

**Evaluation of  
Internationalisation  
Support**

**A final report to Scottish  
Enterprise Lanarkshire**

**November 2005**

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## Executive Summary

This report presents the findings of an evaluation of the range of internationalisation support programmes delivered by SEL from financial year 2002/3 to 2004/2005. These programmes can be broadly structured under five headings:

- Internationalisation Strategy Guidance and Awareness
- Exhibitions and Missions attendance
- International Mentoring
- International Market Presence (delivered through SDI)
- Overseas Market Support

The evaluation objectives were: to establish the rationale for the support; review the success of the programme in meeting its objectives; comment on the effectiveness of the targeting and delivery; identify the characteristics of firms participating in the programme; assess customer satisfaction with the support; assess the overall economic impact; identify sustainable benefits; identify strengths and weaknesses; establish likely future demand; identify potential improvements; inform future European applications.

### Internationalisation Support in Lanarkshire

The five programme areas listed above are delivered through Account and Client Managers a specialist internationalisation advisor and the Business Gateway.

The funding approvals paper indicates that over the 2002 to 2005 period, SEL committed £2.09 M with £961K being provided through ERDF. This total public commitment of £3.05 M was anticipated would lever a further £3.1 M from the Private Sector. The total Programme cost (public and private) was anticipated would amount to £6.1 M. The Board papers from SEL anticipated a sales impact of £52.5<sup>1</sup>M as a return over the three years.

Over the course of the three years covered by the evaluation, SEL projected that a total of 188 firms would be assisted.

Our review of SEL management information indicates that:

- it has provided an approved additional expenditure of £562k
- its funding has supported an additional 10 (5%) firms.

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<sup>1</sup> Projected sales impact is based on an assumed impact for 2004/05 of £17.5M which was based on 2002/03 and 2003/04 levels

The management information also indicates that there is a clearly defined 'pyramid' of support with the profile of assisted firms being:

- 28% Account Managed
- 12% Client Managed
- 60% Business Gateway

It should be noted that the data collected by SEL over the period covered by this evaluation changed, for example 'Organisations with deeper international participation' was not a target in 2002/03 but became one in 2003/04 and 2004/05. This made it difficult to track performance across years.

## Survey

We interviewed 29 firms which gives a confidence level of  $\pm 18\%$ . Our sample was slightly weighted in favour of Account and Client Managed firms (48% of total). The survey indicates that:

- firms are mainly small with 55% of firms employing less than 25 people (27% employing less than 10)
- sectoral support is broad ranging and there is a strong representation of manufacturing and related sectors
- although small, two thirds of firms were exporting more than 15% of their output
- just under 85% of firms received two elements of support – *advice* (38%) and *Exhibitions, Missions, and supporting advice* (46%)
- additionality was relatively high for *Exhibitions* attendance with 40% of firms citing 'full' additionality and the overall sample indicating an average level of additionality of 46% which is slightly higher than similar business development evaluations we have reviewed recently
- overall net impact was £35.8M which equates to approximately 66% of the target level.

Most firms cite an additional economic impact attribute this to Exhibitions & Missions assistance. Overseas Market Support typically comprises advice and it is clear that the relationship with advisors is longstanding (over five years in a fifth of cases). Our findings suggest that the advice does not appear to lead firms to take an action or to produce an output – an action plan was produced in just one third of cases and firms provided the majority of the plan's content in less than half of these instances. We suggest that *advice is structured so that it leads to a suggestion for an action by the firm which, when taken, triggers a further input by the advisor. Should the firm not take the action, the advisor's input would diminish/cease.*

Case appraisal for Exhibitions and Missions is usually based upon a plan that is agreed jointly by the firm and SEL at the start of the year. A proportion of

firms were negative regarding event selection. *While this is principally the firms' responsibility there is scope to promote SEL's pre-event research and training.*

Three firms provided feedback on International Mentoring (International Manager for Hire, International Graduate Placement, and Export Consultancy). Feedback was not very positive. Based upon the feedback we suggest that SEL *review the implementation of this activity stream and consider firstly how the matching process of the placement to the firm can be improved and second, whether greater flexibility might be introduced allowing firms to gain the benefit of more than one placement at a time.* We understand that the design of the recently introduced Business Manager for Hire programme would appear to address the firms' criticisms.

## **Future demand**

There is little direct feedback from firms on areas where internationalisation support might be targeted in the future. There appears to be an ongoing demand for exhibitions assistance, especially among smaller firms and those being introduced to internationalisation for the first time. Demand for advice also appears to be strong – therefore we feel that both of these should continue.

However, given firms' repeat attendance at events and the year on year support from SEL we suggest that *it would be appropriate for SEL to consider introducing a graded structure of assistance, that could: give firms the maximum level of support to attend events for which they have not received support previously; provide the maximum level of support to firms who are new to exhibition attendance.*

## **Performance against target**

### **ERDF**

A review of the ERDF activity levels between 2002 and 2005 indicates clearly that *activity* has been significantly above target but that *impacts* have been below target. Specifically: advice and consultancy to existing SMEs accounted for 708 assists against a target of 296 - this is 2.4 times the target; advice and consultancy to existing SMEs led by women was also above target (at 36 against 20); and advice and consultancy to SMEs active in SIP areas (31 against 17).

## **SEL Targets and Impacts**

In line with the achievement of targets for European funding, SEL has exceeded its own activity targets. Its aim was to assist total of 188 firms over the three years of funding and thereby generate increases in sales to the value

of £35 million. The bulk (71%) of this assistance was to be directed towards *organisations developing international activity*. Our analysis indicates that SEL has assisted 197 firms (approximately 5% over target) and costing £2.09 million (26% over target) - this equates to circa £11,000 per firm and circa £10,000 net sales for every £1,000 public sector support.

To summarise, SEL has exceeded its target expenditure by 26% and has generated an extra 5% of activity (assisted cases) but with a projected net sales increase (based upon our sample) of around £35 million (circa two thirds of the target level).

## **Project rationale**

The rationale for providing assistance to SMEs engaging in trade development activity assumes that it is relatively risky and that the risks are usually over-estimated by SMEs due to a lack of available information on the likely financial returns. This is accepted by HM Treasury - firms need assistance and encouragement to overcome the relatively high risk they perceive when considering entry to a new international market. In this regard, the rationale for SEL's assistance would seem sound.

## **Success in meeting aims and objectives**

The programme has certainly been active in supporting firms wishing to engage in trade development activity. Its Advisory Assistance exhibited relatively low levels of additionality but this was complemented by the Exhibitions and Missions support where additionality remained high. However, it has required a greater financial commitment from SEL and the impact has been below expectation.

## **Company characteristics**

A total of 61% of firms receiving internationalisation support were categorised as 'Business Gateway clients'. Of the remainder, Account Managed firms dominated (27%) with the remaining Client Managed firms accounting for 12%. Based on this observation, *we suggest that SEL considers carefully the profile of firms receiving internationalisation support in the future and specifically that greater emphasis might be placed upon existing Client Managed firms in the short to medium term.*

## **Customer satisfaction**

Customer satisfaction appears to be high for most types of support - the exception being certain aspects of International Mentoring but the criticisms appear to relate to obsolete programmes. Firms' satisfaction with those

elements where financial assistance is available (principally Exhibitions support) tends to be high.

## **Sustainability**

Firms are very positive about the benefit of attending exhibitions and missions - separately 40% of firms indicated that their exhibition attendance was fully 'additional'. The high additionality is very likely due to the current business climate which is particularly challenging for small and medium-sized firms. From a negative perspective, firms indicated that more could be done upfront to research the event but as we mentioned above, we feel at this is the responsibility of the firm. *SEL could encourage firms new to exhibiting to structure their approach and if necessary gain training on how best to maximise the value of their attendance.*

There is evidence that firms are generating sustainable sales based upon the assistance they receive - those attending Exhibitions identified that they get an average of one new contract for just over every two attendances. The key issue for SEL is that these contracts are not converting into sales of a sufficient magnitude for it to meet its target sales impact as set out in the original approvals papers. *We suggest that SEL focuses on working with the firm to maximise the benefit of the exhibition attendance through increased attention to case appraisal which although time-consuming is likely to lead to better performance in the medium term.*

## **Strengths and Weaknesses**

### **Strengths**

- Encourages firms' internationalisation activity
- provides advice and guidance on international strategy
- results in active participation by firms in international markets
- encourages firms to look at new markets
- facilitates/assists firms to set up offices in new geographies
- provide specialist advice in a targeted way to firms that addresses specific internationalisation requirements
- increases firms' exports
- leads to sustainable sales

### **Weaknesses**

- more costly than anticipated
- firms may be becoming over-reliant on the public sector support (both advisory and financial)
- public sector expenditure not generating anticipated return
- activity dominated by two streams (principally Exhibition attendance and Advice)



## Future demand

Feedback from firms provided no clear indication of likely gaps in future demand. Given the high levels of satisfaction and additionality, it is likely that demand of the current profile will continue. The key question for SEL is whether it is appropriate to continue supporting this activity at historic levels.

In terms of market failure, there is conflicting feedback regarding exhibitions attendance. Firms are receiving financial assistance for attending events they have attended previously (often for several years) but their feedback indicates that they would not have attended without SEL support. Their reason is usually a lack of funds. This would suggest that: firms are not deriving sufficient financial return to warrant a full payment – if they did not get a subsidy from SEL, they would probably not attend at all for lack of value; firms are deriving a financial return but apply for the subsidy from SEL to offset the cost of attending events not supported by SEL; firms are deriving a financial return but apply for the grant to offset their cost – if this is the case, there would be a high degree of deadweight in the programme

Our view based upon the survey is that the typical participant is small and that the subsidy is important in terms of scale and commitment.

*We consider that this reinforces the suggestion made above that SEL considers introducing a sliding scale of financial assistance based upon whether the firm has attended the selected event previously – if it has, then they should be aware of the benefit of participation and should be prepared to invest more themselves. If the event does not produce a sufficient financial return, then the firm can choose not to participate. The introduction of a sliding scale allows for the case where a firm needs several attendances to establish the value of a specific exhibition.*

## Overall

- *We suggest that SEL reviews whether the balance of activity across its three main client groups (Account and Client Managed and Business Gateway firms) is appropriate. Given SEL's impact performance against its ERDF targets is below profile, we would suggest that it should aspire to achieving a greater return for the investment it makes. This could involve concentrating effort on firms most likely to generate a return on the inputs made, whether they be exhibitions, advice or placements.*
- *Support is concentrated in two main areas namely advice and exhibitions/missions and with the exception of exhibitions/missions, the additionality is relatively low. For internationalisation advice, we would suggest that this input is focused on encouraging firms to take action structured in such a way as to lead the firm to a decision point - should it not respond positively, the level of future input could be reduced. Effectively, these managers would encourage firms to take action as a result of the advice*

*given with subsequent support being channelled towards those firms that engage most actively.*

- *We suggest that in advance of event attendance Account, Client and Business Gateway Managers discuss in depth with their cases the anticipated impact in terms of the target number of deals and their respective value. A follow-up call (phone or in person) should be made shortly after the firm's return in order to discuss the success of the attendance with actions being identified for the firm that put in place any specific improvements that might be made in the future.*
- From our survey, firms that had received financial assistance over several years for exhibition attendance appeared to have an expectation of on-going support being available. Building on the market failure discussion, we anticipate that more could be done to engage these firms on other initiatives that could build their competence in internationalisation activities generally.
- Firms receive support to attend the same events on successive years. *We suggest a sliding scale of financial support for firms' attendance at exhibitions whereby repeat attendance at a given exhibition would attract a reduced level of subsidy. Separately, those new to exhibitions could receive the maximum level of support for the first two or three years attendances (so that they can build both their expertise and competence).*
- A limited number of firms commented negatively on the value of events they selected and the need to undertake more preparatory work up-front. *SEL could promote its in-market research services to help firms prepare and could also consider training for those who have limited/no experience of events.*
- Feedback from evaluations of events supported by SDI suggests that firms place a high value on feedback from those who have been successful at previous events. *We suggest that SEL considers using 'peers' to coach firms, especially where several local firms are attending a larger scale event.*
- Events are a 'tactical' element of market entry support. Even firms that have been engaged for some time on internationalisation activity *should be encouraged to look regularly at the strategic positioning of their business in the market and to review/update their selection of exhibitions in order to maximise the potential impact.*

## 1. Introduction

### 1.1 Introduction

Gen Consulting, O'Herlihy and Co Ltd and researchresource were commissioned by Scottish Enterprise Lanarkshire to carry out an evaluation of the portfolio of internationalisation support. The evaluation was commissioned to consider the economic impact of the support from 2002/3 to 2004/5 provide suggestions to inform the on-going development of the programme and support the ERDF application process.

### 1.2 Project background

The Internationalisation Initiative is delivered by SEL in conjunction with Scottish Development International. SEL and SDI offer an integrated range of support including:

- *International strategy, guidance and awareness* provided by SEL's International Trade Advisor, and SEL Account & Client Managers on issues such as market research and identification, distribution and market entry routes, production of an international business plan and sales negotiation skills
- Support to take part in *international exhibitions, trade missions and learning journeys* organised by Scotland-based international trade organisations
- *International mentoring* through one or more of three main elements including Export Manager support, an International Graduate placement or through participation in Scottish Networks International
- Offering support to firms to enter new overseas markets by providing an *International market presence* in incubation and transit space in an SDI office or negotiating managed office space
- A range of *overseas market support* measures to help companies enter new markets including customised market research, introduction to in-market networks, screening of agents/joint venture partners.

Support is offered to firms based upon their growth potential and hence classification (i.e. Account or Client Managed and those eligible only for Business Gateway support). The structure of support has evolved over the three years being evaluated but the overall framework is reflected in the five headings

outlined above. A principal change has been the introduction of the Account Management Strategy. The evaluation is expected to review the operation of all five elements of support.

### **1.3 Study objectives**

The brief for the study set out a number of clear objectives for the study. Specifically consultants are expected to:

- Evaluate and assess the rationale behind the programme & comment on its continuing significance
- Review the success of the programme in meeting its aims and objectives
- Comment on the effectiveness of targeting and project delivery
- Identify the characteristics of companies participating in the programme and key baseline performance information
- Assess customer satisfaction with support
- Assess the overall economic impact of the service including estimates of:
  - deadweight
  - displacement
  - leakage
  - multiplier effects
  - impacts on business performance
  - leverage
  - cost per job
  - contribution to GVA
  - value for money and cost effectiveness
- Examine the extent to which the programme has achieved sustainable benefits, particularly in terms of company attitudes and behaviours
- Identify the key strengths and weaknesses of the programme
- Establish likely future demand for the programme, particularly in respect of SE Lanarkshire's target groups
- Assess whether the support offered through the programme remains relevant to the needs of businesses

- Identify potential improvements to programme content and delivery, within the framework of Network products
- Inform future European funding applications.

## **1.4 Report structure**

The remainder of this report is set out as follows:

- Chapter 2 presents a description of the programme including the rationale underpinning the programme and the delivery mechanism
- Chapter 3 presents details of the programme activity
- Chapter 4 presents the findings from the business survey
- Chapter 5 sets out the output targets for the programme, assesses the extent to which they have been achieved and provides an estimate of the economic impact of the programme
- Chapter 6 sets out some of the emerging issues from the consultation process
- Chapter 7 sets out our conclusions and suggestions.

## 2. Project description

This chapter of the report provides a description of the SEL Internationalisation Initiative through focusing on the rationale, elements and delivery mechanisms of the programme.

### 2.1 Project rationale

The programme is aligned to the national Scottish Enterprise agenda, detailed in *A Smart, Successful Scotland, the Global Connections Strategy* and the economic strategy for Lanarkshire, *Changing Gear towards 2010*. Internationalisation support works by utilising network consistent products, services available from the Lanarkshire export partnership and Scottish Development International. It aims to attempt to increase the number of businesses within Scotland that display high growth characteristics by addressing information deficiencies and risk aversion of Lanarkshire SMEs. There are strong links between the programme and these strategies such as:

- *Smart Successful Scotland*, in particular, in the following ways:
  - *Growing business – to deliver innovative companies growing in scale, by providing advice and information on how to reach into new markets abroad*
  - *Global connections – building the global connections of Scottish businesses*
    - *Taking Scottish knowledge to the world and bringing the world's knowledge to Scotland, through trade missions and learning journeys*
    - *Connecting to the rest of the world, through International presence assistance and links with SDI*
- *A Global Connections Strategy*, which builds on the global connections theme from a Smart Successful Scotland. There are particular synergies between the strategy and the whole range of internationalisation support which link to the key Global Connections concepts:
  - *Knowledge out: Taking Scottish knowledge, skills and ideas to the rest of the world*
  - *Knowledge in: Bringing knowledge, skills and ideas into Scotland*
- *Changing Gear Towards 2010*. Internationalisation support fits with this strategy in a number of key areas:
  - *Growing Business*
    - *Growing innovative, competitive and sustainable businesses*
    - *Supporting the growth of 'high impact' businesses*

- *Encouraging market development*
  - *Continued and enhanced support for export and related activities (including UK and overseas markets)*
  - *Facilitation of international partnerships*
- *Skills and Learning*
  - *Streamlining delivery of learning information and guidance*

SEL's internationalisation offering has been designed to stimulate and support local companies to research, enter and develop new markets. Through providing the support SEL aims to increase the number of local exporters, help organisations deepen internationalisation participation and encourage existing exporters to enter new markets.

## **2.2 Project elements**

The support programme consists of a range of tools designed to facilitate the involvement in global markets.

It is also recognised that whilst companies will be encouraged to pursue business in international markets, it is recognised that development of markets in other parts of the UK is often a precursor to internationalisation. Consequently, the programme will support market development within the UK in an effort to accelerate the rate at which companies are able to engage eventually in international markets.

There are 6 products currently available to help an organisation internationalise. A number of the products are broken down into individual component parts, thus offering a comprehensive range of assistance to companies.

The products are to be delivered as part of an integrated action plan for each company incorporating, where appropriate, other growth or developmental elements. The 6 products are outlined below.

### **2.2.1 Readiness to Internationalise**

This product provides assistance which helps assess a company's international position, provides advice and a programme which will lead to the production of an international business plan. This product also includes the International Preparedness Programme, which is a course of modules covering the following subjects:

- Market research

- Market identification
- Support agencies
- Production issues
- Finance and pricing issues
- Advertising/promotion issues
- Distribution channels and methods of market entry
- E-Business aspects of international trade
- Trading and contractual terms
- Sales negotiation skills
- Producing and presenting an international business plan.



## **2.2.2 International Strategy Development**

This product contains three elements:

- International strategy advice and support – provides informal one to one counselling on early stage internationalisation and is typically directed at inexperienced companies and is provided by their Account or Client Managers or the Internationalisation Advisor. Where specialist internationalisation advice is provided by Business Gateway international, the input may be provided by the BG advisor
- One day international strategy workshop – assists companies draw up a strategy for developing new overseas markets. The workshop is a one day interactive programme tailored to each participating company
- Global Companies Development programme – accelerates the international growth of emerging global companies. This is available to high impact organisations.

## **2.2.3 International Mentoring**

This product contains three elements:

- International Business Manager for Hire – places a highly qualified international business professional with relevant international experience and technical skills within a Lanarkshire based company for a period of between 3 – 12 months. This initiative supersedes the Export Manager for Hire. Participation on this product required companies to submit an international development plan with their application as well as the CV of the preferred applicant for the post
- International Graduate Placement – places appropriately qualified university and higher education graduates with high and medium impact companies to address a wide variety of international business opportunities, such as identifying or appraising new overseas agents or distributors, helping develop an international marketing strategy
- Scottish Networks International – links high calibre, overseas based, business people who have studied at postgraduate level in Scotland with appropriate Scottish companies (with a specific focus on non EU countries).

#### **2.2.4 International Exhibitions, Missions & Learning Journeys**

These products provide a mix of advice and monetary support for firms wishing to take part in overseas events organised by Scottish based international trade support organisation. In interviews, firms attribute the majority of benefit to the monetary assistance. These include Local Enterprise Companies, Scottish Development International, Business Gateway International, Chambers of Commerce, Local Authorities or the Scottish Council for Development and Industry. Support for additional events is also available through UK Trade & Investment.

#### **2.2.5 International Market Presence**

This product offers support to firms entering new overseas markets by providing incubation and transit space within SDI field offices or by negotiating managed office space in over 400 locations around the world.

#### **2.2.6 Overseas Market Support**

This programme provides a range of support measures designed to help companies enter new markets, develop business in existing markets and establish new international business relationships. It can include customised market research, introductions to in-market networks, screening of agents/distributors/joint venture partners, and design of promotional material for an overseas market.

This also includes access to the Globalscot network of individuals throughout the world with an affinity for Scotland and the International Business Opportunities website.

### **2.3 Delivery mechanism**

Internationalisation support is delivered primarily through SEL's business development infrastructure with a principle focus on companies considered capable of competing or already involved in global markets.

However, while due regard will be given to the Scottish Enterprise Network's company segmentation process and Scottish Enterprise Growing Business/Cluster Team work will also be undertaken with Business Gateway organisations felt capable of progressing into the internationalisation sphere. These companies are initially engaged with through seminars run by the BG and SEL. This is to ensure continued growth and development in this area and make

sure it is possible to work with ambitious companies who may emerge in the future.

## 2.4 2.4 Funding

### 2.4.1 SE Approval paper

In total around £6.186 million was expected to be committed to the programme over the period 2002/ 03 – 2004/05 (Table 2.1) of which:

- £2.09 million would be committed by Scottish Enterprise Lanarkshire,
- £961,000 would be committed from ERDF Objective 2 and Transition monies
- £3.135 million would be committed by participating companies.

**Table 2.1: Internationalisation support funding, SE approval paper**

Funder	2002/03	2003/04	2004/05	Total
SE Lanarkshire	£750,000	£650,000	£690,000	<b>£2,090,000</b>
ERDF	£300,000	£350,000	£311,000	<b>£961,000</b>
Private sector contribution	£1,125,000	£975,000	£1,035,000	<b>£3,135,000</b>
Total funding	<b>£2,175,000</b>	<b>£1,975,000</b>	<b>£2,036,000</b>	<b>£6,186,000</b>

### 2.4.2 ERDF Application

Analysis of ERDF application forms shows that, for the period being evaluated:

- Total eligible expenditure is just over £3 million
- With ERDF grant requested for around £1,400,000 of this.

**Table 2.2: Internationalisation support funding, ERDF application**

Funder	2002*	2003	2004	2005**	Total
ERDF Objective 2	£184,684	£189,934	£203,566	£316,673	£894,857
ERDF Transition	£151,204	£121,953	£130,347	£106,223	£509,727
SEL/ North and South Lanarkshire Councils	£322,888	£372,863	£399,087	£564,528	£1,659,366
Total funding	£658,776	£684,750	£733,000	£987,424	£3,063,950

\*2002 figures are for the three quarters being evaluated.

\*\* 2005 figures are for the first quarter of the year only

### 3. Review of project activity

#### 3.1 Targets set

The delivery of the internationalisation initiatives were subject to a number of targets. These can be grouped into:

- SEL targets from the annual approval papers, the basis on which SEL funding is secured
- ERDF targets relating to those aspects of the programme that are eligible for ERDF funding

This chapter looks at these activity targets and assesses the extent to which they have been or are likely to be met.

##### 3.1.1 Targets in SE approval paper

SEL targets relate to the number and type of companies assisted. The following targets were set out in the approval papers for the programme over the period 2002/3 to 2004/05.

- 188 companies in total were to receive support; 41 of these were to be for those new to international activity (Table 3.1)
- support was to be given to 134 companies already involved in international activity to help them develop their activities in this area
- a further 13 were to receive assistance to undertake deeper international activity (these figures apply only to the latter two years as no target for this was specified in the 2002/03 approval paper)
- there was a further target of an increase of £52.5 million of sales generated by participating firms; though again this applies to only two of the three years being evaluated (there was no mention of this particular target in the 2004/05 approval paper).

**Table 3.1: Targets set for the programme**

Target	2002/03	2003/04	2004/05	Total
Organisations new to international activity	19	12	10	<b>41</b>
Organisations developing international activity	44	42	48	<b>134</b>
Organisations with deeper international participation	N/A	6	7	<b>13</b>
Increase in sales generated	£18.75m	£16.25m	£17.5m*	<b>£52.5m</b>

\*Note: No figures were given in the approval papers and an assumption has therefore been made here, using the mean of the targets for the previous two years.

### 3.1.2 Targets in ERDF application

ERDF targets relate to number of individual assists rather than the number of companies assisted. According to the ERDF application forms, there were to be 352 instances of advice or consultancy support to existing SMEs (Table 3.2) over the period being evaluated. A small proportion of these businesses should be led by women, people in ethnic minority groups, people with disabilities, and businesses in social inclusion partnership areas, though SEL had made it clear to Strathclyde European Partnership that efforts would not be focused in these areas.

**Table 3.2: ERDF activity targets set for the programme**

Target	2002*	2003	2004	2005**	Total
Advice/consultancy to existing SMEs	141	89	98	24	352
Advice/consultancy to existing SMEs led by women	10	6	7	2	25
Advice/consultancy to existing SMEs in SiPS	5	5	6	1	17
Advice/consultancy to existing ethnic SMEs	4	3	4	1	12
Advice/consultancy to existing disabled SMEs	2	3	4	1	14

Note that targets are for ERDF Objective 2 and Transition projects together

\* - 2002 targets are for the last three quarters of the year

\*\* - 2005 targets are for the first quarter of the year only, and are equal to 25% of the whole year targets

### 3.1.3 Commentary on targets

Given the number of different types of internationalisation support available, and the nature of some of the support, it would seem that the activity targets are achievable. We understand that SEL made clear when submitting the application for funding to the SEP, and through subsequent discussion, that it would use firms' performance characteristics to guide its selection of eligible cases. However, when presenting claims, it provides information according to ERDF requirements and classifications.

The ERDF targets are significantly higher than those in the SEL approval paper, and this is due to the latter being based on *instances* of support rather than the *number of companies* being assisted. Clearly one company could have more than one instance of support, making the targets on instances more easily achievable.

## 3.2 SE Approval paper targets achieved

### 3.2.1 Targets in SE approval paper

In terms of activity targets, SEL internationalisation delivery has performed well, with:

- two out of the three targets being met and exceeded
- achievement of 70% of the third target (Table 3.3).

Forty-two companies new to international activity received support over the 3 operational years being evaluated, just over the target figure of 41. The target for providing assistance to firms already involved in international activity was exceeded with 147 such firms receiving support against a target of 134 (equating to 110% of target).

The target that was not met related to assisting firms into deeper international participation: 9 firms were supported against a target of 13.

**Table 3.3: Achievement of targets set for the programme**

Target	2002/03	2003/04	2004/05	Total	Target
New organisations to international activity	22	12	8	<b>42</b>	41
Organisations developing international activity	82	43	22	<b>147</b>	134
Organisations with deeper international participation	-*	6	3	<b>9</b>	13
Total number of firms assisted	104	61	33	<b>198</b>	188

\* Note that this was not a target in 2002/03

### 3.2.2 Companies supported by programme stream

Due to the way that management information is recorded, it was not possible to break down activity by programme stream i.e. to determine the type of support that companies in the above categories received, or to make comparisons on this across the three years being evaluated.

For 2004-2005, it is possible to categorise support by 'national product', and this breakdown is given below (Table 3.4). This shows that the majority of support is pretty evenly split between:

- exhibitions, missions and learning journeys (43 of 89 companies assisted)
- overseas market support (42 companies).

In addition, a small number of companies received international mentoring support through the International Business Manager for Hire.

**Table 3.4: Activity by programme stream, 2004-2005**

Type of support	No. of companies
Exhibitions/Missions/Learning journeys	43
International Mentoring (International Business Manager for Hire)	4
Overseas Market Support	42
<b>Total</b>	<b>89</b>

### 3.2.3 Companies supported by sector

The most common sectors for assisted companies were as follows:

- service (17% of all firms assisted over the three years evaluated)
- manufacturing (16%)
- electronics/electrical engineering (16%)
- food and drink (14%)
- engineering (11%).

This shows a strong bias towards manufacturing and engineering type activities, which is perhaps to be expected given that those manufacturing a good are likely to want to export, and reflects a large part of the Lanarkshire company base.

**Table 3.5: Activity by company sector**

Sectors	2002-2003	2003-2004	2004-2005	As % of total
chemicals	9	1	1	5%
construction	0	0	1	0.5%
creative	1	0	0	0.5%
electronics/electrical engineering	14	11	9	16%
energy	4	0	4	4%
engineering	6	4	14	11%
environmental	0	1	1	1%
food & drink	6	8	16	14%
life sciences	5	4	5	7%
manufacturing	13	5	16	16%
metal industries	0	0	1	0.5%
service industry	14	11	11	17%
Software	6	0	4	5%
textile	0	4	6	5%
<b>Total</b>	<b>78</b>	<b>49</b>	<b>89</b>	<b>100%</b>

Total = 216

### 3.2.4 Companies supported by segmentation category

Nearly two thirds (60%) of the companies (130 of 216) that have received internationalisation support were Business Gateway, a number of which may have been identified as having growth potential and therefore eligible for assistance.

A significant number were SEL Account Managed, 60 of the 216 or 27%, and a smaller proportion were Client Managed (12%).

**Table 3.6: Activity by segmentation category**

	2002/03	2003/04	2004/05	Total
Account managed	20	14	26	27%
Client managed	7	5	14	12%
Business Gateway	51	30	49	60%
All companies supported	78	49	89	100%

Total = 216

### 3.2.5 Expenditure

Analysis of expenditure on internationalisation activity shows that there was significantly more spent by SEL in each of the three years being evaluated than the funding sought in approval papers. The total this approved increased expenditure stands at £562,577, 27% more than originally anticipated.

**Table 3.7: SEL Expenditure on internationalisation activity**

	Projected expenditure (from approval papers)	Actual expenditure (from KMIS)	Approved increased expenditure	Increase as % of planned expenditure
2002-2003	£750,000	£996,508	£246,508	33%
2003-2004	£650,000	£935,371	£285,371	44%
2004-2005	£690,000	£720,698	£30,698	4%
<b>Total</b>	<b>£2,090,000</b>	<b>£2,652,577</b>	<b>£562,577</b>	<b>27%</b>

## 3.3 ERDF targets achieved

### 3.3.1 Achievement of ERDF activity targets

According to ERDF claim forms submitted to Strathclyde European Partnership by SEL, all targets relating to the provision of advice or consultancy support to firms have already been met or exceeded with the exception of one.

- total instances of advice provided to existing SMEs have been more than two and a half times as many as forecast



- more support than anticipated was given to firms led by women and firms in Social Inclusion Partnership areas and was on target to firms led by people from an ethnic minority group
- the one target that has not been met is regarding instances of advice or consultancy support to firms led by disabled people: the target was 14 yet only two firms received internationalisation support – this probably reflects the selection process adopted by SEL which focuses on firms' performance characteristics rather than SEP's cross cutting themes. This target looks unlikely to be met by 2006, the end of the ERDF grant period.

Overall then, progress in terms of projected activity has been very positive and reflects the underlying complementarities between the objectives of ERDF and SEL funding streams. The positive achievement of target is also down to the strong activity level.

**Table 3.8: Achievement of ERDF activity targets**

Target	2002*	2003	2004	2005**	Total	Target	% target achieved
Advice/consultancy to existing SMEs	247	274	361	73	955	352	271%
Advice/consultancy to existing SMEs led by women	17	12	18	6	53	25	212%
Advice/consultancy to existing SMEs in SiPS	10	14	14	3	41	17	241%
Advice/consultancy to existing ethnic SMEs	3	3	7	2	15	12	125%
Advice/consultancy to existing disabled SMEs	1	2	0	0	3	14	21%

\*Note – 2002 figures are for the last three quarters

\*\*2005 figures are for the first quarter only

### 3.3.2 Achievement of ERDF expenditure targets

Analysis of ERDF claim forms indicates that:

- the draw down of the Transitional ERDF funding has been, at 85% somewhat lower than originally anticipated (which could be partially explained by the fact that there is the time lag with ERDF claims of around 3 months). For this reason an extension till March 2006 has been requested
- but the draw down of Objective 2 ERDF – the larger of the two grants – is significantly above profile.

While expenditure is overall above profile and *activity* levels are above target, intermediate *results* were somewhat lower than anticipated. This will be looked at in more detail in Chapter 5 of the report.

**Table 3.9: Achievement of ERDF expenditure targets**

Funder	Total to March 2005*	Anticipated by March 2005	Actual as % of anticipated
ERDF Objective 2	£723,762	£617,768	117%
ERDF Transition	£365,170	£430,060	85%
Total	£1,088,932	£1,047,828	104%

\* last ERDF claims plus 2002 claim and grant information supplied by SEL

### 3.4 Conclusions on programme performance

There are a number of conclusions that can be drawn from the analysis of the management information available of internationalisation programmes. These are:

- the internationalisation initiatives are meeting and exceeding just about all activity targets set at the outset. This is true for SEL targets and for ERDF targets
- the main emphasis has been on providing support to manufacturing firms as may be expected with activity related to encouraging exporting
- most companies (60%) who have received support have been Business Gateway clients though a significant number of Account Managed companies have also been assisted with internationalisation activity
- there has been additional approved expenditure on SEL's part while at the same time that draw down of ERDF grants has been just over the sum anticipated.

## **4 Business survey**

### **4.1 Survey process and sample structure**

#### **Survey process**

The survey of companies assisted through the internationalisation programme was undertaken on a face to face, in-depth basis. The survey was carried out using a semi structured topic guide, a copy of which is available in Appendix 1.

A total of 29 companies were interviewed through the course of the survey, providing data accurate to  $\pm 18\%$  for the population as a whole. The sample was designed in order to ensure it was representative of the population of assisted firms in terms of segmentation, budget line (new exporter, existing exporter into new market and deeper international activity) and sector.

In order to achieve this level of response, a sample of two times the target number of interviews was drawn from the population of companies assisted through the internationalisation programme (the initial target was 35 companies).

All sampled firms were then written to in order to remind them of their involvement in the programme, inform them of the purpose of the evaluation, ask their willingness to participate in the evaluation and to alert them to the information requirements of the evaluation. Companies were provided with a fax back sheet upon which to intimate their willingness to participate and availability for interview. Interviews were then set up. Where the number of willing participants fell short of the desired level of achievement, a proactive approach to interview establishment was taken, phoning companies and requesting their participation in an interview. Efforts were made to ensure fit with the sampling framework as closely as possible.

The initial 2 interviews undertaken were undertaken as survey pilots in order to assess the usability of the topic guide in terms of question content, type and delivery. Thereafter, the topic guide was amended and the remainder of interviews was undertaken.

#### **Sample structure**

Overall, a population of 216 companies was assisted through the internationalisation programme, with a sample of 35 identified, and 29 companies eventually interviewed.

The sample was designed in order to ensure that it was representative of the profile of companies assisted. The key variable in this respect was client type (i.e. whether the company is Account or Client Managed or came through the Business Gateway). The sample profile is illustrated in the table below:

**Table 4.1: Sample segmentation**

Client Type	Total No. of Assisted companies	% of Companies Assisted	Sample Size
Account managed	60	28%	<b>10</b>
Client managed	26	12%	<b>4</b>
Business Gateway managed	130	60%	<b>21</b>
<b>Total</b>	216	100%	<b>35</b>

Within the overall population of interviewees and sample profile, the sample was further stratified to ensure that it was representative in terms of budget line and sector.

In terms of budget line, there are three key budget lines within the internationalisation programme: new exporter, existing exporter into new market and deeper international activity, with the profile of total number of assists (rather than number of companies assisted) being as follows:

**Table 4.2: Assists by measure**

Client Type	New	Existing	Deeper
Account managed	5	60	4
Client managed	3	24	1
Business Gateway managed	44	97	7
<b>Total</b>	52	181	12

This was then further broken down by sector and the sample designed in order that it provided fair representation across these factors within each of the key groupings. The following tables (4.3 – 4.5 provide a detailed breakdown of the target sample of 35 firms. We will see later in this chapter that 29 firms were interviewed and we go on to present the findings of this group.

**Table 4.3: Sample- account managed companies by industry**

Sector	No of Companies	New	Existing	Deeper	Target Sample
Engineering	2	0	2	0	0
Food & Drink	18	0	20	1	3
Chemicals	5	0	5	0	1
Life Sciences	8	2	9	0	1
Electronics	18	3	14	4	3
Construction	1	0	1	0	0
Software	2	0	2	0	0
Textiles	3	0	4	0	1
Energy	2	0	2	0	1
Manufacturing	1	0	1	0	0
<b>Total</b>	60	5	60	5	10

**Table 4.4: Sample- client managed companies by industry**

Sector	No of Companies	New	Existing	Deeper	Target Sample
Electronics	5	1	4	0	1
Energy	1	0	1	0	0
Engineering	4	0	6	0	1
Food & Drink	4	1	3	0	1
Life Sciences	1	0	1	0	0
Manufacturing	4	0	4	0	1
Service Industry	4	1	2	0	0
Software	1	0	0	1	0
Textiles	2	0	2	0	0
<b>Total</b>	26	3	23	1	4

**Table 4.5: Sample- Business Gateway managed companies by industry**

Sector	No of Companies	New	Existing	Deeper	Target Sample
Engineering	18	4	16	0	3
Food & Drink	8	5	3	0	1
Chemicals	6	3	4	0	1
Life Sciences	5	4	1	0	1
Electronics	11	2	8	2	2
Software	7	1	6	1	1
Textiles	5	1	9	0	1
Energy	5	2	4	0	1
Manufacturing	30	7	27	1	5
Service industries	32	14	18	1	5
Creative	1	1	0	0	0
Environmental	2	0	1	2	0
<b>Total</b>	130	44	97	7	21

## 4.2 Survey respondents

There were a total of 29 respondents from local companies. The following section focuses on the characteristics of those 29 businesses, looking at the following:

- company status (i.e. private limited, partnership etc.)
- industry sector
- company size
- exports
- segmentation of companies (i.e. Account Managed, Client Managed etc.)
- type of support received.

### 4.2.1 Company status

The great majority (26) of companies responding to the survey were private limited companies, one was a sole trader.

**Table 4.6: Firm status**

Status	No.	%
Private limited	26	90
Sole trader	1	3
Plc	0	0
Partnership	0	0
No response	2	7
Total	29	100

### 4.2.2 Sector

In terms of company sector, a high number were involved in manufacturing or engineering-related activity, with a fairly even spread across other sectors (Table 4.7).

**Table 4.7: Firms by sector**

	No.	%
Electronics	6	21
Manufacturing	6	21
Food & Drink	4	14
Biotech	2	7
Engineering	2	7
Services	2	7
Chemicals	1	3
Distribution	1	3
Energy	1	3
Retail	1	3
Software	1	3
No reply	2	7
Total	29	100

### 4.2.3 Company size

All but one of the companies were SMEs (with 250 or less employees), the exception being a firm with 1,000 employees. Just 5 of the respondents had 4 employees or less.

**Table 4.8: Firms by no of employees**

No of employees	No.	%
0-4	5	17
5-10	3	10
11-24	8	28
25-49	4	14
50-99	1	3
100-249	5	17
250+	1	3
No reply	2	7
Total	29	100

The majority of businesses surveyed had seen an increase in both employment and turnover since support was first received.

In our discussions with SEL, it was clear that an important element of their internationalisation support more generally is the desire to encourage a ‘pipeline’ of local firms entering internationalisation activities. The table indicates that the profile of firms is skewed towards those that are small (over half employ less than 25 staff). It will be seen later that additionality on exhibition attendance is high and this may be a key factor in this finding – when compared to medium and larger firms, small firms may have more difficulty affording the riskier nature of event attendance.

#### 4.2.4 Exports

Companies were asked what proportion of their turnover came from non-UK sales. Some 8 businesses said over 50% of their turnover came from sales abroad. Just 2 companies said sales abroad accounted for 0% of turnover.

**Table 4.9: Firms by % turnover from abroad- now**

	No.	%
0%	2	7
Less than 15%	6	21
15-25%	3	10
26-50%	4	14
51-75%	4	14
Over 75%	4	14
No reply	6	21
Total	29	100

#### 4.2.5 Segmentation

Most firms interviewed were Business Gateway clients though over a third was Account Managed, though 48% were Account or Client Managed.

**Table 4.10: Firms by segmentation category**

Segment	Total	%
Account Managed	10	34%
Client Managed	4	14%
Business Gateway	15	52%
Total	29	100%

#### 4.2.6 Support received

The two main types of support received were missions, exhibitions, learning journey and research (used by 24 participants) and advice free of charge (20).

**Table 4.11: Firms by type of support received**

Type advice	No.	%
Missions, exhibitions, Learning Journey, research	24	46
Advice free of charge	20	38
Workshops on internationalisation strategy	3	6
Export manager /consultancy (firm pays 50%)/ Business Manager for Hire	3	6
Exports/internationalisation training	2	4
Global Companies Programme (Strategem or Genesis)	0	0
International business mentoring	0	0
Total no. companies	52	100

N=29



#### 4.2.7 4.2.7 Sample broken down by segment and sector

The following tables (4.12 – 4.14) compare the target sample with the achieved sample and show that:

- there is an exact match in terms of numbers of Account and Client Managed companies interviewed and targeted, although the number of Business Gateway clients interviewed was 6 less than planned (15 and 21 respectively)
- there is a fairly close match in terms of the sectors that firms are in, though Food and Drink firms are under represented in the Account Managed segment, energy firms are over represented in the Client Managed segment
- Manufacturing and services are under represented in the Business Gateway sector, though the over representation of Food firms may compensate for the former.

**Table 4.12 – Achieved sample – account managed firms by industry**

Sector	Target Sample	Achieved sample
Engineering	0	1
Food & Drink	3	1
Chemicals	1	1
Life Sciences	1	2
Electronics	3	2
Construction	0	0
Software	0	1
Textiles	1	0
Energy	1	0
Manufacturing	0	2
<b>Total</b>	<b>10</b>	<b>10</b>

**Table 4.13 – Achieved sample – client managed firms by industry**

Sector	Target Sample	Achieved sample
Electronics	1	0
Energy	0	1
Engineering	1	1
Food & Drink	1	1
Life Sciences	0	0
Manufacturing	1	1
Service Industry	0	0
Software	0	0
Textiles	0	0
<b>Total</b>	<b>4</b>	<b>4</b>

**Table 4.14 – Achieved sample – Business Gateway firms by industry**

Sector	Target Sample	Achieved sample
Engineering	3	2
Food & Drink	1	2
Chemicals	1	0
Life Sciences	1	1
Electronics	2	3
Software	1	0
Textiles	1	1
Energy	1	0
Manufacturing	5	3
Service industries	5	3
Creative	0	0
Environmental	0	0
<b>Total</b>	<b>21</b>	<b>15</b>

### 4.3 International trade adviser

Twenty companies in the interview sample noted that they had received support from an international trade adviser or in-depth advice on internationalisation issues from their Account or Client Manager. Of the 20 firms who had received this support:

- eight had received support for between 6 months and two years
- seven had received support for 2 - 4 years
- five had had some sort of support for 5 or more years.

Thirteen of the companies interviewed were still receiving some sort of support from the trade adviser though in most cases this was ad-hoc and amounted to a visit or phone call every few months or so.

Of the five companies that had been receiving some sort of support for five years or more, most had received support to develop existing internationalisation further, perhaps into new markets. None had yet moved into what could be termed 'deeper' activity.

#### 4.3.1 Objectives for engaging the adviser

Companies engaged the support of an international trade adviser for a variety of reasons. The most common objectives stated by interviewees were:

- to get help in identifying potential new markets

- to take advantage of the advisers' expertise and knowledge of foreign markets and exporting, including regulatory/legislative information
- to get help in identifying appropriate exhibitions and to find out about trade missions
- to find out what support is available and how to get it (including financial support)
- to make contacts and get referrals to further assistance
- to get assistance with the logistics and paperwork side of things.

#### **4.3.2 Exporting plans prior to engaging the adviser**

Companies receiving support from a trade adviser were at varying stages in terms of international activity. These ranged from:

- no plans as they were at the information gathering stage
- an export strategy already in place
- already exporting, but perhaps not in the particular markets they were now interested in
- having identified a particular market they wanted to enter and being at different stages of export entry status.

Half of the firms who were asked had taken some action to implement their exporting plans before engaging with the adviser. Those who had not yet taken any action had not done so because:

- they needed assistance and financial support to do so
- they were at the earliest stages of considering international activity and did not yet feel in a position to commit financially.

#### **4.3.3 Input of the Adviser**

The nature of the support provided to firms varied due to the requirements of individual firms. The most common types of support that advisers gave to the firms interviewed were as follows:

- help with identifying suitable markets for firms
- advice on trading in foreign markets
- provision of contacts and referred firms to agencies/bodies who could help
- advice about support available from SE and SDI
- information on useful exhibitions, trade missions etc
- access to financial support to allow firms to explore foreign markets.

The development of internationalisation strategies is seen to be a key element of the support that an international trade adviser can provide. However, just over a third of the companies interviewed had prepared a formal strategy or plan with the adviser. We consider this to be relatively low and could be due to the fact that smaller firms are less likely to have a separate Internationalisation Plan in place. While this is understandable, we have a concern given the duration over which advice is being offered, that firms may either be developing a reliance on the advisors' inputs or that they may continue to receive advice but choose not to take any action. Either way, we feel firms should be encouraged to take actions (including UK based activities such as researching the market etc) so that *they* can develop their expertise and understanding. The Advisor can then build on the output of this work. By so doing, the advisor is playing more of a coaching role than at present and we feel that this will be better for firms in the medium term. It will also allow the advisors to identify those firms that are more committed to embarking on internationalisation activities.

**Table 4.15: Companies who prepared a formal internationalisation strategy/plan with their adviser**

Yes	36%
No	64%

N=14

Note that not all respondents answered this question

#### 4.3.4 Company input into the plan

Of the five companies who had prepared a plan, they had significant input into the process of developing a formal internationalisation strategy or plan, with all companies having an input into at least some of the plan, and 40% developing most of the content (Table 4.16).

**Table 4.16: Company input into internationalisation plans**

None	0
Some of the content- e.g. key issues	60%
Most of the content	40%
All	0

N=5

Preparation of the strategy/plan helped 60% of the 5 companies who answered to identify specific weaknesses to be addressed in their firms.

Weaknesses overcome by use of the plans include:

- identification of training requirements
- addressing knowledge gaps.

#### 4.3.5 Strengths and weaknesses of the support

The companies that were interviewed were generally very positive about the support they had received.

In particular, the quality of the support from the advisors was rated highly; with all respondents (though only 4 responded) saying advisers were either 'good' or 'excellent' (Table 4.17).

**Table 4.17: Company ratings of the advisers**

Poor	0
Average	0
Good	50%
Excellent	50%

N=4

The particular strengths of support that were identified were as follows:

- the knowledge and experience of the advisers
- that support was tailored to the needs of the company
- that there were links into other support offered by SEL and SDI.

There were very few comments made about weaknesses in the support given. Examples include:

- one company felt that at times SEL were slow to respond to requests

- another company stated that SEL were perhaps too dependent on consultancy services for the delivery of some support.

#### 4.3.6 Additionality of support

In terms of additionality, 79% of firms (23) indicated they took some sort of direct action as a result of the support they received – the remaining firms would have gone ahead on the same scale and within the same timescale.

**Table 4.18: Action if support had not been available**

Nothing	6	20%
Earlier, on larger scale or generally more likely	16	56%
Same scale, same time	7	24%

N=29

Where firms expressed their likely action in terms of '25% more likely to act' or '25% larger in scale', we recorded this percentage as the additionality for that case. Where the firm indicated that the action had been brought forward in time, we assigned 25% for each year the action was brought forward (i.e. if it was brought forward by 24 months, the attributed additionality was deemed to be 50%).

Applying this methodology to each case, the average additionality across the sample was 46%. This is broadly in line, if a little above the average for other business development evaluations we have undertaken on behalf of the Network and specifically SEL. However, given both the size profile of firms (small) and the feedback from interviewees that the support from SEL was influential to them making the decision to attend an event or participate in some other activity, this above-average figure would appear to reflect anecdotal feedback of the survey findings. A review of SEL evaluations recently provides an insight into the average additionality of its Business Development support:

- Innovation Support – 50%
- Business Growth Initiative – 50%
- Client Management – 30%
- Account Management - 30%.

#### 4.3.7 Summary of key benefits

Key benefits identified by interviewees were as follows:

- support gave firms the opportunity to get information and impartial guidance from someone with a range of knowledge and expertise
- the wealth of contacts that advisers have was viewed as important by many
- the advisers input allowed firms to make improvements to their plans
- having support available increased confidence and provided impetus to 'make things happen'
- availability of financial support to explore new markets and reduce the risk to firms.

#### **4.4 Exhibitions and trade missions**

This section will look at the support for attending trade missions and exhibitions and will cover the following topics:

- objectives
- rating of exhibitions
- strengths weaknesses and improvements
- action taken
- change in business performance
- contact made
- additionality
- summary of key benefits.

##### **4.4.1 Objectives for taking part in trade missions and exhibitions**

Companies had a broad range of objectives for taking part in trade missions or exhibitions. The most common objectives, however, centred on meeting new customers and breaking into new markets. These are directly centred on business growth and would be expected to generate improvements to turnover or lead to employment growth.

There was also a range of answers that focused on taking the first steps on the road to moving into new markets. These include meeting new overseas suppliers, understanding the markets better and making contacts that could be utilised in the future.

There was also a clear picture emerging that companies has specific objectives for going on missions and exhibitions. By having a clear picture of what they wanted to achieve we now move on to assess how successful they believed that they were.

#### 4.4.2 Rating of exhibitions and trade missions

The companies who attended trade missions and exhibitions were asked how they rated the event.

**Table 4.19: Company views on exhibitions and trade missions**

Poor	8%
Average	0%
Good	53%
Excellent	33%

N=12

The table very clearly shows the high levels of satisfaction with the trade missions and exhibitions. Of those questioned:

- over half felt that the event was good, while a further third believed it was excellent
- this gives an overall satisfaction level of 86% of companies satisfied
- no companies felt that the trade mission or exhibition was average, though some 8% of businesses felt that the activity was poor.

Companies, therefore, clearly value going on trade missions and exhibitions which suggests that their objectives for attending are being met. Companies did highlight some specific strengths, some weaknesses and areas for improvement which we consider below.

#### 4.4.3 Strengths, weaknesses and improvements

When companies were assessing the trade missions and exhibitions they focused on what was good about the event, what did not work so well and what could be done to improve the support.

Companies were firmly of the opinion that the access to a large pool of potential customers or contacts was a key strength of the support. This was seen as



opening up possible opportunities both in the short and longer term. Companies were also impressed by the flexibility of the programme that allowed them to take part in a series of organised events or go out on their own and look for business that way. There was also comment that the funding support was critical in allowing some companies the chance to participate fully. A small number of companies mentioned how well organised the missions and exhibitions were, though this was variable across all companies who attended.

There were high levels of satisfaction with the trade missions and exhibitions and few aspects of the events that were seen as weak and possibly in need of addressing. In one case a company that was generally very satisfied with attendance felt that more time could have been spent researching the event and making sure that people were aware of the very latest industry developments.

Only a small number of companies made some suggestions that would help to improve the events. There was some focus on more intensive one to one support that was felt to be necessary for companies to maximise the benefits of participation. More background research was also seen as a useful addition that would help the companies themselves to prepare for the events in a more structured way. We feel that this is the responsibility for the firm but that there is also a role for the advisor (or Account/Client Manager) to encourage the firms to undertake this activity and if appropriate enable them to access external support. Generally though, companies were satisfied with their attendance at trade missions and exhibitions.

#### 4.4.4 Action taken

The high levels of satisfaction with attendance at trade missions and exhibitions had resulted in many of the companies taking specific actions after they returned.

**Table 4.20: Companies taking direct action as a result of attendance**

Companies taking direct action	85%
Companies taking no action	15%

N=13

The vast majority of companies had taken some action as a direct result of attendance at a trade fair or exhibition.

The actions have involved directly working with new overseas customers and building international presence. This shows that the support is not just viewed as positive, but that it actually has led to action and in most cases new business with overseas customers.

In addition, there were also some individual answers that were positive, with one company stating that they were more confident about accessing overseas markets while another was keeping in close touch with customers they wouldn't normally have access to.

#### **4.4.5 Changes in business performance**

It is unsurprising to note that the majority of companies who have taken part in trade missions and exhibitions have seen improvements to business performance. This has largely been driven by companies selling to or working with overseas customers. Some specific improvements have included:

- increases in export sales
- growth in turnover
- increasing employment within the company
- greater overseas recognition.

Two specific examples are worth highlighting. The first covers a small company providing specialist mixing machines who state that they can attribute sales directly to a trade mission in Germany. They are firmly of the belief that the support has helped them to maximise their accounts.

The next example focuses on a small lab equipment distributor that believes their attendance at a trade mission played a key part in their 25% per annum turnover growth over the last 5 years.

Both examples highlight the considerable improvement to business performance that can be attributed to attendance at the events. However, not all companies have recorded improved performance, with some stating that there had been no notable change. This is a complex finding as it would appear that there may also be external or industry specific trends that impact on the level of improvement to business performance and that attendance at trade missions and exhibitions alone is not enough to change business performance. To contrast, firms attend events to 'refresh' existing customers and to be seen to compete – if they are not there, sales may suffer.

This feedback highlights two specific issues. First, firms make use of the internationalisation support to promote their businesses abroad (which in turn may protect sales or generate new sales from both existing and new customers). Second, there may be an 'overlap' in benefits derived through other support mechanisms that are delivered in parallel – the attribution by the firm occurs

elsewhere. O’Herlihy & Co Ltd observed this when undertaking the evaluation of the Business Growth Initiative (BGI) – firms attempted to attribute the benefit to BGI when in reality it should have been assigned to Internationalisation (and vice versa). We were aware for the current evaluation interviews too that firms had difficulty attributing the benefits to a specific element of support, especially where they had received several elements concurrently. Where possible, our interviewers worked with the firms to ensure that the attribution was as accurate as possible.

#### 4.4.6 Contacts made

Companies were extremely positive about contacts made from trade missions and exhibitions. In fact all companies surveyed stated that they had made contacts while 54% of those companies had developed at least 1 new overseas contract. In many cases, companies had developed 3 or more new contracts from the businesses that they had met. This suggests that the contacts are more than just people to keep in touch with and are in fact a source of new business.

This is a very positive outcome and shows the value of trade missions and exhibitions. New contacts are being made and these are in turn being translated into increased business for a significant majority. Given that some companies will only have recently been on a mission or went to an exhibition, these figures will underestimate the true impact over time.

#### 4.4.7 Additionality

The impacts of attendance at a trade mission or exhibition are generally positive. It is, however, important to recognise that certain companies may have carried out similar activities without support from SEL. What matters most is the extent to which the programme has added value over and above what would have happened anyway.

**Table 4.21: What would companies have done without SEL Support?**

Nothing	40%
Would have been less likely to proceed	25%
Smaller scale project	25%
Same action later	10%

N=20

There would appear to be quite a high level of additionality associated with the trade missions and exhibitions programme, with 40% of firms saying that they wouldn’t have done anything if SEL didn’t provide the support. A further 50% of companies would have been less likely to proceed or would have only run a smaller scale project implying that the project has added value. Just 10% of companies would have considered doing the same action later.

These findings suggest that there has been strong additionality and that the benefits therefore might not have been accrued without the programme.

#### **4.4.8 Summary of key benefits**

Company responses highlight that the trade missions and exhibitions aspect of the SEL internationalisation support was well received. Key highlights include:

- 86% of companies felt that the events were either good or excellent
- firms liked the organisation of the scheme in that they could meet a large number of possible customers or they could go and pursue their own interests
- 85% of firms who attended trade missions or exhibitions had taken direct action – and that action had yielded new or expanded business
- a large proportion of firms also felt that the scheme had resulted in improved business performance
- all participating firms had made new contacts – with 54% of these firms developing new contracts
- additionality appears to be high, with at least 40% of companies taking no action if there had been no support from SEL.

### **4.5 Workshops on Internationalisation and Exports Internationalisation Training**

There were just 5 companies surveyed who fell within either the exports internationalisation training scheme or the workshops on international strategy.

The workshops tended to be on quite specific subjects such as accounting practices or the mechanics of exporting. Generally, they were rated as being either good or excellent and the subject matter was commended for being thorough and covering the areas people wanted to know about.

The workshops or training had resulted in companies taking action that they felt to be highly relevant and in keeping with meeting their objectives for attendance. There was a very clear message that these changes wouldn't have happened without the support. Furthermore, companies felt that if there was no support then they wouldn't have done anything about the issues – even though in one case this would have resulted in the company failing to update their INCO terms (i.e. the commonly used trade terms in international trade).

Companies provided less clarity on direct attributable benefits, and felt that while the training or workshops were useful, they would not have any direct effect on company performance.

Overall, though, companies were positive about the workshops and had found the content to be useful.

## **4.6 Responses on other support received**

The remainder of survey responses relate to companies who have received the following support:

- Export Manager for Hire/ Exports Consultancy
- International presence - SE/SDI Office Support.

### **4.6.1 Export Manager /Export Consultancy**

Three of the companies that were interviewed had engaged the services of an export consultant. The objectives stated for doing so were:

- to develop business in an identified market
- to identify useful contacts.

Levels of satisfaction were mixed, as one company rated the support as good and one rated it as poor. All export managers left within 4 months of appointment.

In one case it was felt that the manager did not adapt quickly enough to the company's needs and his contract was terminated for this reason. In the other cases respondents felt there had been no impact as a result of the support though:

- one respondent felt that this had not been a fault of the way the support is offered, rather the wrong person was hired
- the other respondent felt that the resultant action undertaken would have been of a smaller scale were it not for the support received, suggesting some additionality.

The fairly negative feedback from these three cases suggests that the programme could be improved. It was suggested by one participating company that more flexibility could be introduced to allow companies to take on export managers

for a shorter period of time. Effectively, this is what now happens with the Business Manager for Hire initiative where the Managers are not 'employed' by the company as such, but are taken on as a consultant to the firms for a period of between 3-12 months. If the firm wishes to make the Manager an offer of a job during or after this period, the Manager can choose to accept or decline. This approach has the benefit of allowing both sides to assess their relative performance during the 'consultancy' period.

#### **4.6.2 International market presence**

SEL can offer support to firms to enter new overseas markets by providing an *International market presence* in incubation and transit space in an SDI office or negotiating managed office space. Two companies had taken up this support. As a result, one of these companies has now established an international presence in the new market. It was not possible to attribute any particular benefits to this support.

## 5 Achievement of outputs and economic impact

### 5.1 Introduction

This chapter considers the impact of the internationalisation projects in relation to ERDF targets and more widely.

### 5.2 Output and impact targets set

#### 5.2.1 ERDF output and impact targets

Targets for impacts for the ERDF funded internationalisation activities (for both Objective 2 and Transition programmes) are set out in the table below. These indicate that over the four years of this particular round of ERDF – and related matched - funding (i.e. a slightly different period than that of the evaluation i.e. April 2002 – March 2005, 3 years):

- 659 jobs in total were to be created, 20% of these for women
- export sales were to increase by around £70 million
- 231 new markets were to be entered by assisted firms
- over £1.9 million of income was to be generated
- 38 new exporters would be created.

**Table 5.1: ERDF Output and Impact targets**

Target	2002*	2003	2004	2005**	Total
No of gross new jobs created	134	222	245	58	<b>659</b>
No of gross new jobs created for women	30	44	49	12	<b>135</b>
No of gross new jobs created for members of ethnic minorities	5.5	11	12	3	<b>31.5</b>
No of gross new jobs created for disabled people	4.5	11	12	3	<b>30.5</b>
No of gross new jobs created in areas defined as most in need	4.5	11	12	3	<b>30.5</b>
Increase in export sales (£m)	£18.76	£21.74	£23.95	£5.67	<b>£70.12</b>
New markets entered	64	71	78	18.5	<b>231.5</b>
Generated income (£000)	£518.52	£585.03	£644.78	£152.63	<b>£1,900.96</b>
No of new exporters	n/a	16	18	4.5	<b>38.5</b>

\*Note – 2002 figures are for the last three quarters

\*\*2005 figures are for the first quarter only

### 5.3 Claimed achievement of ERDF impact targets

SEL claims respect of the impact targets outlined above suggest that performance has been mixed:

- None of the impact targets relating to job creation have been met (Table 5.2). Around a quarter (28%) of anticipated jobs were created in the period being evaluated
- However, a number of other targets have been exceeded. For example, the increase in export sales, at £139 million, has been double the target for the time period (though the 2002 figures may be questionable). In addition, generated income has, at over £8 million, been over four times what was expected
- Over 450 new markets were entered by firms receiving support – almost double the target
- Lastly, the number of new exporters created looks to be on track when accounting for the fact that the 2002 figure was not supplied.

**Table 5.2: ERDF output and impact claims**

Target	2002*	2003	2004	2005**	Total	Target	Performance against target
No of gross new jobs created	92	31	52	11	186	659	28%
No of gross new jobs created for women	36	10	13	2	61	135	45%
No of gross new jobs created for members of ethnic minorities	2	2	2	0	6	31.5	19%
No of gross new jobs created for disabled people	0	0	0	0	0	30.5	0%
No of gross new jobs created in areas defined as most in need	1	2	1	0	4	30.5	13%
Increase in export sales (£m)	123.47****	2.84	11	1.8	£139.11	£70.12	198%
New markets entered	64	56	202	131	453	231.5	196%
Generated income (£000)	2,340.88	2,037.50	2,854.15	1,031.21	8,263.74	£1,900.96	435%
No of new exporters	n/a	9	15	7	31***	38.5	81%

\* - Note that 2002 figures are for the last three quarters only

\*\* Note: First quarter only

\*\*\* - this excludes any exporters created in 2002 for which claims figures were not made available

\*\*\*\* - Note that these 2002 figures have been supplied directly by SEL and have not been checked against the relevant claims form. They look to be exceptionally high.



## 5.4 Achievement of output and impact targets

Quantification of outputs and impact targets by the interviewees as a result of internationalisation support was not always possible. This reflected a number of factors:

- the scale of the intervention, which at times had been relatively small so that the interviewees felt they were unable to quantify impact
- the intervention having been felt to have had no impact, often as the interviewee would have undertaken the action anyway, that is the intervention represented deadweight
- an acceptance that there had been an impact but a reluctance to attribute a benefit, given the variety of other factors that had affected the company
- it should also be noted that during recent years, the economy and particularly the local labour market has shown slow growth. This has affected firms' recruitment. Separately, we are aware that firms, especially manufacturers, are embarking on productivity improvement initiatives that effectively lead to jobless growth.

Accepting these caveats, the impacts that were ascribed to the internationalisation programmes will now be outlined.

### 5.4.1 Improvements to Company Turnover

Of the 29 respondents, 14 (48%) were able to quantify the impact on turnover of the intervention which amounted to a total of £11.29 million. The greatest impact was an increase in turnover of £8 million recorded by one company.

Eleven companies were able to give an estimate of turnover in 2 years time. The total increase was £13.38 million. Again one company estimated a significant future increase of £10 million.

These data allow the impact for the population to be estimated.

1. We have applied a methodology agreed with SEL for progressing from gross to net impact. This is based on the model developed by English Partnerships (English Partnerships, 2004, pp. 3-6). The principles of the approach are that the impact of the 'Reference Case' - the 'deadweight' outputs that would occur in any event if the intervention did not take

place - are deducted from the 'Intervention Option' – the outputs that have occurred as a result of the intervention going ahead. Values for displacement, leakage, multipliers etc are applied to the Reference Case in the same way as they are applied to the Intervention Option, with the net impact effectively being the difference of these two calculations (Intervention Option – Reference Case).

2. Given that this is a business development programme, the calculation of impacts (and specifically GVA) used sales as the principal performance metric. The data from the sample of 29 firms were grossed to the level of the population (216) and the gross sales data in Tables 5.3 and 5.4 refer to these calculations. These tables also indicate that the population level attributable sales to date are £84 million with £99.3 million projected for two years time.
3. For the avoidance of doubt, we have used the following definitions to the various terms that are referred to in this process.

<b>Gross impact/benefits</b>	The immediate or top line benefits to a company derived from SEL's internationalisation support
<b>Deadweight/non-additionality</b>	The extent to which SEL's assistance merely supports activity which a beneficiary would have undertaken in any event, for example, financially supporting a company to attend a trade exhibition which it would have attended without any support.
<b>Displacement</b>	Where the positive impacts of an assisted company take benefits away from a non-assisted company in the same economy through what is in effect unfair competition.
<b>Substitution</b>	Where one individual loses his or her job to be replaced by another individual who is the beneficiary of a public sector subsidy or other form of support. Also unfair competition.
<b>Supply Multiplier</b>	The positive downstream effects where the improved performance of an assisted organisation results in more business to their suppliers, their suppliers' suppliers and so on.
<b>Income multiplier</b>	If a firm's performance is improved through intervention and this results in more employees or better remuneration for existing employees (or both) the income multiplier expresses the value of the impact of the higher level of spending that results.
<b>Leakage</b>	The extent to which the benefits of an area-targeted intervention accrue to residents from beyond that area.
<b>Net impact/benefits</b>	Gross impact discounted to take due account of the factors listed above, namely, deducting where appropriate an amount for deadweight, displacement, substitution and leakage and adding an amount for multipliers.

The method for the calculation of the total net additional local impact of a project can be summarised using the following equation:

$$AI = [GI \times (1 - L) \times (1 - Dp) \times (I - S) \times M] - [GI^* \times (1 - L^*) \times (1 - Dp^*) \times (I - S^*) \times M^*]$$

AI = Net additional impact  
GI = Gross impact  
L = Leakage  
Dp = Displacement  
S = Substitution  
M = Multiplier  
\* denotes reference case and hence deadweight

The multiplicative formulation described in the equation represents the relationship in its simplest form. It implies, for example, that leakage effects occur to the same extent to the gross effects, as they do to displacement and multiplier effects.

The calculation is based upon our research evidence collected through our survey and involves being explicit about the assumptions and the expected implications of a set of actions (as per English Partnerships, 2004, p. 25). The Intervention Option/Reference Case methodology allows both the net impact to be calculated along with an assessment of Gross Value Added (GVA) (See Table 5.3 and 5.4 below).

The metrics in this table require explanation:

- Deadweight – the average overall additionality was 46% giving a sample deadweight of 54%.
- Leakage – the level of leakage has been assumed to be 5% at the local level and 25% at the Scotland level. Leakage data were not collected when undertaking the survey and these figures were agreed with SEL as part of an earlier (separate) composite review of business support initiatives
- Displacement – displacement data was sought from interviewees but their feedback was inconsistent. The percentage of displacement applied in the calculations here is the average figure taken from three separate business development evaluations undertaken in Lanarkshire recently namely the evaluations of Business Growth Initiative, Account Management and Client Management
- Substitution – substitution is included in the English Partnerships methodology but has not been measured historically in Business Development evaluations in Scotland. Its effect tends to be greatest for employment generation initiatives and for the purposes of the analysis above, it has been assumed to be negligible.
- Net Present Value – an NPV adjustment has been applied to future sales. A Discount rate used is 6% and has been applied to the absolute figure presented by firms
- Multipliers – We have calculated a composite multiplier based upon the Scottish Executive Input Output Tables. These are presented below in Table 5.5. The composite multiplier uses the sectoral distribution of the sample to arrive at a final figure. We have assumed that the Scotland multiplier is twice that of the local multiplier.
- Gross Value Added – The calculation of GVA is based upon the Net Turnover generated with the ratio of GVA:Turnover being calculated using the sectoral distribution and data published by the Scottish Executive (Table 5.6)



Table 5.3 – Sales Impacts to date

	L'shire (2002-2005)			Scot. (2002-2005)		
	Factor Value	Intervention Option	Reference Case	Factor Value	Intervention Option	Reference Case
Gross Turnover Impact		£84,091,034			£84,091,034	
Gross new jobs						
Jobs safeguarded						
Total gross jobs						
Less Deadweight	54%		£45,409,158	54%		£45,409,158
Less Leakage	25%	£63,068,276	£34,056,869	5%	£79,886,482	£43,138,700
Less Displacement	5%	£59,914,862	£32,354,025	11%	£71,098,969	£38,393,443
Less Substitution	0%	£59,914,862	£32,354,025	0%	£71,098,969	£38,393,443
Plus Multiplier	1.3	£77,889,320	£42,060,233	1.61	£114,469,340	£61,813,444
Net Turnover		£77,889,320	£42,060,233		£114,469,340	£61,813,444
Net Employment						
Total net additional turnover/employment (less deadweight/reference case)		£35,829,087			£52,655,897	
GVA/turnover ratio		0.344			0.344	
Gross GVA		£28,927,316			£28,927,316	
<b>Net GVA</b>		<b>£12,325,206</b>			<b>£18,113,628</b>	

Table 5.4 – Future Sales Impact

	L'shire (2002-2005)			Scot. (2002-2005)		
	Factor Value	Intervention Option	Reference Case	Factor Value	Intervention Option	Reference Case
Gross Turnover Impact		£99,345,103			£99,345,103	
Gross new jobs						
Jobs safeguarded						
Total gross jobs						
Less Deadweight	54%		£53,646,356	54%		£53,646,356
Less Leakage	25%	£74,508,827	£40,234,767	5%	£94,377,848	£50,964,038
Less Displacement	8%	£68,548,121	£37,015,985	10%	£84,940,063	£45,867,634
Less Substitution	0%	£68,548,121	£37,015,985	0%	£84,940,063	£45,867,634
Plus Multiplier	1.32	£90,483,520	£48,861,101	1.63	£138,452,303	£74,764,244
Net Turnover		£90,483,520	£48,861,101		£138,452,303	£74,764,244
Net Employment						
Total net additional turnover/employment (less deadweight/reference case)		£41,622,419			£63,688,059	
NPV Net Future Sales		£37,043,805			£56,682,146	
GVA/turnover ratio		0.344			0.344	
Gross GVA		£34,174,715			£34,174,715	
<b>Net GVA</b>		<b>£12,743,068.86</b>			<b>£19,498,658.24</b>	

Table 5.5 – Effective Type II Multiplier Calculation

Sector	Multiplier	% Distribution	Proportionate contribution	Comment
Electronics	1.529	21	0.32109	
Manufacturing	1.549	21	0.32529	
Food & Drink	1.787	14	0.25018	
Biotech	1.42	7	0.0994	Used Medical and Precision Instruments
Engineering	1.549	7	0.10843	As Manufacturing
Services	1.808	7	0.12656	Used Services, Computing & Research
Chemicals	1.406	3	0.04218	
Distribution	1.77	3	0.0531	
Energy	2.5	3	0.075	
Retail	1.7	3	0.051	Used Retail Distribution
Software	1.808	3	0.05424	
No Reply	1.549	7	0.10843	Used Manufacturing
<b>Composite Multiplier</b>			<b>1.6149</b>	

Table 5.6 – Effective GVA: Sales Ration Calculator

Sector	GVA: Sales Ratio	% Distribution	Proportionate contribution	Comment
Electronics	0.26	21	0.0546	
Manufacturing	0.34	21	0.0714	
Food & Drink	0.31	14	0.0434	
Biotech	0.42	7	0.0294	
Engineering	0.43	7	0.0301	
Services	0.48	7	0.0336	
Chemicals	0.33	3	0.0099	
Distribution	0.49	3	0.0147	
Energy	0.31	3	0.0093	
Retail	0.25	3	0.0075	
Software	0.55	3	0.0165	
No Reply	0.34	7	0.0238	Used Manufacturing
<b>Composite GVA:Sales Ratio</b>			<b>0.3442</b>	



## Employment creation and cost per job

The total public sector programme costs over the three years covered by the evaluation were £3,509,966 (SEL, ERDF and contributions from two local councils).

The net additional turnover has been calculated as £35,829,087 (Table 5.3).

Accordingly for every £1,000 of public expenditure:-

- net turnover increased by £10,208; and
- at a margin of error of +/- 18% this gives a range of £8,371 to £12,045.

## Net cost per job created or safeguarded

The sample of 29 companies identified:-

- 125.5 jobs created as a result of the programmes; and
- 9 jobs safeguarded.

This gives total jobs created/safeguarded of 134.5. Grossing these up to the population (216 companies) gives gross figures of:-

- 935 jobs created; and
- 67 jobs safeguarded.

Gross jobs created/safeguarded therefore equals 1,002.

The analysis in Table 5.7 applies the same English Partnerships model used to calculate the sales impact.

**Table 5.7 – Employment impacts**

Employment Impacts	Lanarkshire			Scotland		
	Factor Value	Intervention option	Reference case	Factor value	Intervention option	Reference case
<b>Gross new jobs</b>		935			935	
<b>Jobs safeguarded</b>		67			67	
<b>Total gross jobs</b>		1,002			1,002	
<b>Less deadweight</b>	54%		541	54%		541
<b>Less leakage</b>	25%	752	406	5%	952	514
<b>Less displacement</b>	5%	714	385	11%	847	457
<b>Less substitution</b>	0%	714	385	0%	847	457
<b>Plus multiplier</b>	1.3	928	501	1.61	1,364	736
<b>Net employment</b>		928	501		1,364	736
<b>Total Net additional</b>		427			628	

employment (created/safeguarded)						
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Based upon this methodology, the net cost to the public sector per job created/safeguarded was therefore:-

- at Lanarkshire level an average of £8,220, ranging from £6,740 to £9,700 (+/- 18% margin of error); and
- at the Scottish level an average of £5,589, ranging from £4,583 to £6,595 (+/- 18% margin of error).

This assumes that total public sector costs over 3 years are £3,509,966 as outlined above.

#### 5.4.6 Other Benefits

Interviewees were asked a variety of questions regarding the impact of the programmes on their business. Table 5.8 looks at the impact upon medium term competitiveness. Of the 23 respondents 70% claimed there had been an impact with half of these claiming this had been “considerable”.

**Table 5.8: Programmes’ Impacts upon medium term competitiveness**

Impact on competitiveness	Number of respondents	Percentage of respondents
Improved considerably	8	35
Improved slightly	8	35
No change	7	30
Declined slightly	0	0
Declined considerably	0	0
<b>Total</b>	<b>23</b>	<b>100</b>

Table 5.9 looks at the other benefits that respondents identified as a consequence of the support received. A very positive picture emerges. For example:-

- 37% of the overall responses felt that there had been “significant change” and 48% “some change”.

In terms of individual benefits the following stand out:-

- the increased profile of the firm as a result of participation which was seen as being “significant” by 63% of respondents
- customer base diversification that was felt to be “significant” by 41% of respondents

- networking and developing contacts and improved knowledge of marketing opportunities that were both felt to be “significant” by 38% of respondents.

**Table 5.9: Other benefits arising from internationalisation support**

<b>Benefit</b>	<b>No change</b> (row % of respondents)	<b>Some change</b> (row % of respondents)	<b>Significant change</b> (row % of respondents)	<b>Number of respondents</b>
Marketing opportunities	4	58	38	24
Competition strength	27	64	9	22
Firm profile	4	33	63	24
Diversification of customer base	4	55	41	22
Better contact follow-up	17	57	26	23
Understanding of exporting	35	30	35	17
Networking	20	42	38	24
Other	0	40	60	5
<b>Total</b>	<b>15</b>	<b>48</b>	<b>37</b>	<b>161</b>

Note: Respondents gave were able to give more than one response.

Overall the picture that emerges from these comments is that the programmes are having a positive impact on the participants. The extent to which this is translated into hard economic benefits is considered in the next section.

## 6 Emerging issues

### 6.1 Introduction

This chapter brings together relevant findings on both the delivery of internationalisation support by Scottish Enterprise Lanarkshire and its resultant impact on participating firms.

### 6.2 Views on different support streams

While the internationalisation support comprises many different elements, two dominate:

- Exhibitions/Missions/Learning Journeys - typically circa 43% of assists
- Overseas Market Support - typically circa 42% of assists.

A review of the completed questionnaires indicates that the majority of the firms that cite an additional economic impact have benefited from Exhibitions & Missions assistance. Overseas Market Support typically comprises advice on internationalisation from an advisor (who can be a specialist internationalisation advisor, the firm's Account or Client Manager or an advisor from the Business Gateway) coupled with training and assistance through workshops and seminars. Based upon feedback from firms, it is clear that the relationship with advisors is longstanding, as in 60% of cases support has been provided for over two years and in 20% of cases for over five years. We appreciate that the nature of the relationship may develop over time whereby the types of interventions supported change to reflect firms' needs. However, our survey findings suggest that the advice does not appear to lead firms to take an action or produce an output - an action plan was produced in just one third of cases and only half of these firms provided the majority of the plan's content indicating a lower level of engagement. We feel that there is scope to encourage firms to take action based upon specific advisory inputs - *advice could be structured so that it leads to a suggestion for an action by the firm which, when taken, triggers a further input by the advisor. Should the firm not take the action, the advisor's input would diminish/cease.* Our consultations with SEL indicates that this is presently a principle of its existing approach but our survey findings suggests that more could be done to encourage this behaviour by firms.

Case appraisal for Exhibitions and Missions is usually based upon a plan that is agreed jointly by the firm and SEL at the start of the year. This plan should contain evidence that the firm is acting in a strategic manner both when selecting events and in understanding how they fit with other forms of

internationalisation activity. Our survey indicates that firms were broadly positive but there was some negativity around the value of exhibition attendance. Although the negative feedback was limited, it tended to be critical of the event selection and we feel that this is something which is the firms' responsibility to address rather than SEL's. Our view is that SEL can facilitate firms' attendance at exhibitions and missions but it is up to the firm to maximise the benefit that they derive through their attendance.

The third stream of internationalisation support related to different forms of placement covered by International Mentoring (International Manager for Hire, International Graduate Placement, and Export Consultancy). While a relatively small sample of firms had received the support (three) feedback was not that positive. Placements/consultants worked with the firm for around four months which is a relatively short length of time. Based upon this finding, we consider that it would be appropriate for SEL *to review the implementation of this activity stream and consider firstly how the matching process of the placement to the firm can be improved and second, whether greater flexibility might be introduced allowing firms to gain the benefit of more than one placement at a time.* We understand that with the recently introduced Business Manager for Hire programme, the consultant is available for a flexible time period of between 3-12 months – this would appear to address the difficulties that firms observed with the earlier intervention. Separately, we are aware from other executive placement programmes we have reviewed that the matching process is critical – if the 'fit' of the personnel is not good, the relationship rarely proves to be satisfactory. None of the interviewees cited 'fit' as being a significant issue but their feedback suggests that it is a criterion that SEL should highlight to firms when appraising future project applications.

### **6.3 Future demand**

There is little direct feedback from firms on areas where internationalisation support might be targeted in the future. Firms value specifically the Exhibitions and Missions/Learning Journey support and also the advisory input – but they tend to take little action as a result of the latter.

For exhibitions, firms are required to provide a matched financial commitment of at least 50%. There has been a low-level of take-up of the other main internationalisation service (Internationalisation Mentoring) delivered by SEL. At first sight, this would suggest more could be done to promote this third element but the picture is not that straightforward as there is a rather complex set of issues to be considered regarding the assessment of market failure. Firms utilise support for two key activities, advice and exhibitions/missions attendance.

Despite having received assistance to attend the same events on successive years, firms cited moderate to high levels of additionality on this type of activity. As mentioned above, the financial assistance appears to be expanding the base of attendance especially among small firms. Also, these firms indicate that they 'sustain' sales through their attendance as well as generate new sales – if they fail to attend, sales may drop. Normally, it would be expected that firms would learn the rewards/benefits of attendance (SEL funds their attendance and thereby addresses an information market failure that is deemed to exist) and that subsequently firms will attend using their own resources. However, feedback from the sample suggests that there appears to be an ongoing demand for exhibitions assistance, especially among smaller firms and those being introduced to internationalisation for the first time. Demand for advice also appears to be strong – therefore we feel that both of these should continue.

From a negative perspective, many firms receiving assistance with Exhibition attendance have been supported for some time to attend similar (types of) events. It might be expected that these firms should by now appreciate the benefits of exhibitions and therefore not need public sector assistance to participate. That said, the additionality level (40% were fully additional) would indicate that the SEL support is influential and appears to be encouraging firms to attend events that they would not otherwise visit. A key question is whether these events are a good return on SEL's investment given that the sales impact is lower than might be expected. It is unclear as to the underlying reason why firms in Lanarkshire do not appear to fund subsequent attendance unassisted. *In response, it would be appropriate for SEL to consider introducing a graded structure of assistance, which could:*

- *give firms the maximum level of support to attend they have not attended previously*
- *provide the maximum level of support to firms that are new to exhibition attendance.*

## 7 Conclusions and future delivery

### 7.1 Performance against target

#### 7.1.1 ERDF targets

A review of the ERDF activity levels between 2002 and 2005 indicates clearly that *activity* has been significantly above target but that *impacts* have been below target. Specifically:

- advice and consultancy to existing SMEs accounted for 708 assists against a target of 296 - this is 2.4 times the target
- advice and consultancy to existing SMEs led by women was also above target (at 36 against 20) and
- advice and consultancy to SMEs active in SIP areas (31 against 17).

The only activity target that was not met was advice and consultancy to existing SMEs led by a disabled person where the assists numbered two against a target of 12. When making its ERDF application we would note here that SEL discussed and agreed with Strathclyde European Partnership, that the selection of firms would be based upon their commercial potential rather than the achievement of SEP's cross cutting themes.

#### 7.1.2 SEL Targets and Impacts

In line with the achievement of targets for European funding, SEL has exceeded its own activity targets. Its aim was to assist total of 188 firms over the three years of funding and thereby generate increases in sales to the value of £35 million. The bulk (71%) of this assistance was to be directed towards *organisations developing international activity*. Our analysis indicates that SEL has assisted 197 firms (approximately 5% over target) and that this cost £2.09 million (26% over target) - this equates to circa £11,000 per firm or £10,000 of sales for every £1000 of SEL expenditure.

To summarise, SEL has exceeded its target expenditure by 26% which has generated an extra 5% of activity (assisted cases) but with a projected net sales increase (based upon our sample) of around £35 million (66% of the target level). There are contributory factors that may lead to this shortfall namely timing differences between when the funds were spent and when the impacts were derived. Equally, the population of smaller firms will have relatively fewer resources available to invest in internationalisation and will therefore require more support for a given level of return. We can conclude that the

internationalisation support was more costly but achieved less impact than anticipated.

## 7.2 Project rationale

The rationale for providing assistance to SMEs engaging in trade development activity is based upon the understanding that it is relatively risky and that the risks are usually over-estimated by SMEs due to a lack of available information on the likely financial returns. It is understood by HM Treasury that firms need assistance and encouragement to overcome the relatively high risk they perceive when considering entry to a new international market. Small firms, especially those new to foreign trade, will often not have the necessary resources available and are likely to be more risk averse. In this regard, the rationale for SEL's assistance would seem sound.

## 7.3 Success in meeting aims and objectives

The programme has certainly been active in supporting firms wishing to engage in trade development activity. Its Advisory Assistance exhibited relatively low levels of additionality but this was complemented by the Exhibitions/Missions/Learning Journey support where additionality remained high.

In terms of providing support and facilitating firms' engagement activity, the programme would appear to be achieving its objectives. However there are two key issues associated with this finding that must be taken into account:

- the activity has been more costly than anticipated proving to be relatively expensive when compared to the original planned expenditure
- although activity levels are approximately 5% ahead of target and expenditure is 26% ahead of target, the resultant impact is below target (at 66%).

## 7.4 Company Characteristics

A total of 61% of firms receiving internationalisation support were categorised as 'Business Gateway'. Of the remainder, Account Managed firms dominated (27%) with the remaining Client Managed firms accounting for 12%. Based upon our consultations with Scottish Enterprise Lanarkshire we understand that this is a typical distribution and that the organisation did not have a target for the proportion of support delivered to each of its three client groups. Based on



this observation, *we suggest that SEL reviews the balance of activity across the three main client groups and considers whether the current dominance of Business Gateway support is appropriate – specifically, we suggest that SEL considers whether greater emphasis might be placed upon existing Client Managed firms in the short to medium term which appear to be under-represented.*

## **7.5 Customer satisfaction**

Customer satisfaction appears to be high for most types of support - the exception being certain aspects of Internationalisation Mentoring but the criticisms appear to relate to obsolete programmes. Firms' satisfaction with programmes where financial assistance is available (principally Exhibitions support) tends to be high.

## **7.6 Sustainability**

Firms are very positive about the benefit of attending exhibitions and missions with over half having gained at least one new overseas contract as a result of their attendance. What's more, 40% of firms indicated that their exhibition attendance was fully additional - that is, they would not have attended had the SEL support not been available. Of the remainder, scale and the general commitment benefits were the most significant areas of influence (timing less so).

Given that Exhibitions and Missions support has been available for many years, it is somewhat surprising to see the high level of full additionality cited by firms. However, in the current business climate small and medium-sized firms find it challenging to raise sufficient funds to attend all of the relevant exhibitions and there is evidence in the feedback to suggest that SEL support may be expanding the base of attendances - in a given year, firms attend more events as a result of SEL support than they would have otherwise.

There is evidence that firms are generating sustainable sales based upon the assistance they receive - those attending Exhibitions identified that they get an average of one new contract for just over every two attendances. The key issue for SEL is that these contracts are not converting into sales of a sufficient magnitude for it to meet its target sales impact as set out in the original approvals papers. *We would suggest that SEL focuses on working with the firm to maximise the benefit of the exhibition attendance increased attention to case appraisal which although time-consuming is likely to lead to better performance in the medium term.*

From a negative perspective, firms indicated that more could be done upfront to research the event but as we mentioned above, we feel at this is the responsibility of the firm. That said, SEL could promote more actively its pre-attendance market research support and could also encourage firms (not just those new to exhibiting) to adopted a structured approach and if necessary gain training on how best to promote their business.

## **7.7 Strengths and Weaknesses**

### **7.7.1 Strengths**

- encourages firms' internationalisation activity
- provides advice and guidance on international strategy
- results in active participation by firms in international markets
- encourages firms to look at new markets
- facilitates/assists firms to set up offices in new geographies
- provide specialist advice in a targeted way to firms that addresses specific internationalisation requirements
- increases firms' exports
- leads to sustainable sales.

### **7.7.2 Weaknesses**

- more costly than anticipated
- firms may be becoming over-reliant on the public sector support (both advisory and financial)
- public sector expenditure not generating anticipated return
- activity dominated by two streams (principally Exhibition attendance and Advice)

## **7.8 Future demand**

Feedback from firms provided no clear indication of likely areas of future demand. Given the high levels of satisfaction and the evidence that the financial assistance is facilitating firms' attendance at events which they would not otherwise attend, it is likely that demand of the current profile will continue. The key question for SEL is whether this is appropriate to continue supporting this activity at historic levels.

In terms of market failure, there is conflicting feedback regarding exhibitions attendance. Firms are receiving financial assistance for attending events they have attended previously (often for several years) but their feedback indicates

that they would not have attended without SEL support. Their reason is usually a lack of funds. This would suggest that:

- firms are not deriving sufficient financial return to warrant a full payment – if they did not get a subsidy from SEL, they would probably not attend at all for lack of value
- firms are deriving a financial return but apply for the subsidy from SEL to offset the cost of attending events not supported by SEL
- firms are deriving a financial return but apply for the grant to offset their cost – if this is the case, there would be a high degree of deadweight in the programme.

Our view based upon the survey is that the typical participant is small and that the subsidy is important in terms of scale and commitment.

*We suggest that SEL considers introducing a sliding scale of financial assistance based upon whether the firm has attended the selected event previously – if it has, then they should be aware of the benefit of participation and should be prepared to invest more themselves. If the event does not produce a sufficient financial return, then the firm can choose not to participate. The introduction of a sliding scale allows for the case where a firm needs several attendances to establish the value of a specific exhibition.*

## 7.9 Overall

- *We suggest that SEL reviews whether the balance of activity across its three main client groups (Account and Client Managed and Business Gateway firms) is appropriate. Given SEL's impact performance against its ERDF targets is below profile, we would suggest that it should aspire to achieving a greater return for the investment it makes. This could involve concentrating effort on firms most likely to generate a return on the inputs made, whether they be exhibitions, advice or placements.*
- Support is concentrated in two main areas namely *advice* and *exhibitions/missions* and with the exception of exhibitions/missions, the additionality is relatively low. For internationalisation advice, we would suggest that this input is focused on encouraging firms to take action structured in such a way as to lead the firm to a decision point - should it not respond positively, the level of future input could be reduced. Effectively, these managers would encourage firms to take action as a result of the advice given with subsequent support being channelled towards those firms that engage most actively.

- *We suggest that in advance of attendance Account, Client and Business Gateway Managers discuss in depth with their cases the anticipated impact in terms of the target number of deals and their respective value. A follow-up call (phone or in person) should be made shortly after the firm's return in order to discuss the success of the attendance with actions being identified for the firm that put in place any specific improvements that might be made in the future.*
- From our survey, firms that had received financial assistance over several years for exhibition attendance appeared to have an expectation of on-going support being available. Building on the market failure discussion, we anticipate that more could be done to engage these firms on other initiatives that could build their competence in internationalisation activities generally.
- Firms receive support to attend the same events on successive years. *We suggest a sliding scale of financial support for firms' attendance at exhibitions whereby repeat attendance at a given exhibition would attract a reduced level of subsidy. Separately, those new to exhibitions could receive the maximum level of support for the first two or three years attendances (so that they can build both their expertise and competence).*
- A limited number of firms commented negatively on the value of events they selected and the need to undertake more preparatory work up-front. *SEL could promote its in-market research services to help firms prepare and could also consider training for those who have limited/no experience of events.*
- Feedback from evaluations of events supported by SDI suggests that firms place a high value on feedback from those who have been successful at previous events. *We suggest that SEL considers using 'peers' to coach firms, especially where several local firms are attending a larger scale event.*
- Events are a 'tactical' element of market entry support. Even firms that have been engaged for some time on internationalisation activity *should be encouraged to look regularly at the strategic positioning of their business in the market and to review/update their selection of exhibitions in order to maximize the potential impact.*