was helped by the availability of contact details from the Programme manager. However, an e-survey is not always the best tool for gathering more complex information. Two examples are:

- Collecting evidence of displacement is difficult generally, and even more difficult using the e-survey. This can only be estimated by assessing the types of business supported.

- Analysis of market adjustment, whether the support has changed business attitudes to ICT investment through the private sector, was also weak and requires more careful questions and questioning.

- Finally, with several other projects delivering similar services, it would make sense to evaluate the collective effect of all these types of support together. This would help SEGr to plan its delivery of E-business support across all the initiatives it supports.

7 Conclusions and recommendations

Overview

7.1 E-business Advisory Support has been provided in Grampian since 2002 by E-NET offering a range of E-business related services to SMEs in Grampian. These services make up a suite of E-business support which aims to help businesses progress through raising awareness, adopting E-business solutions to using these effectively to achieve real business benefits. This evaluation considers how effectively the support is delivering this and how efficiently.

Summary

7.2 The service reaches a very large number of businesses. This provides the potential particularly in raising awareness across a substantial range of companies. The businesses supported are generally small or micro businesses. Half of those in the sample had a turnover of less than £38,000. This is well below the VAT threshold, in many cases these businesses supported only one job and in a number of cases businesses operated with only part-time employment. There are also a significant number of 'lifestyle' businesses. While it is important that these have access to the appropriate support, they tend to be less concerned with growth and generating additional employment.

7.3 The survey found that much of the support was "light touch". Most businesses only had one contact with an adviser and much of this was related to the development or assessment of web-sites. In the cases where there had been more intensive support, the "impact" was much greater. Overall, respondents rated the service highly, although there was some feedback about the extent to which the adviser had been able to understand their business. This would be expected given the very limited time spent with each client.

7.4 Additionality, the extent to which the outcomes were achieved as a result of the support, was medium to low. The survey indicated that the support tended to speed up or improve the quality of E-business activities that businesses were already contemplating. Typically businesses believed that they would have done something anyway, but that the E-business advice had helped point them in the right direction or smoothed the process.

7.5 The consultations made it clear that duplication of services is an issue. Building Buchan, E-Net and the Demonstration Centre all provide very similar types of support and this had led to elements of competition between these deliverers, particularly as everyone has to achieve targets. Most of the client businesses had been referred to an adviser through the Business Gateway, often as part of their more general business support. E-Net is increasingly integrating E-business advice and business development support and the new advisers reflect this approach. This will be helpful in offering a more rounded service to client businesses.

7.6 A further issue that emerged from consultation was the role of the adviser in the Demonstration Centre. He offers additional capacity and skills that may not be fully utilised by the current structure. A better structure of incentives could encourage greater use of this capacity.

In summary

Strengths	Weaknesses
• Widely accessible, providing support for very small businesses that could struggle to find advice	• By working with very small businesses, absolute value of economic impact tends to be smaller
• Working with large number of businesses raises awareness	• Light touch support limits the extent to which solutions can be tailored for businesses.
• Service is highly rated by clients	• Support tends to be short term, one off problem solving, whereas SEGr must look for genuine market adjustment, changing businesses views of ICT investment
• Has made a difference to 60% of clients	• Duplication of services could lead to confusion among clients and encourages competition rather than co-operation
• Delivery by E-Net provides opportunity to set E-business support within wider business development context	• Working with lifestyle businesses can mean a more limited willingness to grow, again limiting impact

Conclusions

7.7 These strengths and weaknesses and the summary above raise a number of issues and possible solutions. The final section looks at how we think the Programme should develop over the next few years and makes recommendations on how this can be achieved. Overall, we suggest that the Programme and the Advisers seek to maximise the impact that they have. Impact is a function of four elements:

- increasing additionality
- limiting displacement
- working with businesses that have growth potential
- encouraging market adjustment

7.8 Overall, this means focusing more on the outcomes of the intervention – effectively the impact – and less on the activity targets – such as the number of businesses assisted. This has a number of implications for the service.

7.9 Increasing additionality means generating outcomes that would not happen otherwise. Additionality can be increased either by encouraging businesses to do new things that they would not have considered otherwise, or by helping businesses do things that they already wanted to do but could not achieve without support. **The first of these points towards E-business advice as part of a wider business development review, rather than simply responding to requests**, adding value to the way the business is run and introducing new solutions. This is not always straightforward. The **second element suggests providing guidance and signposting to private sector suppliers where this is feasible,** for example, helping prepare tender specifications or offering guidance on choosing software.

7.10 Limiting displacement is also an important factor in maximising impact. This relates specifically to the types of businesses that are supported. We recognise that there is a rural dimension to the Programme and that in some cases displacement will be unavoidable, but generally the focus should be on businesses whose growth will be genuinely additional to the Grampian economy rather than at the expense of others. **This means prioritising businesses that are doing innovative things or selling internationally**. This is addressed in the approval paper through the links with other innovation related initiatives.

7.11 The database and the survey show that the advisers work primarily with very small companies. While the support can make a difference for these businesses, the absolute value of this difference is likely to be small. **To increase the overall impact of the Programme, working with businesses that are slightly bigger and have the capacity and capability to grow, should be a priority**. This does not necessarily mean much larger businesses but those that employ, say, more than five staff.

7.12 Finally, the Programme is addressing a market failure which it should correct over time. In this case, as businesses increasingly recognise the benefits of ICT investment and as the supply side develops to offer the appropriate support, the intervention becomes unnecessary. **It is therefore crucial that the service can demonstrate that clients are becoming increasingly willing and able to make ICT investments using private suppliers**. This is less likely to happen in cases where the adviser has only a very limited contact with a business and more likely where there is more scope to understand the business and take a more strategic view of how the use of ICT can be optimised.

7.13 In parallel, it is important that there is a healthy provision of private sector services. This is not necessarily the case and SEGr are working to help raise awareness among ICT service providers of the opportunities and the needs of local businesses.

7.14 These factors suggest that increasing the Programme's impact will require:

- working with businesses that have growth aspirations

- providing E-business advice as part of a rounded business development support
- working more intensively with businesses to identify opportunities to use E-business to improve performance, rather than simply in a reactive way
- working with businesses that sell outside the region and are offering innovative services
- encouraging businesses to invest in ICT support in the private sector.

7.15 While this gives a clearer direction for the Programme, there are several other issues. The first is whether there are sufficient businesses and demand within the region for this type of support. The evidence is mixed. Evidence from the survey suggested that E-Net capacity to deal with all the enquiries had been a constraining factor, but in the current financial year, E-Net also appear to have struggled to meet their targets for high level projects (six out of 20 to date). Anecdotally too, consultees were concerned that without further marketing it might be difficult to find the types of business that would generate more substantial impact.

7.16 The pattern of E-business support clients is skewed towards Aberdeenshire rather than the city. This is the result of a number of factors, not least the focus of the advisers themselves. With new advisers and a new direction, there may be more scope to engage with more businesses in the city and to build networks to help promote the services. It is also not clear whether:

- there are simply too few businesses that would meet these criteria within the area
- these businesses are not aware of the service
- E-Net has tended to focus on the smallest start-up businesses in order to hit targets
- or these businesses know about the support but are not interested.

7.17 One way to find out would be to carry out a simple survey of businesses to assess potential demand for support within this target group. This could be done both as form of marketing and as a way of identifying gaps in support and in the private sector supply of ICT services.

7.18 A further issue is to avoid overlap with businesses already handled through account and client managed relationships. The contract with E-Net who are dealing with client relationships will ensure that this is managed, however, it would be unhelpful to push the E-business adviser services into more specialist areas. The service must continue to respond to universal demand. The recommendations made here are about how, where there is discretion, the service can maximise its impact.

Recommendations

7.19 These recommendations aim to improve the impact of the Programme by focusing on the types of business where the support can make the biggest difference. This should be done within the context of delivering a universal service, but where there is scope for discretion encouraging advisers to work with slightly bigger and more ambitious companies. This still requires a better understanding of the scale of the market and the opportunities. The service is well regarded and our recommendations also suggest that in the priority cases the support is delivered through one to one advice, workshops and seminars, which businesses found most valuable. Finally, the support should include an explicit recognition that this is about changing demand and not simply problem solving. Changes to the contract with E-Net should reflect these factors.

7.20 In terms of delivery, there are two main recommendations. The issues with Building Buchan will only be resolved through discussion and partnership over a period of time and partners will need to work together to ensure that services are complementary rather than competing. We also recommend that the Demonstration Centre is brought within the same contract as E-Net which would greatly help communication and referrals, create new capacity and align the support behind a single set of targets.

Markets and services

7.21 To shift the support in this direction requires appropriate incentives and a structure that will allow advisers to access them. Prioritising businesses that are slightly larger, say more than five employees, will require a sub-target for business assists, it will also require prioritisation from the advisers and those that refer businesses.

7.22 The E-business Advisory Service offers universal support; it is available to all businesses. It therefore must remain reactive, responding to requests and referrals. Our view is that this has led to the support being delivered to smaller and smaller businesses. This is not an issue when the aim is to raise awareness, but it is an issue if the objective is to maximise business and economic impact. To reverse this, there must be clearer steer within the delivery contract which shifts the focus from the quantity of business assists to the impact that this has. This means working with businesses where the adviser can add value and where he or she has the time to add value.

This implies changes in the targets that are used. **We would suggest that the overall number of assists is reduced, but that other indicators could be introduced.**

The support should also focus on slightly bigger businesses, with say more than five employees. This could require E-Net to spend more time identifying potential customers and establishing the opportunities within this market, but it will help avoid the drift down towards the very small businesses.

7.23 Related to this is the importance of the link between wider business development assessment and the role of ICT. E-Net are integrating these two elements of support more closely now and this should help encourage new ICT projects. The integration of the Demonstration Centre manager also brings a good overview of how ICT can help businesses and will also help improve additionality through introducing new ideas. Taken together a better understanding of business and a more strategic assessment of the role of ICT will help generate greater impact than simply responding to low level demands. However, this requires more resource and a balance must be struck.

> Scottish Enterprise and E-Net are both increasingly moving towards an integration of E-business and business development and this makes sense in providing a more holistic view of the role of ICT. This is more likely to generate greater impact and businesses also indicated that they preferred advisers to better understand their business. **The targets should reflect this, with higher targets for the number of cases that have E-business reviews, or an indicator of cases that have been referred from more general business reviews.**

Market adjustment

7.24 One of the often overlooked aspects of almost all public sector interventions is the importance of addressing market failure. This means acting to ensure that the activities making a lasting change in the market and are not simply one-off fixes. In this case, an important aspect of the support is that clients, once aware of the opportunities of ICT investment are more willing to make investments in the future without support. This assumes that there is a sufficiently strong supply side. This should be an explicit consideration in working with businesses. One indicator, for example might be the value of investment made with the private sector following E-business advice, or simply whether or not the relationship with the business resulted in engaging private sector support. This would encourage signposting and guidance.

> It is important to stress the role of the Programme in “market adjustment” and not short term fixes. **One way to encourage this might be to include, as an indicator, the value of ICT investment made as a result of the support. This would include the purchase of further advice from the private sector.** This would tend to rise with bigger businesses, and would reflect the aim of increasing ICT adoption and the Programme’s contribution to market adjustment. A simpler version would be to use the number of assists that resulted in the business using private sector advice.

Improving referrals

7.25 There should be closer links between E-Net and the Demonstration Centre. At present this is not working as effectively as it could and increasing referrals would benefit the client businesses.

To achieve this it would make sense for the adviser at the Demonstration Centre to be employed as part of the E-NET contract. This would bring him within the same structure, avoid duplication and break down barriers to referrals. It may add to the capacity of the Programme.

Working with Building Buchan

7.26 Although Building Buchan initially focused on raising awareness of Broadband, it has now developed its activities to providing other E-business advice and is considering extending these services more widely. E-Net also covers Buchan, but the Buchan Action Plan provides a geographical remit and rationale for additional intervention in that area. Until the Building Buchan initiative comes to an end it is likely to continue providing this support.

The E-Net E-business support should work with Building Buchan to limit overlap and confusion. The two should not be in competition, but in the Buchan area should complement each other. This could mean focusing on slightly different markets, or offering more distinctive services. There is unlikely to be any organisational solution and instead both organisations should be encouraged to communicate and work together as effectively as possible. If the Demonstration Centre adviser continues to work for both this could act as a conduit to limit competition.

7.27 We have already suggested that the Programme should have the capacity for advisers to work more intensively with businesses that fit the criteria above. One to one advice, seminars and workshops and reviews were reported to be the most valuable forms of assistance, but take more time to deliver. To generate more impact, it will be necessary for advisers to spend longer with appropriate businesses, while continuing to offer a simple reactive service to other referrals.

To help focus support in this way, businesses could be asked to complete a simple on-line form which would provide some guidance as to the potential of the adviser to add value. This would ask in simple terms about the scale of the business, growth aspirations, displacement and willingness to use and invest in ICT in the future. This would help advisers focus on the cases that would generate most impact and limit involvement with those that are inappropriate.

7.28 There remains a question over whether there is sufficient demand for the E-business support among slightly larger businesses (around 5 – 20 employees) with aspirations to grow. We suggested earlier that it is unclear whether there are sufficient businesses and the type of services they need.

We suggest that further analysis of this market is carried out to help target potential clients and to help the Programme achieve greater impact. A simple survey of businesses with more than five employees and that do not use the service could act as marketing, stimulate demand and help refine the services offered.

There may well be more opportunities to work within Aberdeen and to partner with the Chamber of Commerce or FSB for example. This could open up more marketing opportunities.