Evaluation of the Wellness and Health Innovation Project

Report to Scottish Enterprise

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SQW

Contents

Contact:	Osman Anwar	Tel:	0131 225 4007	email:	oanwar@sqw.co.uk
Approved by:	David Mack-Smith Associate Director	Date:	28/11/11		

Executive Summary

1. This is the report of the evaluation of the Wellness and Health Innovation (WHI) project, undertaken by SQW in conjunction with IBP Strategy and Research, for Scottish Enterprise.

Rationale and objectives

2. Our evaluation considers that the **objectives** set for the WHI project - in terms of its intended outputs, outcomes and impacts - were appropriately SMART (i.e. specific, measurable, achievable, relevant and time-bound).

3. However, in our view the original **rationale** for intervention, as set out in the SE Approval Paper, was somewhat unconvincing (though made difficult by the challenge of identifying market failure in an embryonic sector) – essentially pointing out a large global opportunity, and asserting the presence of market failures, without explaining why this particular sector justified specialist SE support in addition to the other business support mechanisms.

4. Although, on the face of it, the project fits with SE strategy, the ambiguity in the **sector definition** for 'wellness and health' has contributed to a perceived lack of focus, and the 'straddling' of SE's Life Sciences and Enabling Technologies (ET) sectors has resulted in the project lacking strong senior management engagement within SE. It is perceived to be a relatively low priority, at present, which does not perhaps do justice to the opportunities emerging in this arena.

Inputs, activities and outputs

5. Notwithstanding the issues regarding original rationale and focus, the project has been **managed well** by ICS, the delivery agent. The budget of £1.526m has been controlled and phased appropriately, with clear monitoring and reporting arrangements, and the team has succeeded in reaching out to many more enterprises than had originally been envisaged.

6. The quality of ICS team is highly regarded by consultees, and – most importantly by the beneficiaries, who are **positive about the service**: 71 out of 104 respondents said they were "satisfied" or "very satisfied" overall with the service.

7. The project has **comfortably exceeded each of its targeted gross output measures** – and by the end of the project, is expected to have: supported 240 enterprises (versus target 105), supported 32 research networks and collaborations (versus target 15), engaged 35 partners (versus target of 30), and undertaken 42 events (versus target 18).

8. In terms of **governance**, a Strategic Advisory Group was established, but the project has not been able to recruit a volunteer to chair this group, and there has been some suggestion of a lack of rigour and structure in the SAG's steering function.

Outcomes, impacts and value for money

9. In terms of the **outcomes** of the intervention, surveyed beneficiaries were positive. For example: 57 of our 104 respondents said that the WHI service has helped to improve their market awareness, and 43 of the 104 said that WHI had helped to establish to establish new links with companies.

10. Regarding **impact**, it should be recognised that estimates of impact are necessarily very uncertain for this intervention, as so much of the impact will be in the future, especially given that many of the beneficiaries are currently at the pre-revenue stage (51 of our 104 respondents).

    - We estimate that the net **employment** impacts for Scotland have been approximately 7.7 FTEs to date (2010/11), and that they will rise to about 22 FTEs in the central case by 2014/15.
    - The *cumulative* net **GVA** impact is estimated to have been approximately £0.5 million to date (to end 2010/11), and is projected to rise to £7.7 million in the central case by 2014/15.

Value for money

11. In terms of **economy**, the unit costs per beneficiary are reasonable at £5.6k. However, dividing the relevant costs by the recorded number of days of support, gives £2,400 excl. VAT per day of support delivered. Adjusting for some potential under-recording of support delivered (e.g. six hours of support to a beneficiary only being counted as one half-day of support) may bring this unit cost down to between £2,000 -£2,400 per day; while this doesn't capture the full breadth of activity, this is still high by consultancy industry standards.

12. Regarding **efficiency**, the average cost per net job is approximately £67k (for the central case), which is broadly in line with SE's own benchmarks.

13. Regarding **effectiveness**, the WHI project has clearly exceeded its target outputs. However, in terms of the *outcomes* and *impact*, our assessment is that these have fallen somewhat short of the original expectations. Even under our upper-bound estimate, the number of net new jobs created by the end of the project (which we take to be the end of 2011/12 for the purpose of this evaluation) is about 23 jobs (24% of target); and the net additional GVA impact is about £1.5 million (15% of target).

14. Regarding **cost-effectiveness** (i.e. the extent to which the net benefits exceed the net costs), we have a particularly wide range of estimates for this intervention, given that so many of the beneficiaries are currently pre-revenue, and given the levels of uncertainty on their future turnover and impact projections. The Economic Impact Ratio (i.e. the Present Value of the net GVA impacts divided by the Present Value of the costs) is approximately 0.4 to date; but extending the analysis out to 2014/15, the EIR is projected to be 4.6 (ranging from 2.3 in the lower bound to 6.8 in the upper bound).

15. In short, the value for money of this intervention remains very uncertain. If the supported pre-revenue ventures predominantly remain small over the next couple of years, then it is likely to

deliver a return only modestly in excess of the initial investment; however, if a few of the intensively-supported companies do indeed achieve the ambitious growth targets found by the survey – thanks to WHI's support - then this will pay back SE's investment many times over.

Recommendations

16. We offer the following recommendations to SE:

- **Recommendation 1**. Undertake a review of the opportunities and issues associated with the *assisted living* market, and identify and appraise options for continued or new intervention focused on that sub-set of the wellness and health sector (including the 'do nothing' option). With 'austerity' pressures on local authorities and on the health service to reduce costs associated with care, and the advent of large-scale initiatives such as DALLAS, we view this as an area of the W&H sector which has both a clearly-defined focus and very promising future potential.
- **Recommendation 2**. In the light of that review, decide whether any interventions in the assisted living arena are best delivered through a continuation of the WHI project, post September 2011, or through a new approach.
- **Recommendation 3**. Identify the most promising client prospects emerging from the WHI 'growth pipeline' and continue to support them through mainstream SE support mechanisms.
- **Recommendation 4**. Seek to disseminate the sector/company knowledge gained through the WHI project more widely through SE and SDI, to ensure that this knowledge is not 'lost' if SE decides not to continue funding for the project post September 2011.

1: Introduction

1.1 This is the report of the Wellness and Health Innovation (WHI) project evaluation undertaken by SQW in conjunction with IBP Strategy and Research (IBP), for Scottish Enterprise (SE).

1.2 SQW was the lead contractor for this assignment with responsibility for overall direction and delivery of all outputs. IBP undertook primary research with the business beneficiaries of the WHI project.

Profile of the Wellness and Health Innovation project

1.3 There is a large and growing global market in the provision of goods and services associated with wellness and health (W&H) – driven largely by an increasing number of patients with chronic conditions and by an ageing population in developed countries. The WHI project (hereafter referred to as the 'project') provides specialised support to Scottish companies that are developing innovative technology-enabled products, services or applications for the growing W&H market.

1.4 The project is pan-Scotland (with beneficiaries in both the SE and HIE areas) and targets three main types of companies:

- those already supplying into the wellness and health market
- those that have products/ applications that could be developed for this market
- start-ups with business plans to target the W&H sector.

1.5 The main areas of support include:

- market intelligence and analysis
- product technology and innovation support
- business development.

1.6 The overall 'mission' is to develop a 'growth pipeline' of companies supplying the global W&H market[1]; and to create a 'community' of companies and partners working in this sector[2].

1.7 Through a competitive tendering process, Innovation Centres Scotland Ltd (ICS)[3] were appointed by SE to deliver the project over a three year period from October 2008 to September 2011. Prior to this, the project was delivered by SE as a pilot initiative during 2007/08.

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[1] SE Renfrewshire Board, Approval Paper, Wellness and Health Innovation Project, 2008.
[2] http://www.wellnesshealthinnovation.org/
[3] http://www.innovationcentre.org/

Evaluation objectives

1.8 The specific objectives of this evaluation are to assess the following:

- the rationale for intervention and fit with the policy environment
- project objectives and targets achieved
- project economic impact and value for money
- wider project benefits including contribution to the equity and equalities agendas
- the usage, quality and demand of WHI services
- management delivery, management information and performance measures
- project learning points.

1.9 A final component of the evaluation is to make recommendations on the future of the project.

Approach and methodology

1.10 Our approach to evaluation design and implementation for this study is based on understanding the *'logic chain'* for an intervention. This provides a framework for the assessment of the rationale for this public sector intervention and its objectives, as well as the relationship between rationale, inputs, activities, outputs, outcomes and impacts. It provides a structured approach for the assessment of 'ultimate' impact and the value for money of the intervention. A summary logic chain for the WHI project is presented below.

Figure 1-1: WHI project logic model

Context

Conditions

There is no dedicated support for Scottish businesses in the wellness and health (W&H) sector – it is not a recognised sector in Scotland, despite being a large global industry. The underlying market failures causing this problem for Scottish businesses include: 'information deficiency' including 'risk aversion'.

Policy

Scottish Government Economic Strategy (GES) outlines the need to increase the number of highly successful, competitive businesses; to address low levels of R&D and to focus on a number of key sectors with high-growth potential. According to the SE Business Plan 2011/14 the focus 'is to work with those companies that will make the biggest difference to Scotland's economic performance' and to develop globally competitive sectors. The SE sector strategy for Life Sciences identifies both assisted living and wellbeing as market opportunities; while the SE strategy for Enabling Technologies identifies 'remote health' as a new and emerging market.

Intended impacts

Net additional contribution in GVA terms to the Scottish economy, derived from the W&H sector

Net additional contribution in employments terms to the Scottish economy, derived from the W&H sector

Wellness and Health Innovation project objectives

To provide specialised support services to Scottish SMEs that are either in or interested in supplying products/ services to the W&H market. To develop a growth pipeline of SMEs supplying the global W&H market.

Rationale

By providing support to businesses to access information on the W&H industry; and increase their industry knowledge which would eventually overcome their risk aversion

Inputs

c. £1.5m (excl. VAT) from SE and ERDF

Innovation Centres Scotland (ICS) and Scottish Enterprise staff resource

Activities

Market intelligence and analysis

Events; brokerage

Product, technology and innovation support

Business development services

Supply chain development

Intended outputs

No. of enterprises supported

No. of research networks & collaborations

No. of partners engaged

No. of events

Intended outcomes

Improved beneficiaries' knowledge and awareness of the W&H sector

Increased the chance for beneficiaries to exploit market opportunities in the W&H sector

Developed a 'community' for the W&H sector by developing the growth pipeline for SMEs

Increased no. of new products/ processes

Increased no. of jobs

Increased research or innovation expenditure of supported enterprises

Increased turnover by supported enterprises

Source: SQW

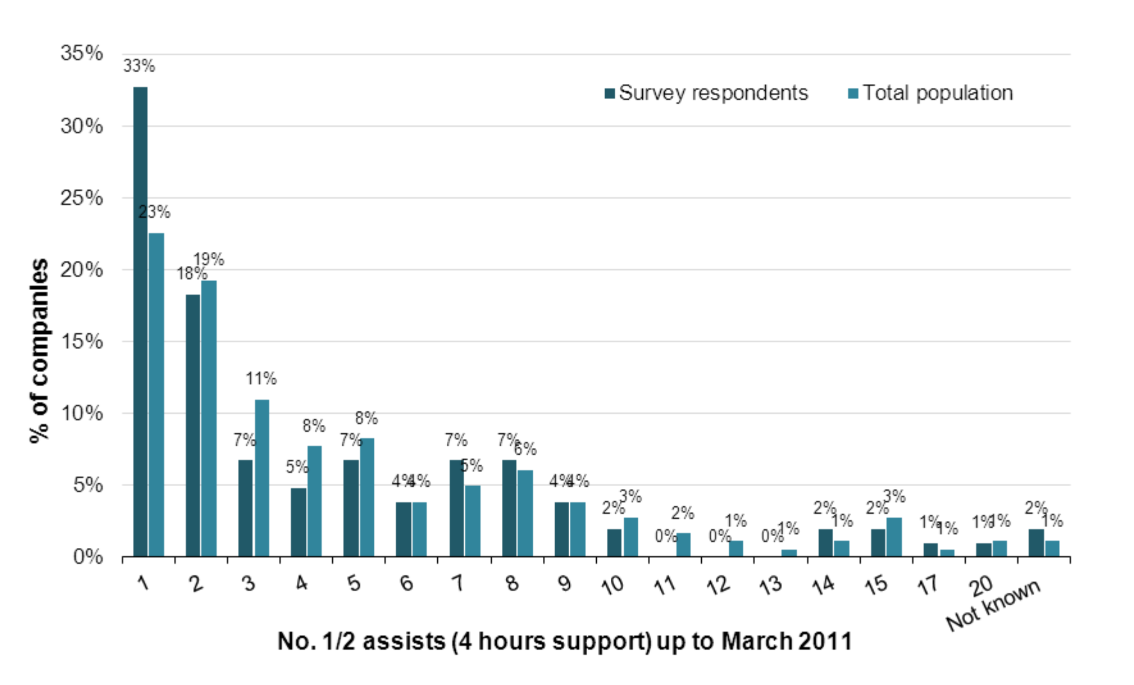
1.11 In undertaking our work we used the following research methods:

- ***an inception meeting*** with representatives from SE – this was held in May 2011
- ***desk research*** – we reviewed project documentation and monitoring data provided by SE and ICS including: SE approval papers; mid-term review paper; WHI yearly and monthly reports; ERDF application; ICS proposal to SE; client activity data; research papers and other relevant documentation
- ***design of research tools*** – a survey questionnaire was designed for business beneficiaries of the project; we also designed an interview guide to be used with stakeholders including representatives from: SE, ICS, Highlands & Islands Enterprise (HIE), Scottish Government and Scottish Development International (SDI)
- ***piloting of business survey questionnaire*** – IBP conducted a limited number of pilot interviews to test the questionnaire[4]
- ***briefing session for interviewers*** – prior to the commencement of the telephone interviews with business beneficiaries a briefing meeting was held with the IBP interviewers; this was attended by representatives from SQW, IBP, SE
  - interviewers were fully briefed on the main features of the project and the objectives of the evaluation
  - the business survey questionnaire was also reviewed and refined
  - feedback on the pilot stage was obtained from IBP and incorporated into the final version of the business survey questionnaire
- ***primary research with direct business beneficiaries*** – we received input from a total of **104 direct businesses beneficiaries** of the project out of a valid population of 171 businesses provided to us in the ICS contacts database
  - this gives an overall **response rate of 61%**
  - this gives a confidence interval of +/- 6.0% for a 50% response (based on a 95% confidence level); this reduces to +/-3.6% for a 90% response, at the same confidence level
  - in other words, if 50% of the sample of businesses answered a question in a given way we can be 95% certain that if all the population of businesses had responded the results would have been between 44.0% and 56.0% (i.e. within +/- 6.0% of the 50% response)
  - in our view, this represents a relatively good response rate for a business development intervention of this type (a full post-survey report of the business interviews can be found in Annex B)
  - we interviewed 25 companies in receipt of at least seven or more ½ days assistance (½ day assist is equivalent to four hours support). According to SE

[4] The pilot interviews were included in the business survey results.

this is a good spread i.e. firms receiving intensive support. The chart below depicts the number of businesses against the number of ½ day assists received through the project

Figure 1-2: Profile of businesses by level of assistance provided



Source: SQW/IBP – base: survey respondents 104 and total population 182

- ***primary research with stakeholders*** – we gathered views from 11 key stakeholders associated with the project (see Annex A for full list of consultees)
- ***progress meeting*** – we presented to SE our initial findings from the primary research of businesses and stakeholders, at a meeting held in July 2011
- ***collation, analysis and interpretation*** – we gathered and analysed all the primary and secondary evaluation evidence, and prepared this final report.

Report structure

1.12 The remainder of this report is structured as follows:

- *Section 2*: provides an assessment of fit with the policy environment, rationale for intervention and project objectives
- *Section 3*: provides an assessment of project inputs and activities; this includes an assessment of usage, quality and demand of the project's services
- *Section 4*: provides an assessment of progress against gross outputs and against targets associated with the project
- *Section 5*: presents an assessment of the outcomes, impacts and value for money, and wider project benefits
- *Section 6*: presents our conclusions and recommendations for the future of the project

- *Annexes:* a list of consultees is provided in Annex A; the post-survey report from the business survey is detailed in Annex B; and copies of the research tools used for the primary research are presented in Annex C.

1.13 An Excel-based economic impact model is also supplied separately to the client. This details all our calculations and assumptions for assessing the project's net employment and GVA impact.

2: Assessment of context, rationale and objectives

2.1 In this section we provide an assessment of the project's fit with the economic development policy environment and review the rationale for public sector intervention. We also assess the project's objectives to determine the degree to which they can be considered 'SMART'[5].

Fit with the policy environment

2.2 The project sits within a policy context that is increasingly recognising the importance of telecare/telehealth in improving the quality and efficiency of care and health services. For example, in August 2006, the Scottish Executive launched the £8 million Scottish Telecare Development Programme, supporting local authorities to implement telecare initiatives.

2.3 The SE Approval Paper (2008)[6] notes that the project 'contributes to the strategic approaches and policies' identified in the Government Economic Strategy (GES)[7], particularly with respect to the 'Supportive Business Environment' (SBE) component of the Strategy including the market-led approach to 'innovation and R&D'. The SBE in the GES refers to the *'responsive and focused enterprise support, working in partnership with others…to increase the number of highly successful, competitive businesses'*. It also recognises a 'broader' approach to business innovation, the need to address low levels of R&D and to have a *'particular focus on a number of key sectors with high-growth potential and the capacity to boost productivity'*.

2.4 In conjunction with the GES, the Scottish Government's National Performance Framework (NPF)[8] sets out five 'strategic objectives', seven 'high level targets' (also known as 'purpose targets') and 15 national outcomes to achieve sustainable economic growth across Scotland. Of the high level targets, the most relevant in the context of the project relate to increased 'growth' and 'productivity'. With regards to the national outcomes, the most relevant relate to Scotland being an 'attractive place for doing business' and 'renowned for our research and innovation'. The national target is to 'at least halve the gap in total research and development spending compared with EU average by 2011', this includes business expenditure on R&D. The project can make a minor contribution to this.

2.5 As the project supports Scottish SMEs that are developing innovative products, services or applications for the W&H market, and aims to create a community of businesses and partner organisations, it can be said that at a strategic level at least, it 'fits' and contributes to the SBE element of the GES and the NPF.

2.6 As pointed out in its Business for Plan 2011/14, SE operates within the policy agenda set by the GES. The Business Plan prioritises five key areas, of which the following three are most

[5] i.e. **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**ime-bound.
[6] SE Renfrewshire Board Paper, Wellness and Health Innovation Project, 28 February 2008.
[7]See: http://www.scotland.gov.uk/Resource/Doc/202993/0054092.pdf
[8] See: http://www.scotland.gov.uk/Publications/2007/11/13092240/9

directly relevant to the WHI project: 'growth companies'; 'innovation'; and 'internationalisation'. These priorities are placed under a number of themes, two of which are most pertinent here[9]: 'globally competitive companies'; and 'globally competitive sectors'. Under the former, the stated focus 'is to work with those companies that will make the biggest difference to Scotland's economic performance'. The WHI project is engaged with primarily micro and small businesses, with a large proportion still at pre-revenue stage. Considering the size and stage of these businesses, it is difficult to be confident that they will fall into the group that will make the 'biggest difference to Scotland's economic performance'. This is also reinforced through our primary research with direct business beneficiaries of the WHI project. However, under the same theme, the activities of the WHI project suggest there is evidence of internationalisation by working with Scottish Development International (SDI) to support businesses, for instance, on trade missions[10] and raising the international profile of Scotland's capabilities. On innovation and commercialisation, the WHI project provides: product, technology and innovation support delivered by its innovation advisors and associates; events; and other activities (e.g. engagement with Boots Centre for Innovation)[11].

2.7 With regards to 'globally competitive sectors', Enabling Technologies and Life Sciences are identified as Scottish sectors that have the potential to be globally competitive. We understand from our consultees that the budget for the project comes from the SE Enabling Technologies (ET) sector team but it also has linkages with the SE Life Sciences (LS) sector team. It has been pointed out to us that the project "straddles" between these two sector teams. Likewise, the majority of businesses engaged with the project identify themselves with ET (38%) and LS (29%) (other sectors engaged to a lesser extent were food and drink (4%), textiles (3%), construction (1%), energy (1%), financial services (1%), tourism (1%) and for 22% the sector was not known) . So, in this respect the project is aligned with these sectors.

2.8 The Enabling Technologies Strategy for Scotland (2008)[12] makes reference to the cross-sectoral focus of Enabling Technologies and recognises the advances in healthcare, with remote health identified as a new and emerging market. The need for technology to be applied to this new market area is recognised, as is the need to ensure maximum benefit from the opportunity which the growing healthcare market presents. The Scottish Life Science Strategy (2011) identifies both 'assisted living'[13] and 'wellbeing'[14] as offering 'significant opportunity worthy of further exploration' by the Scottish business and research base. From this, it appears that both the relevant sector strategies recognise the wellness and health sector. At least at this high level, the project appears to fit in with these two sector strategies.

2.9 However, based on the feedback from the majority of consultees, we found that the project appears to be relatively low priority for the SE and HIE sector teams, with limited engagement (especially of senior directors). The businesses engaged with the project are

[9] These two themes are also referred to in the Consultant's Brief.
[10] For example, recent trade missions to the USA and Japan.
[11] See: http://www.bootsinnovation.com/
[12] Technology Advisory Group, Enabling Technologies Strategy for Scotland, towards a brighter future, 2008.
[13] This specifically refers to 'aids to mobility, rehabilitation, patient monitoring and management to enhance independent lifestyles'. It is to explore opportunities in 'telehealth with the growth of applications for remote diagnosis, treatment and management of chronically ill and elderly patients'.
[14] This specifically refers to 'plant, animal and nutritional sciences aimed at promoting health benefits in food and drink. It is to explore 'creating new markets in nutraceuticals – food additives beneficial to maintaining health and preventing disease'.

largely not on the radar of senior representatives with the SE sector teams and there is no direct overarching strategy within SE on the W&H sector.

2.10 *In summary, our primary research with stakeholders found that the majority of consultees held the general view that the project fits relatively well with the GES. The nature and focus of the project's activities reflect the priorities within the SE Business Plan. However, despite the W&H sector being referred to in the SE sector strategies (albeit only as an opportunity), in practice the project does not appear to be seen as a high priority within the SE sector teams.*

Review of rationale for intervention

2.11 The original rationale for intervention is outlined in the SE Approval Paper (2008). This points out that wellness is not a "recognised" industry in Scotland despite being a multi-billion dollar global industry. In spite of this market opportunity, there are a number of market failures associated with Scottish businesses. The approval paper noted: 'information deficiency'; 'risk aversion' (a subset of information deficiency) and 'scale barriers'. The WHI project was considered to be the best option to assist clients in accessing information on the W&H industry; increasing their industry knowledge which would eventually overcome their risk aversion; and helping companies develop routes to market.

2.12 The present evaluation allows a re-assessment of this rationale and associated market failures. The feedback from the stakeholder consultations included the following:

- *On rationale*:
  - there was no sense of a developed "community" in Scotland for the W&H sector which brought businesses and other organisations together
  - the W&H market was new and the project was the only publicly-supported initiative solely focused on the W&H sector in Scotland
  - there was an absence of an active "stimulator" for the W&H market in Scotland (though this would also be the case at the UK level and may therefore be an issue that the project would not be able to address)
  - businesses did not have the "necessary means to access this market"
  - there was a need to create maximum opportunities for businesses in finding routes to market.
- *On market failure*:
  - nearly all consultees are of the view that market failures of 'imperfect information'[15]; positive externalities'[16] and 'market power'[17] are all currently relevant in this context, albeit to varying degrees

[15] Imperfect information - where companies lack the information required to understand market need and opportunity, or lack information on the levels of risk involved, or lack information on routes to market.

> of these types of market failures, imperfect information is considered to be the most prevalent, for the majority of consultees.

Table 2-1 shows areas of imperfect information identified by the survey respondents. In particular this confirms imperfect information around markets (33 responses) and business models (20 responses).

Table 2-1: What were the main problems, issues or opportunities that you were looking to get help with, from WHI?

Main problems, issues or opportunities
Business models (20 responses)
Finance (5 responses)
General (6 responses)
Markets (33 responses)
Sales (1 response)
Technology (14 responses)

Source: SQW/IBP

2.13 OffPAT (2009)[18] guidance argues that a clear justification for the rationale is important because the chances of delivering an effective intervention are diminished as the intervention may not properly target the real problem that needs to be addressed.

2.14 Bearing this in mind, the key question is – did the proponents of the WHI project articulate clearly and convincingly the rationale for the WHI project?

2.15 In the SE Approval Paper the justification for the rationale relates to the size of the global market opportunity in W&H; the sector not being recognised in Scotland; and the market failures highlighted above. Reference is made to research[19] which details the global W&H market and opportunity[20]. However, it is not clear to us exactly how the specific market failures articulated in the Approval Paper, were arrived at, *specifically in relation to the Scottish W&H sector*. It can be argued that the same market failures can be applied to any sector, and further detail is needed to make a more accurate assessment of the rationale. The Approval Paper only identifies the market failures but does not provide specific evidence on their existence with respect to this sector (for instance, any primary research conducted with Scottish SMEs – albeit that this was a rather nascent sector at the time) – nor does it explain why the market failures require a sector specific response (complementing other support available from SE).

2.16 Notwithstanding this, our primary research found that the vast majority of consultees believe there to be a justified rationale for this intervention. As indicated above, this primarily relates to the absence of dedicated support for organisations operating in this sector and the need to

[16] Positive externalities - for example, spillover benefits to society from firms' investment in R&D. Or network effects whereby it becomes more attractive for W&H firms to locate in Scotland, the larger the cluster of similar firms.
[17] Market power - for example, with insufficient competition in a market due to high start-up costs.
[18] OffPAT (2009). The Rationale for Public Sector Intervention: in Economic Development and Regeneration Programmes and Projects. Advice Note 1/2009.
[19] The SE Approval Paper makes reference to the 'Wellness Feasibility Study'.
[20] We are unable to comment on the nature and quality of this research as this was not attached with the SE Approval Paper and we have not have sight of this.

develop a community in Scotland. All consultees were clear on the existence of at least two out of the three main types of market failure (imperfect information and market power), specifically with respect to the W&H sector in Scotland. It is worth noting that the responses to the business survey indicate the existence of market failure, in particular imperfect information (e.g. relating to markets, technology and business models). It might be argued that at the time of project approval, there was a valid market failure associated with these businesses.

2.17 According to our consultees, the unique selling point (USP) of the project is that it was the only in-depth dedicated service which covers the W&H sector in Scotland. There was recognition of other publicly-funded support available to Scottish businesses in the W&H sector, namely Nexxus[21], SHIL[22], and the Sporting Chance Initiative[23] - but an acknowledgement that these do not have the same scope as the WHI project.

2.18 *In our view, the original rationale for intervention, as set out in the SE Approval Paper, was somewhat unconvincing – essentially pointing out a large global opportunity, and asserting the presence of market failures, without explaining why this particular sector justified specialist SE support in addition to the other business support mechanisms (including Account Management). We do not dispute that there is an opportunity, and that market failures exist in this – as in every other - sector. The key question should have been why the market failures in this particular area justified sector-specific support.*

Project objectives

2.19 We infer from the SE's Approval Paper (under 'project description') and SE Project Review (2009) [24] the objectives of the project to be as follows: the provision of *'specialised support services to Scottish SMEs that are either in or interested in supplying products or services to the health and wellness market. The mission is to develop a growth pipeline of SMEs supplying the global health and wellness market'*. The key services offered to client companies will be:

- 'market intelligence and analysis'
- 'product development support'
- 'facilitating collaborations'
- expertise from 'corporate partners'.

2.20 The project will *'encourage a wide range of companies to bring innovations to the market, support others to move existing products and services into a new market and- most critically – develop a new pipeline of growth companies for account management'*.

2.21 Our consultees views on the project's objectives were broadly aligned with these, including:

- 'grow businesses in the W&H sector'

[21] http://www.nexxusscotland.com/
[22] http://www.shil.co.uk/
[23] http://www.sportingchanceinitiative.co.uk/
[24] Scottish Enterprise, Project Review, Wellness & Health Innovation, 2009.

- 'increase knowledge and market awareness of businesses'
- 'create opportunities for businesses and to commercialise these opportunities'
- 'develop a good base of SMEs to exploit the market opportunities developing new products and/or services in the sector'
- 'map capabilities, helping businesses diversify into the sector'
- 'increase the collaboration between SMEs, corporates and academics'
- 'get SMEs to connect with corporates'
- 'build a community in the sector; establish a cluster'
- 'establish revenue streams for businesses engaged with the project and make them grow through provision of a range of services'
- 'give advice and support to businesses, make introductions, and increase the probability of them succeeding'.

2.22 To us it appears the objectives are many, they are diverse in nature, cover a wide range of economic development domains and not surprisingly are articulated differently by consultees. Having said this, there is a broad understanding among consultees of what these are.

2.23 Specifically a number of quantified outputs, outcomes plus impacts were set for the project over its three year lifespan:

Table 2-2: Outputs, outcomes and impacts for the project

Outputs/ outcomes/ impacts	
Outputs	Number of enterprises supported
	Number of partners engaged
	Number of events
	Number of research networks & collaborations supported
Outcomes	Number of gross jobs created
	Number of new products/ processes
	Number of net new jobs created
	Increase in net research or innovation expenditure of supported companies
	Increase in net additional turnover by supported enterprises
Impacts	Net additional GVA contribution in GVA terms to the Scottish economy

Source: Consultant's Brief; ICS data; SQW

2.24 Notwithstanding our reservations above regarding the rationale for intervention, we do consider these objectives to be SMART:

- S – the objectives are *specific* as the SE Approval Paper identifies the beneficiaries, the types services to be delivered and overall purpose of the project

- M – the objectives are *measurable*, as there are quantified performance targets set to track their progress
- A – the objectives are on the whole *achievable*, as they are mainly in the direct control of those responsible for project delivery
- R – the objectives appear to be *relevant* to the stated reason for doing the project
- T – the objectives are *time-bound*, as they have to be achieved over the project lifespan (i.e. three years).

3: Assessment of inputs and activities

3.1 In this section we assess the inputs and activities associated with the implementation and operation of the project. We also report on the management and delivery of the project and assess the usage, quality and demand of the project services.

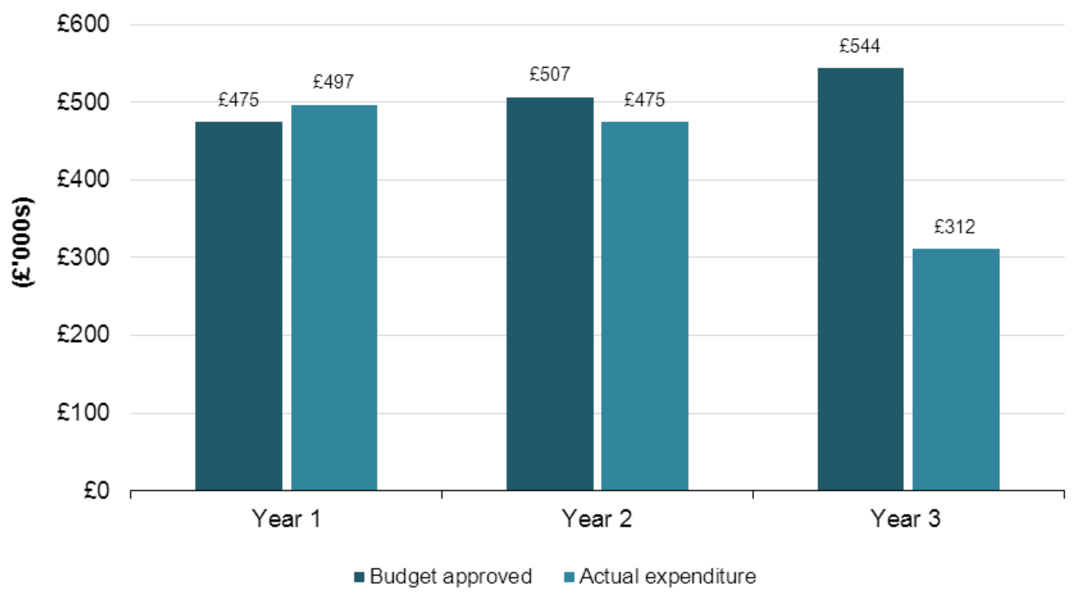
Inputs

3.2 Inputs refer to the resources relating to finance, people/ time that are committed to the implementation and operation of the project. We identify and assess the main inputs below.

Finance

3.3 The total budget approved for the project over the three year period October 2008 to September 2011was £1.526m (excluding VAT) and total actual expenditure to the end of May 2011 was £1.284m. This leaves £242k for the remainder of the project (Figure 3-1).

Figure 3-1: WHI budget approved and actual expenditure (excl. VAT)



Source: SQW, adapted from ICS data. Note, Year 3 actual reflects expenditure to end May 2011.

3.4 Table 3-1 presents a breakdown of the actual expenditure over the three years from October 2008 to May 2011. The greatest spend relates to core and associate staff (a combined total of nearly £868.5k) representing over two-thirds of the total expenditure. The next highest spend is on research costs followed by overheads.

3.5 *In our assessment, the project costs have been well managed over the duration of the project, and spent on activities relevant to the project's objectives.*

Table 3-1: WHI project breakdown (Oct 2008 to May 2011)

Expenditure (£)	**Year 1**	**Year 2**	**Year 3 (to date)**	**Total**	**% of total spend**
Core staff	196,901	215,933	156,252	**569,086**	44%
Associate staff	145,393	100,806	53,172	**299,371**	23%
Travel and expenses	18,758	21,629	10,731	**51,118**	4%
Staff development	1,533	5,404	1,960	**8,897**	1%
Trade shows	4,951	4,026	2,238	**11,215**	1%
Marketing	25,930	23,505	18,715	**68,150**	5%
Website	12,755	4,986	1,880	**19,621**	2%
Seminars	7,126	16,103	8,259	**31,488**	2%
Strategic Advisory Group	223	425	425	**1,073**	0%
Overheads	40,245	33,789	23,837	**97,871**	8%
Research	36,479	48,799	34,729	**120,007**	9%
Start-up costs (1st year)	6,895	N/A	N/A	**6,895**	1%
Total (£)	**497,189**	**475,405**	**312,198**	**1,284,792**	

Source: ICS; SQW calculations

Management and delivery

3.6 The project is delivered on behalf of SE by ICS, with a dedicated team to manage and deliver the project. The ICS project manager has responsibility for all aspects of the project and is the key point of contact for the SE project manager. A monthly meeting is held between the ICS and SE project managers, to review progress and actions for the future. A detailed monthly report is also produced for SE. We have had sight of these monthly reports and can confirm they provide a suitable summary 'snapshot' of progress. The ICS project manager reports directly to the ICS Chief Executive who in turns provides information updates to the ICS Board and its Advisory Board. The project structure is detailed below (Figure 3-2).

3.7 The WHI delivery team is made up of four full-time employees comprising of the following roles:

- one project manager
- two innovation advisors
- one market research co-ordinator.

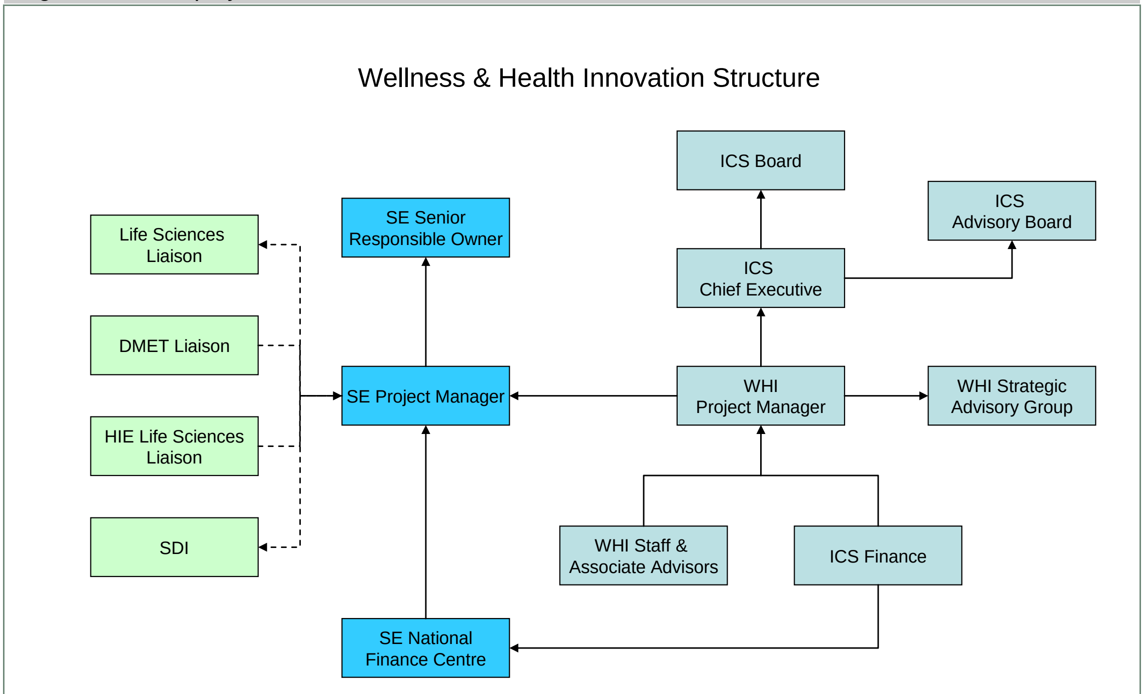
3.8 The team helps deliver the market research, events, innovation and more intensive business development support. The portfolio of services is listed in Table 3-3 below. The project also has a pool of 'associates' which offer direct support to businesses when required.

3.9 The key stakeholders involved in the project include:

- SE
- HIE
- Scottish Government
- various public sector organisations (e.g. Interface, Joint Improvement Team, SHIL, Nexxus)
- corporate organisations (e.g. Microsoft, IBM, Atos Origin)
- Scottish SMEs.

3.10 SE's interests are managed through the project management process and liaison with the key ET, Life Sciences teams and SDI. It is our interpretation of project documentation and other sources, the stakeholders have built up over time, with new ones coming on board over the course of the project lifespan.

Figure 3-2: WHI project structure



Source: SE Gate 5 –Project review (Sept 09)

3.11 There is also a project Strategic Advisory Group (SAG). This Group is tasked with providing strategic direction, advice to the project management team and makes connections. It meets twice per year. The Group is a mixture of representatives from SMEs, corporate companies, public sector representatives and SE. The current SAG consists of the members set out below.

Table 3-2: Strategic Advisory Group members

Sector	Detail
SME	Sensorium, Kelvin Connect, OLM Group, pwb Health, Touch Bionics
Corporate	Tunstall, Cisco, Atos Origin, Independent Living Scotland
Public Sector	Scottish Government, Edinburgh University, Queen Margaret University, Scottish Health Innovations Limited, Interface, St Johns Hospital, Edinburgh & Diabetes UK Scotland

Sector	Detail
Project Team	ICS, SE

Source: SE Gate 5 –Project review (Sept 09) & Advisory Group Members xls (April 2010)

3.12 For a few consultees close to the delivery of the project, the SAG has proven effective. However, in the view of one consultee with insight on the SAG, it provides direction but not in the way it should: there is a feeling that it needs to be more "rigorous and structured" (for example in terms of direction the Group provides; frequency of meetings; and actions/ activities). We also note from our review of the SAG meeting minutes that the project has not secured a volunteer to chair the Group[25]; attendance has sometimes been less than optimal; and the latest published minutes of meetings are from December 2009.

3.13 In terms of management, it appears that appropriate management structures and resources are in place. The feedback from our consultees suggests that the ICS delivery team, and in particular the ICS project manager, has done well in terms of management and delivery of the project. In terms of project management by SE on an operational level, this was considered to be done well.

Monitoring systems and processes

3.14 Client and project activity is captured through a number of different ways (e.g. project activity form, enquiry form, partner engagement form, event feedback surveys, business support applications etc.). These various client activity forms, surveys and application are inputted to a central CRM system which contains details of all project clients and tracks the support provided (this includes info/ data on contact details of beneficiaries; sectors of beneficiary; description of activity; time spent; employment and turnover figures for some beneficiaries; and other data fields). This is analysed and feeds into various reporting documentation, the main one being the monthly report (but also annual reports and ad-hoc enquiries). This covers all client interactions, events (both internal and external events), partner, stakeholder and social media engagement along with a running total of new project clients and monthly financial project spend.

3.15 We understand all members of the team are responsible for input to the monthly reporting system. This is then reviewed by the project manager before sending to the SE project manager. The SE and WHI project manager meet at least once a month to discuss the monthly report and any other project opportunities/challenges (with ad-hoc discussion as needed). This central database is used to monitor progress against targets. It is also worth noting that all outputs are counted and measured against the performance targets by funders (SE and ERDF) and a number of KPIs are tracked to track this.

3.16 *The project's monitoring and reporting arrangements appear to be well developed and fit for purpose. Client activity is being captured as far as possible and that progress against performance measures is being monitored for reporting purposes.*

[25] WHI Project SAG Meeting Minutes, 29 April 2009.

Contracting delivery of project out to external party

3.17 In terms of the current approach to contracting out delivery to an external party (i.e. ICS), we found that for some consultees there was a degree of reluctant recognition that this was the only option available at the time when the project was first introduced, due to the lack of resource with SE to deliver the project. For other consultees, however, the contracting out to the private sector has been a positive step as there is dedicated support available for businesses, more client-facing, more responsive and less bureaucratic. For nearly all consultees, there is major concern over retention of knowledge and relationships within SE. The contracting out has led to a scenario in which SE's knowledge of the project and beneficiaries is effectively second-hand, despite best efforts to communicate and share between ICS and SE.

3.18 *Going forward, it will be important to devote attention on how the issue of knowledge and relationship retention associated with the project can be resolved.*

Activities

3.19 Activities here are defined as the support and services provided by the project team, partners and stakeholders associated directly with the project.

Services

3.20 The project delivers a range of services from market research, events, to innovation support and more intensive business development. The types of services provided to clients are presented in the table below.

Table 3-3: WHI project services

Service	Service type
Market intelligence and analysis	• Market research
Events	• Large market sharing events (e.g. conference/ seminar style) • Brokerage events with key stakeholders/ partners (i.e. one-to-one facilitated by WHI) • Workshops
Product, technology and innovation support	• Intellectual property audit • Technology/ application audit • Innovation/ product assistance • Assistance with regulations • Focus groups • Assistance with highlighting gaps in the market • Signposting to intermediaries • Innovation toolkits
Business development	• Sales and marketing guidance • Business model/ structure advice • Market positioning advice

Service	Service type
	• Advice on routes to market • Service toolkits • Facilitating collaborations – SME, University or Corporate • Identifying referrals to 'growth pipeline' / SE Account Managers • Other business development support

Source: SQW; ICS

3.21 In addition to the above, the project has undertaken various other activities including the following:

- Providing support to the Scottish Government through the Joint Improvement Team (JIT)[26] in developing Scotland's successful bid to the Technology Strategy Board for the 'Delivering Assisted Living Lifestyles at Scale' (DALLAS) programme[27]
- Taking part in international trade missions including for example, Finland and Japan. The latter was in collaboration with SDI and UK Trade & Investment (UKTI) and included five project clients being exposed to the Japanese market. In conjunction with SDI, the project team and associated organisations attended the American Telemedicine Association[28] annual conference held in Tampa. A total of eight participating Scottish organisations attended and exhibited at this conference. This visit also included attendance at partner brokerage events in Boston and visits to MIT Lab[29] and Philips Lifeline[30].
- The project manager attending and participating in workshops and conferences at an international level.
- Engaging with a range of corporate partners, for example the project team have undertaken brokerage events with Boots Innovation and referred/facilitated appropriate introductions to project client. Also they have secured BOSCH and Atos Origin as corporate partners, the latter being part of the project's Strategic Advisory Group.
- Contributing to industry and other general publications, press articles and other media (e.g. Holyrood magazine on the future of healthcare delivery in Scotland, May 2011; and BBC News).
- Newsletters, surveys; social media; the project website[31] and other forms of engagement to keep in touch with project clients.

3.22 The number of partners/ connections the project has developed is of particular note. Over 30 partners are actively engaged with the project undertaking various activities (e.g. brokerage;

[26] http://www.jitscotland.org.uk/
[27] See: http://www.innovateuk.org/content/competition/dallas-delivering-assisted-living-lifestyles-at-sc.ashx
[28] http://www.americantelemed.org/i4a/pages/index.cfm?pageid=1
[29] http://www.media.mit.edu/
[30] http://www.lifelinesys.com/content/home
[31] http://www.wellnesshealthinnovation.org/

market knowledge sharing; and direct connections through business development for the SMEs). Table 3-4 lists the partner organisations associated with the project.

Table 3-4: WHI project – partner organisations

2008-09 Claims	2009-10 Claims	2010-11 Proposed Claims
Atos Origin	Interface	Orange Healthcare
Boot Centre for Innovation	Wide Blue	Philips Healthcare
Cisco	Scottish Health Innovation Limited	Independent Living Services
Tunstall	IBM	Intel Health – Care Innovations
Proctor & Gamble	University of the West of Scotland	iSoft
Microsoft	Glasgow Caledonian University	Bosch Healthcare
Scottish Government – JIT Telecare	Strathclyde Medical Devices	Blackwood housing
University of Edinburgh	Highlands & Islands Enterprise	University of Aberdeen
Queen Margaret University	Knowledge Transfer Networks (e.g. Electronics; Digital Communications; Creative Industries; and Health)	Glasgow School of Art
Stirling University MATCH Project		Connected for Health
		Scottish Centre for Telehealth
	Robert Gordon University	Sporting Chance Initiative
	Long Term Conditions Alliance	Nexxus
	Abertay University Dundee	

Source: ICS

Usage, quality and demand of project services

3.23 From an SE perspective, there appears to be a difference in opinion, split along those project management role (past and present) and those with a sectoral insight, as to the relevance and appropriateness of project services. For the former, the services are considered to be relevant and appropriate for target beneficiaries, while for the latter and with the exception of a few services, there is a question over their quality. For one consultee, the services would be relevant and appropriate if the project had more focus (i.e. in terms of tighter sectoral focus and provision of services).

3.24 However, we understand from a non-SE stakeholder that greater project focus has been developed in year three of delivery, after giving consideration to and learning from how the W&H market was developing over time.

3.25 For two SE consultees, the usage is pointed out as being well evidenced, and the most valuable services to clients are thought to include:

- market research/ intelligence; market trials
- access to corporates
- support in providing "route to market"
- events.

3.26 There is agreement among two SE consultees that demand for project services have exceeded expectations. This is evidenced by the progress against targets for number of businesses supported by the project (see also section 4).

3.27 In the view of one SE consultee, the demand for services is from pre-start, early-stage businesses with few employees but with innovative ideas.

3.28 For two of the SE consultees, the strength of the project is considered to be the quality of the ICS project team and the dedicated in-depth support which is not available elsewhere for the W&H sector in Scotland.

3.29 Similarly, the majority of our 'non-SE' consultees considered the project services to be relevant, appropriate and generally of quality. There is also a perception that usage is high and that there is strong demand for services.

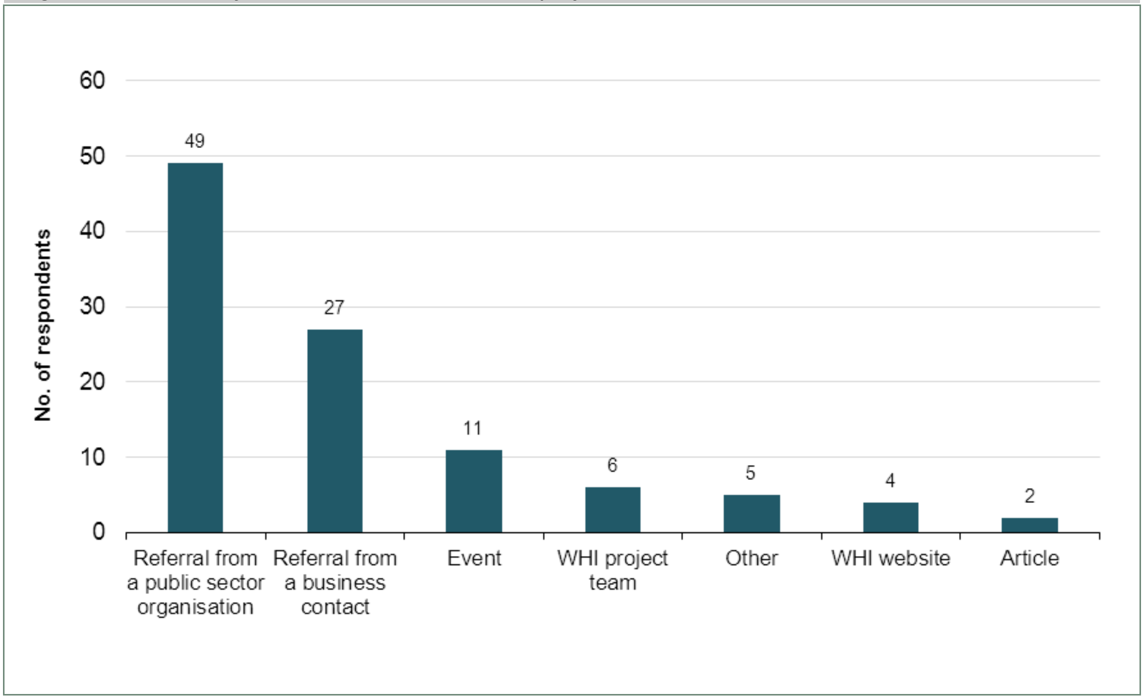
3.30 Our business survey found that just under half of the respondent businesses were referred to the project from a public sector organisation. The main source of referrals was Scottish Enterprise (21 businesses referred) and Business Gateway (6 businesses referred). Other sources of individual referrals included:

- Cultural Enterprise Office
- Glasgow University
- Innovator's Counselling and Advisory Service for Scotland
- St Andrews University
- Stirling University
- True Innovation.

3.31 This wide range of referrals illustrates the cross sectoral dimension to the project. Over a quarter of businesses were referred to WHI through a business contact and 11% of businesses heard about the programme at an event. Other sources included the WHI project team, the project website and media articles (Figure 3-3).

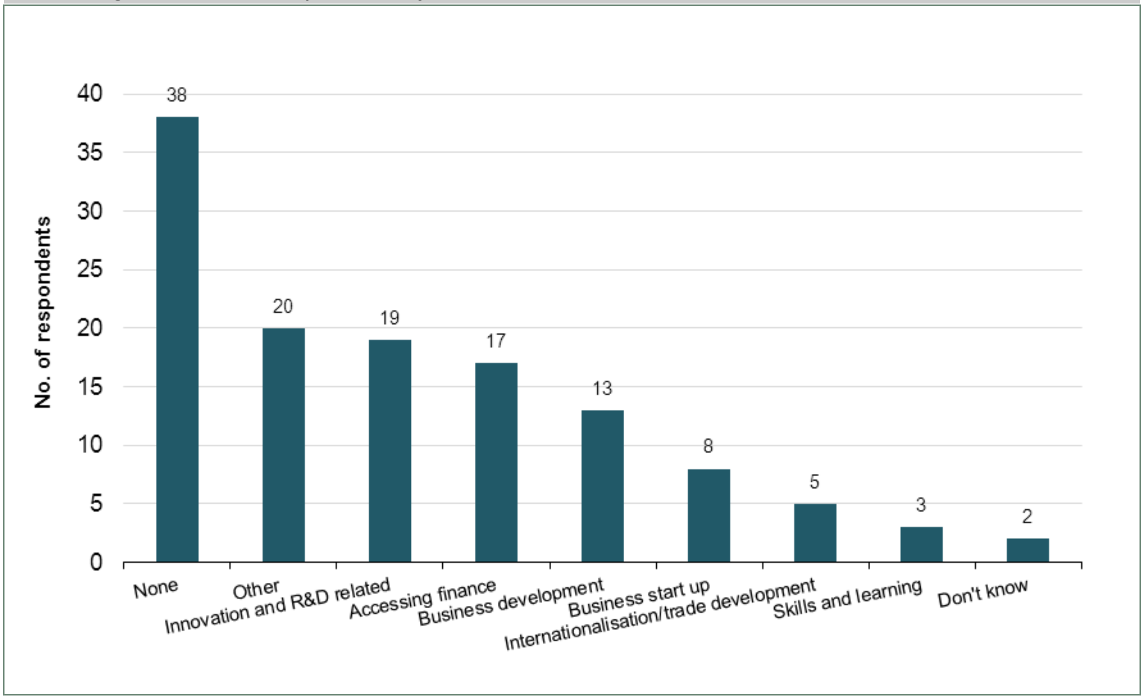
3.32 It is worth noting that from the 104 businesses interviewed, just under one-third had received Scottish Enterprise Account Management support in the past three years – this relatively low proportion reflecting the very small nature of many of these businesses. The majority of businesses reported receiving support (63%) from public sector organisations in the past three years. The main source of this support was Scottish Enterprise in the areas of innovation and R&D, accessing finance and business development (Figure 3-4).

Figure 3-3: How did you first hear about the WHI project?



Source: SQW/IBP

Figure 3-4: What other forms of support, including financial support, have you received from public sector organisations in the past three years?



Source: SQW/ IBP

3.33 In terms of how existing services could be improved, the following were some of the areas raised by business respondents:

- ten respondents identified the need for better links/ relationships with other organisations – this included stronger relationships with NHS and Scottish

Government; improved knowledge of SE; more networking opportunities and increased awareness of other organisations that offer similar support.

- five respondents explicitly mentioned that communications need to be improved and a further six respondents implicitly mentioned areas that relate to communications (e.g. asking more questions to understand client's needs; more face-to-face contact; improved client management; and improved notice of events). Also related to communications, five respondents wanted improved follow-up support after initial contact.

3.34 We understand that there is limited resource to do 'follow-up' with businesses, and that SE nominally capped the total amount of support provided at six days, thus making it difficult to provide continued follow-up support to businesses. However, there was flexibility on this issue in the sense that if the ICS team could make a genuine case to SE for further support then SE could approve this.

3.35 The interviewed businesses were asked to suggest additional services that could be of value. Many of the suggestions reflected areas where businesses believed there could be an improvement on existing services. Suggested additional services included:

- follow-up meetings
- closer links with other organisations such as NHS and HIE
- advice on funding sources including business angel contacts or a bank of business angel investors
- more activities in the area of patents.

3.36 In terms of usage of project services by business beneficiaries, the top five most used services by the interviewed businesses were:

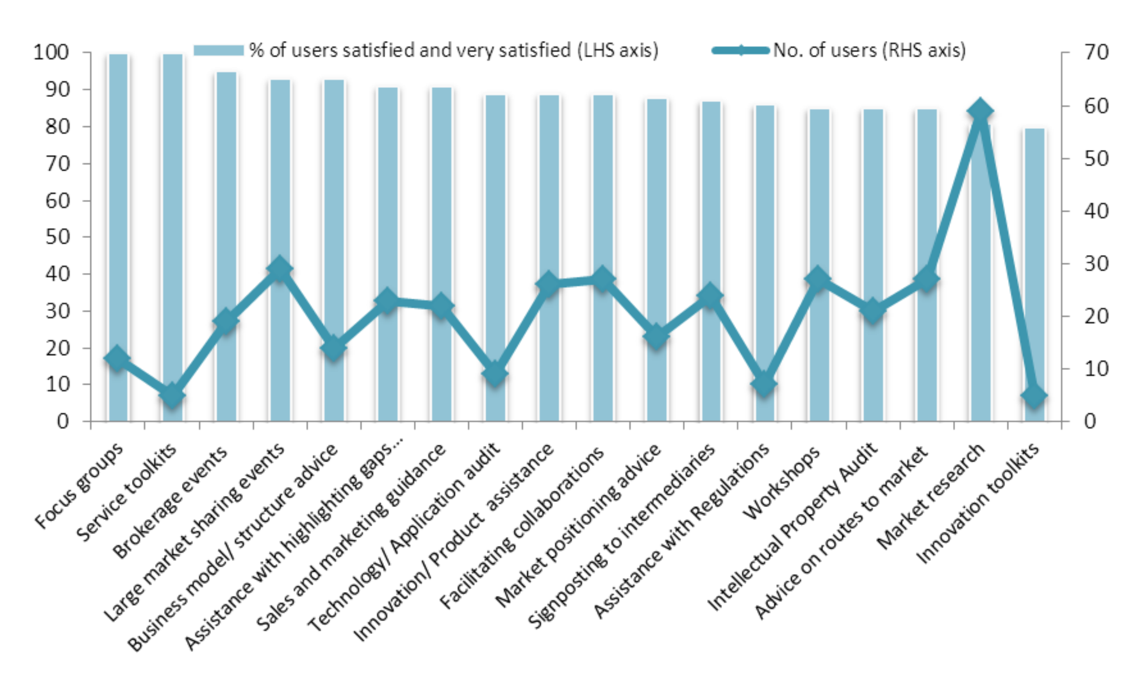
- market research
- large market sharing events
- workshops
- advice on routes to market
- facilitating collaborations
- innovation/ product assistance.

3.37 The usage also represents the demand for project services. In order to assess usage and satisfaction with individual services provided to business beneficiaries, we cross-tabulated responses to services used with satisfaction levels. Figure 3-5 shows the services used and the associated satisfaction rating.

3.38 From the services that had a satisfaction rating of over 90%, three services belonged to the business development category (service toolkits, business model advice, sales and marketing guidance), two services belonged to the events category (brokerage events, large market sharing events) and two services belonged to the product, technology and innovation support category (focus groups, assistance highlighting gaps in market).

3.39 In terms of their overall satisfaction with the project, a total of 71 out of 104 respondents reported being 'very satisfied' or 'satisfied'.

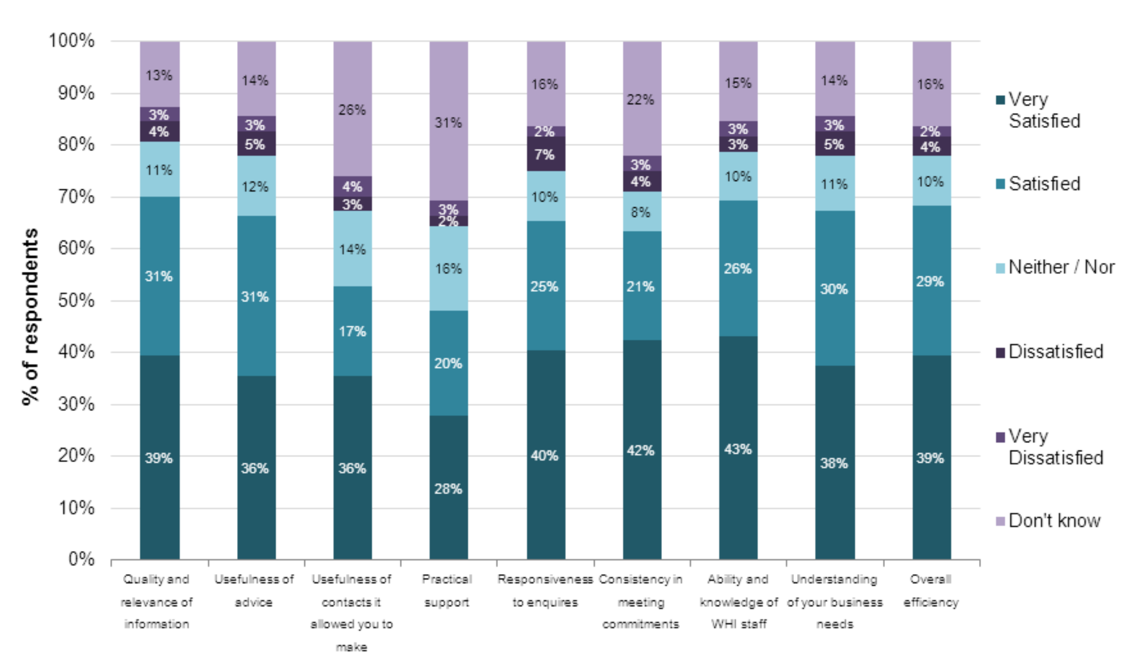
Figure 3-5: Services used and satisfaction



Source: SQW

3.40 We also asked business beneficiaries, how they would rate the quality of services they have received from the project. The results presented in Table 3-5 below illustrates broadly positive responses, with the proportion saying 'very satisfied' or 'satisfied' varying from 48% (for practical support) to 70% (for quality and relevance of information). Levels of dissatisfaction were low, with just 5% to 9% saying 'dissatisfied' or 'very dissatisfied'.

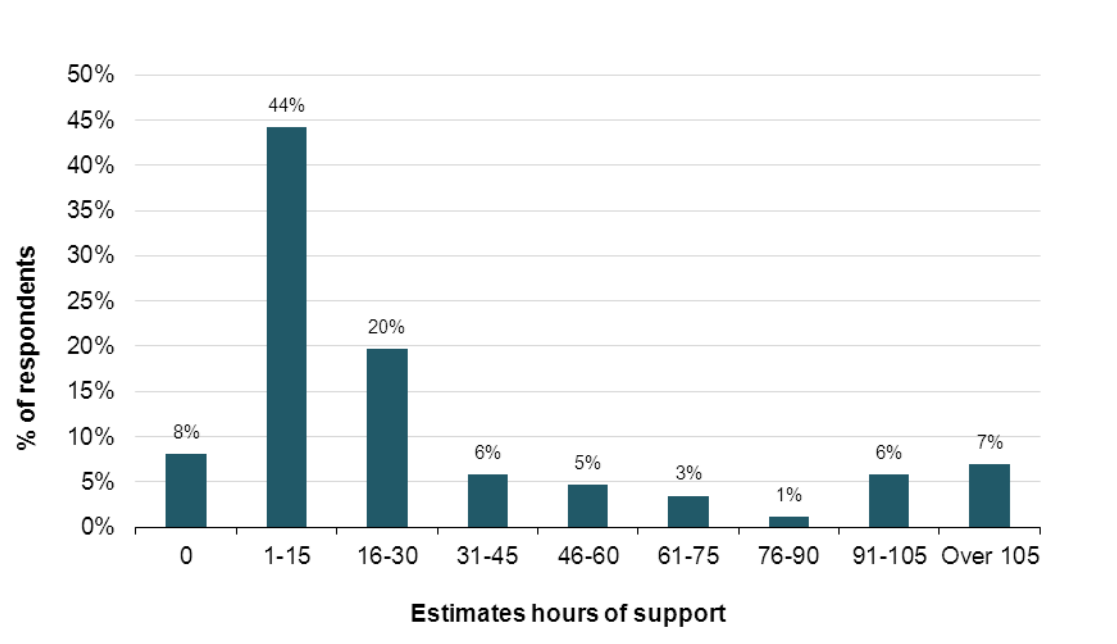
Table 3-5: How would you rate the quality of services you have received from WHI?



Source: SQW/IBP (Neither/nor = neither satisfied or dissatisfied)

3.41 We asked respondents to estimate the number of hours support they'd received from the WHI project in total. Responses ranged from 0 to 480 with a median of 20 hours per beneficiary[32], as illustrated in the chart below. In total, the survey respondents estimated that 2,012 hours of support were provided. This is in line with the beneficiary database file which shows that 1,632 hours of support were provided to these companies.

Figure 3-6: Estimated hours of support from WHI



Source: SQW/IBP

[32] One respondent stated they had received 2,000 hours of support. We consider this to be an outlier and excluded it from our calculations.

3.42 Asked to put a value on the received support, if they were to obtain it through some other way, responses varied from £0 to £100,000, with a median of £5,000 per beneficiary. A total of 46 (out of 104) respondents stated that they'd be willing to pay for WHI services in the future, with median value being £200 per day's support.

4: Assessment of outputs

4.1 In this section we assess the gross outputs associated with the project. Gross outputs are defined as the direct effects of the intervention that can be monitored – factors which are in the direct control of the delivery organisation. For this particular intervention, the gross-to-net conversions are more meaningful for outcomes and impacts (e.g. jobs and GVA) than for outputs (e.g. number of enterprises supported).

Gross outputs – performance against targets

4.2 We have reviewed the information/ data provided by ICS relating to the reporting of gross outputs and compared the performance against targets set by the main project funders (SE and ERDF). Presented below are the gross outputs, on which we make an assessment of the performance against targets set.

Table 4-1: SE and ERDF targets for gross outputs

Outputs	SE/ ERDF	Target over 3 years (October 2008-October 2011)	Actual achieved to date (October 2008 - July 2011)	SQW comment
Number of enterprise supported	SE/ ERDF	105	220 as at 1/7/2011	Target far exceeded (210% of target). We understand from ICS that an additional 20 new clients are expected by Sept 2011. Expected total 240
Number of research networks & collaborations supported	SE/ ERDF	15	27	Target exceeded (180% of target) We understand ICS is expected to claim an additional 5 by Sept 2011. Expected total = 32
Number of partners engaged	SE/ ERDF	30	35	Target exceeded (117% of target)
Number of events	SE	18	41	Target far exceeded (228% of target) We understand ICS is expected to claim an additional 1 by Sept 2011- Expected total = 42

Source: ICS data

4.3 Hence we see that the project has comfortably exceeded each of its targeted gross output measures – including supporting more than double the targeted number of enterprises.

5: Assessment of outcomes, impacts and value for money

5.1 In this section we assess the outcomes and impacts associated with the project. We also consider the key value for money metrics.

Outcomes

Findings from stakeholder consultations

5.2 We asked consultees if there were any observed outcomes for project beneficiaries. The feedback highlighted the following:

- *Non-quantifiable outcomes*: for some consultees the project has had a positive impact on creating a community for the W&H sector in Scotland. Many consultees report improved knowledge, learning and awareness among businesses. There is also a greater recognition of the importance and potential of ‘assisted living’ by businesses and stakeholders operating in this space. The fact that the project has engaged with a wide range of stakeholders from the public and private sector is also reported as a positive outcome for the project.
- *Quantifiable outcomes*: many consultees thought that the project had achieved quantifiable outcomes (e.g. investment in R&D, innovation expenditure, IP, new products etc) but nearly all consultees found it difficult to quantify these. There was also a perception among consultees that the majority of businesses would report positively on sales, staff employed and new markets entered. For some consultees, it was very early to say if there has been any turnover and employment created by businesses. However, one consultee reported the total value of all inward and internationalisation activities relating to the W&H sector would potentially be c. £2m (majority of this potential value is to be realised in the future). The attribution of the project to this value is estimated at c. 50%.

5.3 There were mixed views among consultees on the extent to which the above outcomes would have been achieved anyway in the absence of the project. On the whole, the perception is that it would have been more difficult or it would have taken longer to achieve most of the outcomes. However, specifically on community building element, a minority of consultees state that would not have happened without the project.

Findings from the beneficiary survey

5.4 The responses to the business survey offer some insight on the extent to which market failures are being addressed by the project.

5.5 As illustrated in Table 5-1 below, the results point to the improved knowledge, understanding and awareness of the W&H sector; new linkages with companies; and new links with other networks or collaborations. There is also evidence of new links with the science/ research base; development of new products and processes; and improvements in existing products and processes.

5.6 In contrast, establishing new links with NHS; undertaking collaborative projects; securing finance; licensing; and forming start-up/ spin-out companies were relatively infrequently cited. To some extent, this reflects desirable outcomes which were not within the remit of the project (e.g. securing finance).

Table 5-1: Which, if any, of the following benefits have you experienced as a result of using the WHI services?

Benefits	No. of respondents
Knowledge benefits:	
Improved your knowledge and understanding of the wellness and health sector	62
Improved your market awareness	57
Improved your technical awareness	33
Linkage benefits:	
Established new links with companies	43
Developed links with other networks or collaborations	41
Established new links with the science/research base	32
Established new links with Support Providers	30
Established new links with NHS	13
Innovation benefits:	
Developed new products	29
Improved your existing products	28
Undertaken new innovation or R&D projects	26
Developed new processes	24
Improved your existing processes	21
Undertaken collaborative projects	14
Secured new licensing deals	7
Investment benefits:	
Secured financing, such as loan finance	8
Secured financing, such as equity finance	5
Start-up benefits:	
Formed a start-up company	8
Formed a spin-out company	3
Other	2

Benefits	No. of respondents
None of the above	18

Source: SQW/IBP

5.7 For those benefits identified, most respondents considered their impact (to date, or potential future impact) to be important, as shown in Table 5-2 below. In particular, responses were positive on importance of: improved market awareness; improved knowledge and understanding of the W&H sector; establishing new links with companies; and developing links with other networks and collaborations.

5.8 Although most businesses place value on their increased knowledge, understanding and awareness, as result of the WHI project, this has not necessarily translated into new innovation and investment related activity yet, bearing in mind the time-lags associated with translating new market insights/awareness into new products etc.

Table 5-2: For the benefits identified, can you say how important these have been in terms of their impact to date or their future potential impact?

Benefits	Very important	Important	Neither / Nor	Not important	Don't know
Knowledge benefits:					
Improved your market awareness	32	18	5	1	1
Improved your knowledge and understanding of the wellness and health sector	29	19	11	2	1
Improved your technical awareness	17	12	4		
Linkage benefits:					
Established new links with companies	20	10	10	2	1
Developed links with other networks or collaborations	19	11	9	1	1
Established new links with the science/research base	15	8	5	3	1
Established new links with Support Providers	13	11	6		
Established new links with NHS	9	3		1	
Innovation benefits:					
Improved your existing products	17	6	5		
Developed new products	13	10	5	1	
Undertaken new innovation or R&D projects	14	8	4		
Developed new processes	9	11	4		
Improved your existing processes	11	6	4		
Undertaken collaborative projects	7	4	2	1	
Secured new licensing deals	3	1	3		
Investment benefits:					

Benefits	Very important	Important	Neither / Nor	Not important	Don't know
Secured financing, such as loan finance	6		2		
Secured financing, such as equity investment	3	1	1		
Start-up benefits:					
Formed a start-up company	5	2	1		
Formed a spin-out company		2	1		
Other	1			1	

Source: SQW/IBP (Neither/nor – neither important or not important)

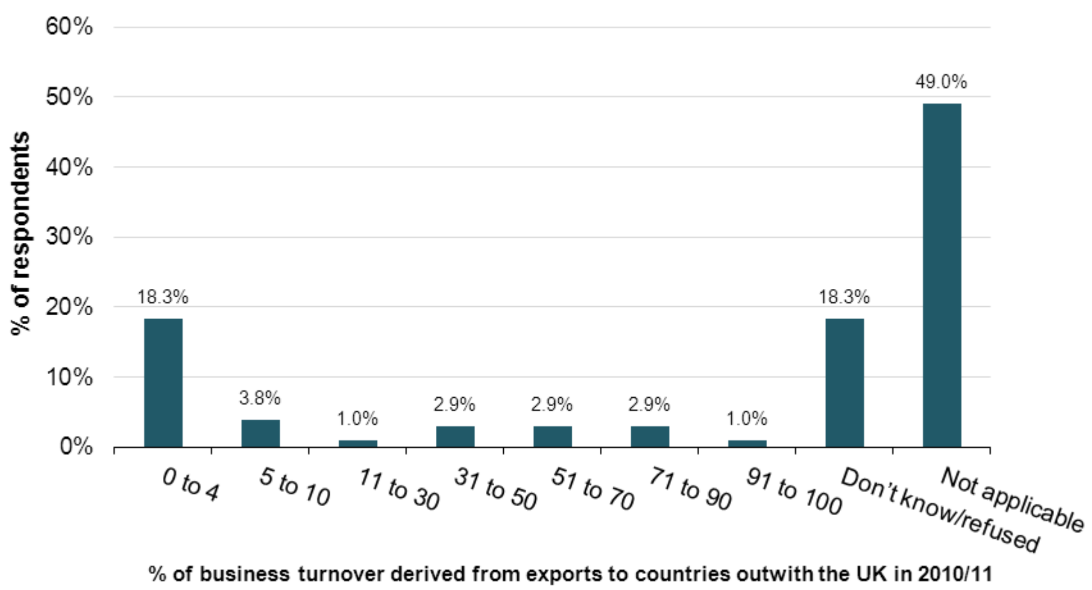
5.9 In terms of additional investment in innovation or R&D as a result of the project, only 11 businesses quantified this. In total, this amounted to just over £349k, or c. £32k per business.

5.10 For those businesses reporting additional finance secured as a result of the project, the results show the following:

- *loan finance* - three business quantified the additional loan finance received. This totalled £395k or an average of £132k
- *equity finance* – five businesses secured equity finance; however, no businesses quantified the amount received.

5.11 Level of exporting activity amongst beneficiaries is low as yet. This is not surprising considering the majority of business are pre-revenue (see Figure 5-1)

Figure 5-1: Turnover derived from exports



Source: SQW/IBP

Impacts

5.12 We have estimated the net impact of the WHI project on the Scottish economy over the period 2008/09 to 2014/15, in terms of:

- net employment impacts
- net Gross Value Added (GVA) impacts.

5.13 It should be recognised that estimates of impact are necessarily very uncertain for this intervention, as so much of the impact will be in the future, especially given that many of the beneficiaries are currently at the pre-revenue stage (51 of our 104 respondents). Some of these pre-revenue organisations' responses to our questions on future turnover and impact looked particularly optimistic to us; for example, three pre-revenue respondents estimated turnovers of £8 million or more for 2014/15. However, assessing the realism of individual respondents' projections is not possible within the scope of this evaluation; so, given these uncertainties, we have used upper- and lower-bound estimates, along with a central case, as described below.

5.14 In order to calculate the employment and GVA effects, we have developed a model (made available separately to SE), in which we have:

- included the impact-relevant responses from the 104 beneficiaries interviewed
- profiled the employment effect attributed to WHI in each year 2008/09 to 2014/15, per respondent
- profiled the turnover effect attributed to WHI in each year 2008/09 to 2014/15, per respondent
- calculated the total upper-bound, lower-bound and central case employment and turnover effects of WHI, totalled across all respondents
    - for the upper-bound estimates we have used all responses apart from the future projections of one outlier revenue-generating respondent and those pre-revenue companies predicting turnovers of more than £3 million[33] by 2014/15; for the lower bound estimates we have excluded the projections of all those respondents not yet generating revenue, as well as the outlier revenue-generating respondent (note that those not yet generating any revenue accounted for 88% of future total turnover impacts projected for 2014/15)
    - and also adjusting for optimism bias in the future-looking projections, for both the upper- and lower-bound estimates
    - the central case projections have been calculated as the mean of the lower bound and upper bound estimates

[33] We note that, UK-wide, about 3% of new start-ups achieve £1 million turnover within three years

- scaled up the employment and turnover impacts (from our sample of 104) to reflect the full population of 220 beneficiaries– less our estimate of the beneficiaries no longer trading/pursuing their business idea (25) – a grossing factor of 1.9
- estimated the GVA impacts by assuming a GVA/turnover ratio[34] of 0.68
- applied an assumed leakage of 14% (from the mean survey response for proportion of employees based outwith Scotland), displacement of 12% (from the mean survey response for proportion of competition in Scotland), an employment multiplier of 1.7 and GVA multiplier[35] of 1.6 to calculate net employment and GVA impacts for Scotland[36].

5.15 For the respondents that quantified their expected turnover growth to 2014/15 and the impact of WHI in achieving that turnover growth, the average deadweight was 88%.

5.16 The key assumptions are summarised in Table 5-3 and Table 5-4 below.

Table 5-3: Key model assumptions

Key assumptions	
Gross impact factors	
Total survey respondents	104
Total beneficiary population	220
Estimated number of beneficiaries no longer pursuing business idea/trading	25
Estimated number of beneficiaries still pursuing business idea/trading	195
Scaling up factor from survey to population	1.9
Additionality factors	
Average 'leakage' found from survey	14%
Average displacement found from survey	12%
Assumed employment multiplier	1.7
Assumed GVA multiplier	1.6
Financial assumptions	
Assumed GVA/turnover ratio	0.68
Discount rate	3.5%

Source: SQW impact model

Table 5-4: Optimism bias assumptions

	2008/ 09	**2009/ 10**	**2010/ 11**	**2011/ 12**	**2012/ 13**	**2013/ 14**	**2014/ 15**
Optimism bias adjustment for future impacts	0%	0%	0%	30%	40%	50%	60%

Source: SQW impact model – in line with optimism bias previously assumed on innovation-related interventions

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[34] Too few respondents were able to put numbers to both turnover and the cost of bought-in goods and services for a survey-generated finding to be robust. We therefore calculated this assumption from the average GVA/turnover ratios from Scottish Annual Business Statistics for 2008, for Other professional, scientific and technical activities (division 74) and Human health activities (division 86). This assumption is broadly in line with the average of the 19 respondents for which GVA/turnover ratios could be calculated (0.76).

[35] These were generated from the average Type II employment and GVA multipliers from 2007 Scottish input-output tables for medical & precision instruments , and health & veterinary services

[36] Note that **deadweight** is already accounted for in the analysis, as the questions asked for information on the incremental *difference* WHI had made to employment/turnover. **Substitution** was not considered to be relevant for this intervention.

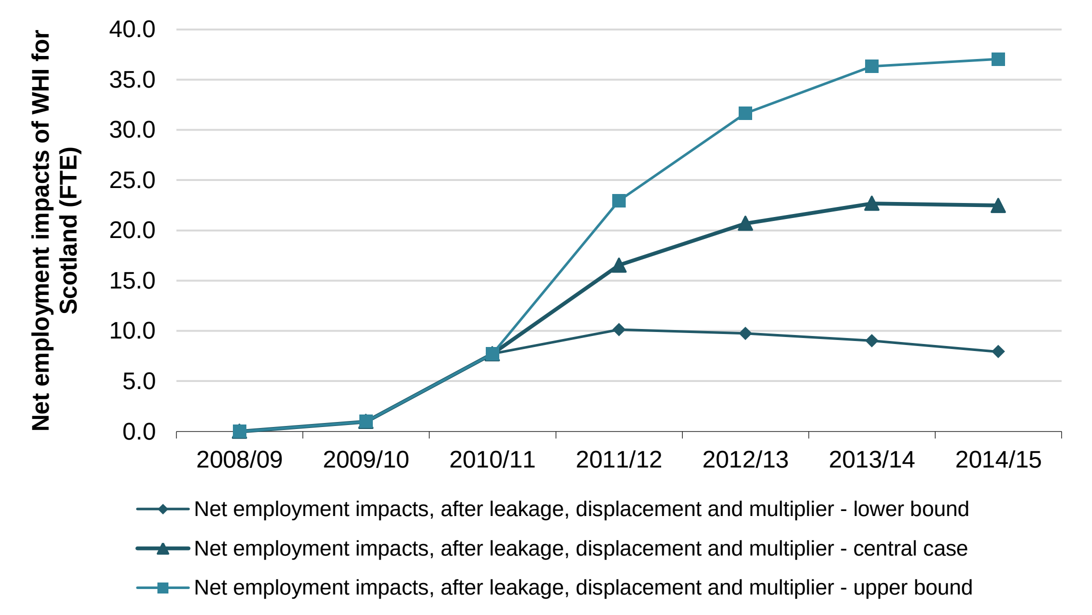
5.17 As shown in Table 5-5 and Figure 5-2, we estimate that the net employment impacts for Scotland have been approximately 7.7 FTEs to date (2010/11), and that they will range from about 10 FTEs in the lower-bound case, to about 37 FTEs in the upper-bound case over the next few years. This relatively modest employment impact largely reflects the nascent and very small nature of the majority of beneficiaries, who are as yet pre-revenue.

Table 5-5: Net employment impacts

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Net additional employment impacts - lower bound	0.0	1.0	7.7	10.1	9.7	9.0	7.9
Net additional employment impacts – central case	**0.0**	**1.0**	**7.7**	**16.5**	**20.7**	**22.7**	**22.5**
Net additional employment impacts - upper bound	0.0	1.0	7.7	23.0	31.6	36.3	37.0

Source: SQW impact model

Figure 5-2: Net employment impacts



Source: SQW impact model

5.18 The *annual* net GVA impact is estimated to have been approximately £0.3 million to date (in 2010/11), and is projected to rise to approximately £1.0 million p.a. in the lower-bound case, but up to £5.4 million in the upper-bound case, as shown in Table 5-6 and Figure 5-3. The *cumulative* net GVA impact is shown in Table 5-7.

Table 5-6: Annual net GVA impacts

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Net additional GVA impacts - lower bound (£k)	77	111	310	916	884	962	549
Net additional GVA impacts – central case (£k)	**77**	**111**	**310**	**983**	**1,437**	**1,847**	**2,955**
Net additional GVA impacts- upper bound (£k)	77	111	310	1,051	1,990	2,733	5,362

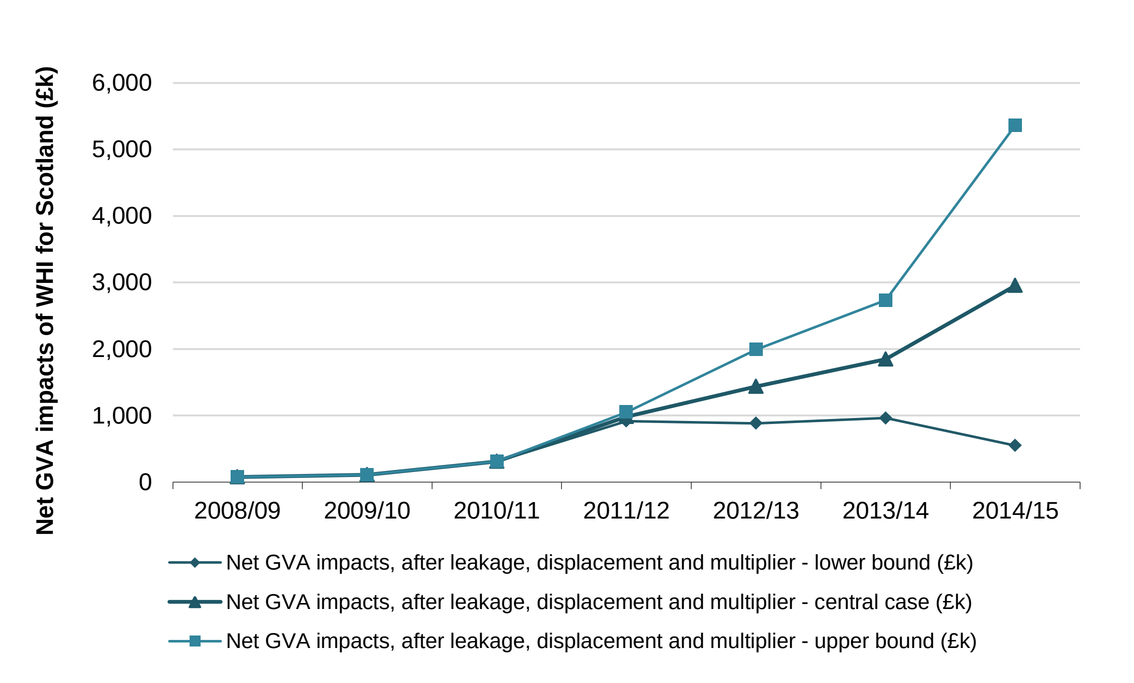
Source: SQW impact model

Table 5-7: Cumulative net GVA impacts

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Cumulative net GVA impact of WHI - lower bound (£k)	77	188	498	1,414	2,297	3,259	3,808
Cumulative net GVA impact of WHI - central case (£k)	**77**	**188**	**498**	**1,481**	**2,918**	**4,766**	**7,721**
Cumulative net GVA impact of WHI - upper bound (£k)	77	188	498	1,549	3,539	6,272	11,634

Source: SQW impact model

Figure 5-3: Annual net GVA impacts



Source: SQW impact model

Wider project benefits

5.19 The study brief required us to consider potential environmental benefits of the project; however, as might be expected given the nature of the intervention, we found little evidence for the project having had a substantive effect in this area: only six respondents stating that using the project services has contributed to environmental impacts. For these respondents the following comments were made:

- "awareness"
- "eco-friendly products"
- "minimising wastage by 25%"
- "some of the things are not yet implemented so cannot quantify"
- "sustainability of creamed over packaging"
- "working with recyclable textiles".

5.20 Lack of positive environmental impact should not be taken to be a criticism however: this was not the point of the project.

5.21 On the more relevant issue of the project trying to develop a critical mass of Scottish SMEs supplying the global wellness and health market, there was a mixture of views amongst consultees. For the majority of consultees, the project has done well in generating a pipeline of SMEs, but there is some concern over the nature of businesses, as many do not appear to be sustainable or promising in the long run in terms of generating the most impact (employment, turnover and GVA) for the Scottish economy. Indeed, few of the businesses on the project are on the 'radar' of senior representatives within SE. The perception is that the success or otherwise of the project is underpinned by the quality of SMEs engaged with the project. At a time of competing resources, there are other sectors with 'winners' which are far more visible to decision makers. Our overall perception is that Scotland is still some way away from reaching critical mass of quality companies operating in this area.

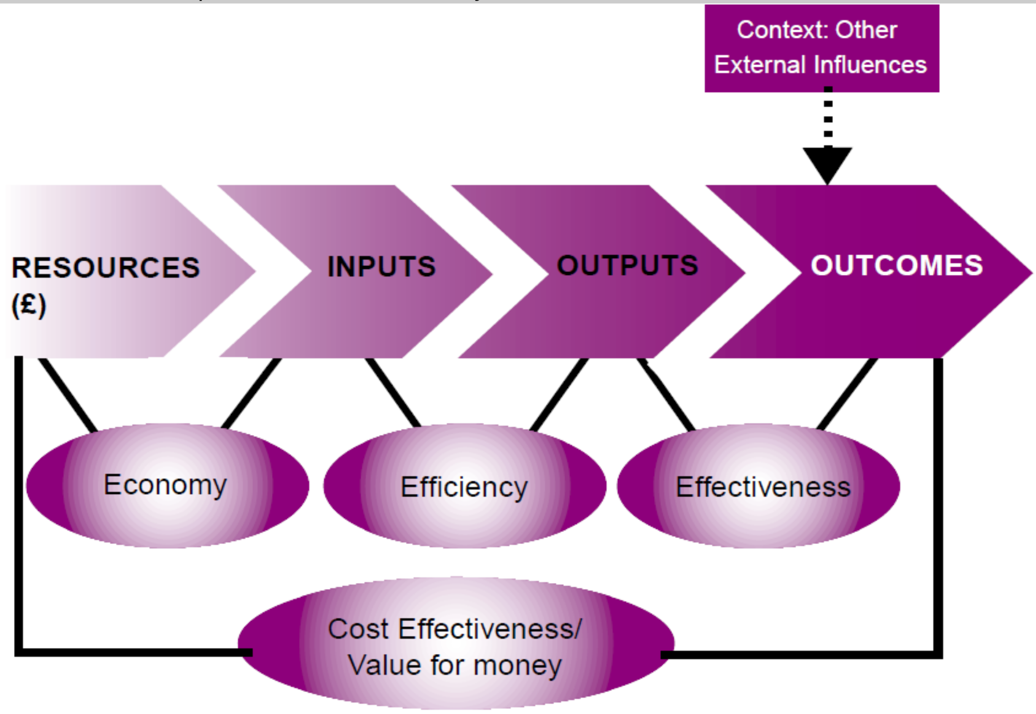
Value for money

5.22 In this sub-section we consider the value for money of the WHI project, in terms of its:

- economy
- efficiency
- effectiveness
- cost-effectiveness.

5.23 The relationship between these parameters is illustrated in the chart below.

Figure 5-4: Relationship between value for money indicators



Source: HM Treasury et al: Choosing the right FABRIC – a Framework for Performance Information

Economy

5.24 Economy concerns the unit costs of delivery: i.e. the costs per activity undertaken by the project.

5.25 Two key metrics are of particular relevance, for this intervention:

- the average cost per beneficiary
- the average day rate cost of support provided to beneficiaries.

Average cost per beneficiary

5.26 Taking the total project cost to date of £1.28 million, and subtracting £0.10 million for costs associated with travel & subsistence, trade shows, seminars, the Strategic Advisory Group and start-up, leaves approximately £1.18 million in costs associated with promoting and delivering support to beneficiaries.

5.27 Dividing this cost by the 209 beneficiaries to end March 2011, gives an average cost per beneficiary of £5,646. This is a reasonable overall level of spend per beneficiary for an intervention of this type – and lower, for example, than the average cost per net business assist of £9,705 found in the PwC assessment of England's RDAs[37].

Average day rate cost of support provided to beneficiaries

5.28 The beneficiary database shows a total of 209 organisations receiving a total of 490 days' support from WHI to the end of March 2011.

5.29 Dividing the £1.18 million cost calculated above by the total days of support, suggests an average rate of approximately £2,400 excluding VAT, per day of support delivered – which appears to be high, by consultancy industry standards. We note, however, that this is somewhat over-stated by including staff costs associated with activities not directly related to beneficiary support[38] (as described in paragraph 3.21). Also, there may be some under-reporting of total days of support delivered (for an example a beneficiary receiving six hours of support would be counted as one half-day support). Adjusting for this potential under-reporting would bring this unit cost down to perhaps £2,000 per day of support delivered – though this remains high by industry standards.

Efficiency

5.30 Efficiency relates to the ratio of outputs to inputs. In the case of this intervention, the most meaningful indicator is the average cost per net job created.

5.31 The total cost of the project is assumed to be the budgeted £1.526 million (excluding VAT). For the net jobs created, much of the impact is projected to be in the future, and it is therefore

[37] PricewaterhouseCoopers, Impact of RDA Spending – National Report – Volume 1- Main Report, for (then) BERR, 2009. See: http://www.bis.gov.uk/files/file50735.pdf
[38] We do not have information on the proportion of the staff costs associated with this, and so are not able to exclude this from the calculation.

more reasonable to consider the impacts over the period to the end of 2014/15, rather than just to the end of the project.

5.32 This gives an average cost per net job ranging from £41k (for the upper bound estimates) to £150k (for the lower bound estimates), with a central case of £67k.

5.33 These unit costs appear to be relatively high, compared with benchmarks from the PwC assessment of England's RDAs, which found an average cost per net job of £8.3k for individual enterprise support interventions (based on 28 evaluation reports) and £12.1k for sector/cluster support interventions (based on 24 evaluation reports).

5.34 However, SE's own benchmarks for interventions in Globally Competitive Sectors and Enabling Technologies show a range from £87k to £167k per job, by year 5 – which are broadly in line with the range indicated for WHI above.

Effectiveness

5.35 Effectiveness considers the ratio of achieved outputs/outcomes/impacts to the target outputs/outcomes/impacts.

5.36 The table below compares the project's achievement to date (to end 2010/11), and to the end of the project (taken to be the end of 2011/12) versus the intended outputs, outcomes and impacts.

Table 5**Error! Reference source not found.Error! Reference source not found.**-8: Comparison of achieved and target outputs/outcomes/impacts

	Outputs/ outcomes/ impacts	**Target**	**Achieved to date**	**Projected to end 2011/12**
Outputs	Number of enterprises supported	105	220	240
	Number of partners engaged	30	35	35
	Number of events	18	41	42
	Number of research networks & collaborations supported	15	27	32
Outcomes	Number of net new jobs created	96	7.7	10.1 to 23
	Increase in net additional turnover by supported enterprises (cumulative to end of 3 year project)	£5 million	£0.6 million	£1.7 million to £1.9 million
	Number of new products/ processes	25	58	58
	Increase in net research or innovation expenditure of supported companies	£1 million	£0.7 million	£0.7 million
Impacts	Net additional GVA contribution in GVA terms to the Scottish economy (cumulative to end of 3 year project)	£10 million	£0.5 million	£1.4 million to £1.5 million

Sources: ICS; SQW estimates

5.37 In summary, the WHI project has clearly exceeded its target *outputs* – for example, supporting more than double the original target for the number of enterprises supported.

5.38 In terms of the *outcomes* and *impact*, however, our assessment is that these have fallen somewhat short of the original expectations. Even under our upper-bound estimate, the number of net new jobs created by the end of the project (which we take to be the end of 2011/12 for the purpose of this evaluation) is about 23 jobs (24% of target); and the net additional GVA impact is about £1.5 million (15% of target). Under the pessimistic lower-bound projections, these reduce respectively to 10 jobs (10% of target) and £1.4 million in net GVA (14% of target).

5.39 We would suggest, however, that the appraisal period originally set for these targets (i.e. three years, corresponding to the lifetime of the project) is too short for an intervention of this nature – bearing in mind the time lags involved in companies realising the full financial benefits of the support received. It would have been more meaningful to set these targets over a longer time period – for example out to 2014/5, by which time our central case projection estimates a cumulative net GVA impact of £7.7 million (Present Value of £6.6 million).

Cost-effectiveness

5.40 Cost-effectiveness considers the overall value for money of the project, in terms of the extent to which the net impacts exceed the net costs.

5.41 As discussed above, we have a particularly wide range of net impact estimates for this intervention, given that so many of the beneficiaries are currently pre-revenue, and given the levels of uncertainty on their future turnover and impact projections. The Present Value of the net GVA impact to date is estimated to be approximately £0.5 million, but extending the analysis out to 2014/15, the Present Value of the net GVA impacts ranges from £3.3 million to £9.8 million, as shown in the table below.

Table 5-9: Present Value of net GVA impacts – to end 2010/11, and to end 2014/15

	Lower bound	Central case	Upper bound
Present Value of net GVA impacts to end 2010/11 (£k)	474	474	474
Present Value of net GVA impacts to end 2014/15 (£k)	3,326	6,572	9,819

Source: SQW impact model

5.42 The costs by financial year are shown in the table below.

Table 5-10: Project expenditure, by financial year

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Total project expenditure by financial year excl VAT (£k)	249	486	510	272	0	0	0

Source: SQW estimates, from ICS actuals and budget per project-year (12 months starting October)

5.43 Discounting the net GVA impacts and costs at 3.5%, as per HM Treasury Green Book, we estimate the following key value for money ratios:

- For the period to the end of 2010/11 (i.e. considering impacts and costs to date):
  - An **Economic Impact Ratio of 0.40**.

- Through to the end of the modelling period (i.e. including future impacts and costs in 2011/12 and the following three years) to 2014/15:
  - An **Economic Impact Ratio of 2.3 to 6.8**.

5.44 The Economic Impact Ratios relating to the *cumulative* discounted net GVA impacts and costs (to date and future) are shown in Table 5-11.

Table 5-11: Economic Impact Ratios of cumulative discounted net GVA impacts and costs

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Economic Impact Ratio of WHI - lower bound (£k)	0.31	0.26	0.40	0.90	1.44	2.00	2.31
Economic Impact Ratio of WHI - central case (£k)	0.31	0.26	0.40	0.95	1.82	2.90	4.57
Economic Impact Ratio of WHI - upper bound (£k)	0.31	0.26	0.40	0.99	2.19	3.79	6.82

Source: SQW impact model

5.45 In other words, we estimate that the project's costs have outweighed its net GVA impact for Scotland to date, but there should be a positive return if the benefits over the next four years materialise as projected above.

5.46 Under the lower-bound impact estimates, the projected Economic Impact Ratio of 2.3 represents relatively poor value for money compared to benchmarks for achieved and future potential net GVA impact to cost ratios; for example, the PwC impact assessment of the English RDAs found ratios of 14.1 for individual enterprise support, and 8.7 for sector/cluster support. However, SE's own benchmarks for interventions in Globally Competitive Sectors and Enabling Technologies show a range of Economic Impact Ratios from 3.6 to 5.4 over ten years, or 0.8 to 2.0 over five years – which are broadly in line with the lower-bound ratio calculated here over seven years for WHI.

5.47 However, under the upper-bound impact estimates, the WHI project will clearly have represented very good value for money.

5.48 In short, the value for money of this intervention remains very uncertain. If the supported pre-revenue ventures predominantly remain small over the next couple of years, then it is likely to deliver a return only modestly in excess of the initial investment; however, if a few of the intensively-supported companies do indeed achieve the ambitious growth targets found by the survey – thanks to WHI's support - then this will pay back SE's investment many times over.

6: Conclusions and recommendations

Conclusions

Rationale and objectives

6.1 Our evaluation considers that the **objectives** set for the WHI project - in terms of its intended outputs, outcomes and impacts - were appropriately SMART (i.e. specific, measurable, achievable, relevant and time-bound).

6.2 However, in our view the original **rationale** for intervention, as set out in the SE Approval Paper, was somewhat unconvincing – essentially pointing out a large global opportunity, and asserting the presence of market failures, without explaining why this particular sector justified specialist SE support in addition to the other business support mechanisms (including Account Management). We do not dispute that there is an opportunity, and that market failures exist in this – as in every other - sector. The key question should have been why the market failures in this particular area justified sector-specific support.

6.3 ‘Wellness and health’ is a particularly wide ranging area – for example, companies supported range from a skincare product company to a wheelchair manufacturer to an occupational health service provider – and this is not a ‘natural’ coherent community with strong commonality of interests and issues. Although, on the face of it, the project fits with SE strategy, this ambiguity in the **sector definition** has contributed to a perceived lack of focus, and the ‘straddling’ of SE’s Life Sciences and ET sectors has resulted in the project lacking strong senior management engagement within SE. It is perceived to be a relatively low priority, at present, which does not perhaps do justice to the opportunities emerging in this arena.

Inputs, activities and outputs

6.4 Notwithstanding the issues regarding original rationale and focus, the project has been **managed well** by ICS, the delivery agent. The budget of £1.526m has been controlled and phased appropriately, with clear monitoring and reporting arrangements, and the team has succeeded in reaching out to many more enterprises than had originally been envisaged.

6.5 The quality of ICS team is highly regarded by consultees, and – most importantly by the beneficiaries, who are **positive about the service**: 71 out of 104 respondents said they were “satisfied” or “very satisfied” overall with the service. Levels of dissatisfaction were low: just 5% to 9% saying “dissatisfied” or “very dissatisfied” with the various aspects of the service delivery.

6.6 The project has **comfortably exceeded each of its targeted gross output measures** – and by the end of the project, is expected to have: supported 240 enterprises (versus target 105), supported 32 research networks and collaborations (versus target 15), engaged 35 partners (versus target of 30), and undertaken 42 events (versus target 18).

6.7 In terms of **governance**, a Strategic Advisory Group was established, but the project has not been able to recruit a volunteer to chair this group, and there has been some suggestion of a lack of rigour and structure in the SAG's steering function.

Outcomes and impacts

6.8 In terms of the **outcomes** of the intervention, surveyed beneficiaries were positive. For example:

- 57 of our 104 respondents said that the WHI service has helped to improve their market awareness (with 50 of these saying this was "important" or "very important" in terms of its actual or potential future impact).
- 43 of the 104 said that WHI had helped to establish to establish new links with companies (30 of these saying this was "important" or "very important").
- 29 out of 104 said WHI had resulted in them developing new products (23 of these saying this was "important" or "very important").

6.9 Regarding **impact**, it should be recognised that estimates of impact are necessarily very uncertain for this intervention, as so much of the impact will be in the future, especially given that many of the beneficiaries are currently at the pre-revenue stage (51 of our 104 respondents). Some of these pre-revenue organisations' responses to our questions on future turnover and impact looked particularly optimistic to us; for example, three pre-revenue respondents estimated turnovers of £8 million or more for 2014/5. However, assessing the realism of individual respondents' projections is not possible within the scope of this evaluation; so, given these uncertainties, we have used upper- and lower-bound estimates for impact, as follows:

- We estimate that the net **employment** impacts for Scotland have been approximately 7.7 FTEs to date (2010/11), and that they will range from about 10 FTEs in the lower-bound case, to about 37 FTEs in the upper-bound case over the next few years – with a central case of about 22 FTEs.
- The *cumulative* net **GVA** impact is estimated to have been approximately £0.5 million to date (to end 2010/11), and is projected to rise to between £3.8 million in the lower-bound case and £11.6 million in the upper-bound case – with a central case of £7.7 million.

Value for money

6.10 In terms of **economy**, the unit costs per beneficiary are reasonable at £5.6k. However, dividing the relevant costs by the recorded number of days of support, gives £2,400 excl. VAT per day of support delivered. Adjusting for some potential under-recording of support delivered (e.g. six hours of support to a beneficiary only being counted as one half-day of support) may bring this unit cost down to perhaps £2,000 per day; however, this is still high by consultancy industry standards.

6.11 Regarding **efficiency**, the average cost per net job is approximately £67k (for the central case), which is broadly in line with SE's own benchmarks, but relatively high compared with those from the PwC assessment of England's RDAs, which found an average cost per net job of £8.3k for individual enterprise support interventions and £12.1k for sector/cluster support interventions.

6.12 Regarding **effectiveness**, the WHI project has clearly exceeded its target outputs. However, in terms of the *outcomes* and *impact*, our assessment is that these have fallen somewhat short of the original expectations. Even under our upper-bound estimate, the number of net new jobs created by the end of the project (which we take to be the end of 2011/12 for the purpose of this evaluation) is about 23 jobs (24% of target); and the net additional GVA impact is about £1.5 million (15% of target). Under the pessimistic lower-bound projections, these reduce respectively to 10 jobs (10% of target) and £1.4 million in net GVA (14% of target).

6.13 Regarding **cost-effectiveness** (i.e. the extent to which the net benefits exceed the net costs), we have a particularly wide range of estimates for this intervention, given that so many of the beneficiaries are currently pre-revenue, and given the levels of uncertainty on their future turnover and impact projections. The Economic Impact Ratio (i.e. the Present Value of the net GVA impacts divided by the Present Value of the costs) is approximately 0.4 to date, but extending the analysis out to 2014/15, the EIR is projected to be 4.6 (ranging from 2.3 in the lower bound to 6.8 in the upper bound).

6.14 In short, the value for money of this intervention remains very uncertain. If the supported pre-revenue ventures predominantly remain small over the next couple of years, then it is likely to deliver a return only modestly in excess of the initial investment; however, if a few of the intensively-supported companies do indeed achieve the ambitious growth targets found by the survey – thanks to WHI's support - then this will pay back SE's investment many times over.

Project learning

6.15 Considering our research, we would highlight the following key transferable learning points from the project:

- Sector-specific interventions should have a much **clearer definition of the sector** from the outset (i.e. approval stage).
- Interventions need a **much more robust rationale** than that articulated for this project – the existence of opportunity and of market failures are *necessary* but not *sufficient* conditions, especially in justifying a sector-specific intervention.
- **Contracting out service delivery to a third party** can provide a high level of service and management and can feel more responsive and less bureaucratic to clients (as in the case of the WHI project), though it does raise issues relating to the development of industry knowledge and relationships within SE and SDI.

Recommendations

6.16 We offer the following recommendations to SE:

- **Recommendation 1**. Undertake a review of the opportunities and issues associated with the *assisted living* market, and identify and appraise options for continued or new intervention focused on that sub-set of the wellness and health sector (including the 'do nothing' option). With 'austerity' pressures on local authorities and on the health service to reduce costs associated with care, and the advent of large-scale initiatives such as DALLAS, we view this as an area of the W&H sector which has both a clearly-defined focus and very promising future potential.
- **Recommendation 2**. In the light of that review, decide whether any interventions in the assisted living arena are best delivered through a continuation of the WHI project, post September 2011, or through a new approach.
- **Recommendation 3**. Identify the most promising client prospects emerging from the WHI 'growth pipeline' and continue to support them through mainstream SE support mechanisms.
- **Recommendation 4**. Seek to disseminate the sector/company knowledge gained through the WHI project more widely through SE and SDI, to ensure that this knowledge is not 'lost' if SE decides not to continue funding for the project post September 2011.

Annex A: List of consultees

Stakeholder consultees

Name	Position	Organisation
Ian Anderson	Principal Consultant	Atos Origin
Steven Dodsworth	Head of Life Sciences	Highlands & Islands Enterprise
Janette Hughes	WHI Project Manager	Innovation Centres Scotland
Ross McLennan	WHI Innovation Advisor	Innovation Centres Scotland
Alan James Muir	WHI Innovation Advisor	Innovation Centres Scotland
Derek Dougall	International Senior Executive	Scottish Development International
Moira Mackenzie	Telecare Development Manager, Joint Improvement Team	Scottish Government
Michael Kornacki	SE Project Manager for Wellness and Health Innovation	Scottish Enterprise
David Cross	Former SE Project Manager for Wellness and Health Innovation	Scottish Enterprise
Ulrike Knies-Bamforth	Senior Executive - Life Sciences Team	Scottish Enterprise
Bill Templeman	Technology Project Manager - Enabling Technologies Team	Scottish Enterprise

Source: SQW

Annex B: Post survey report

B.1 The initial population of supported businesses comprised of 182 organisations. However 11 of these were found to be duplicates, no longer trading etc. After initial contact was made with the remaining 171 organisations, from these it was found that for six businesses the contact was no longer working there and a further 26 had had no contact with WHI or reported that the survey was not applicable to them. Also there was no response (phone ringing out, deadline, wrong number) from 35 businesses.

B.2 In total, the study team completed 104 interviews with businesses. Overall these interviews provided a response rate of 61% (this gives a confidence interval of +/- 6.0% for a 50% response, +/- 5.2% for a 25% / 75% response and +/-3.6% for a 10% / 90% response (based on a 95% confidence level). All non-respondents were chased up by the IBP interview team a minimum of four times. The approach was to attempt to contact all 171 businesses to maximise the response rate. IBP completed all interviews between June and July 2011.

B.3 The results from the business survey are presented below.

Profile of companies that completed interviews

Sector	**Respondents**
Digital Markets and Enabling technologies	40
Life Sciences	30
Don't know	23
Food and Drink	4
Textiles	3
Construction	1
Energy	1
Financial Services	1
Tourism	1
Total	**104**

Source: SQW desk research

Company profile

What is your main business activity in Scotland?

Main business activity in Scotland
Addiction / AIDS product
Adult stem-cell extraction and storage
Advice on holistic solutions
Alarms for elderly people

Main business activity in Scotland
Alternative eye dropper
Analysing medical data
Astronomy technology. Optical instrumentation
Building home gyms
Chip design
Collaboration with another company. Digital media motion based game
Computer centres for data analysis, to gym equipment
Computer visualisation and health care
Contact lens eye care
Cushioned products for cancer sufferers
Dementia software
Depression care
Design and innovation of textiles using recyclable materials (Glass, cardboard, paper, etc.)
Design and manufacture of wing-boards
Design and production of furniture
Design for public sector
Design/marketing. Balanced meals. Providing food to various food companies. Used to be online. More physical now
Designing and developing ways to manage energy in buildings
Develop sports concepts and also textile products
Developing an assisted living device
Developing and manufacturing carbon dioxide centres
Developing first of a range of cooker safety products
Developing software and assisted technology for elderly, frail and vulnerable people
Development of a new fitness product for home use. Also train and certify fitness instructors on the products use within a gym
Digital Media
Distribution of medical devices
Ear technology product
Education
Electronic manufacturing
Emotional information from various sources, e.g. market research, blogs etc
Exercise equipment
Facility for social and sporting organising

Main business activity in Scotland
Foot exercise device
Health sandals
Healthcare
Healthcare through mobile
High level disinfection for eradication of viruses and bacteria in any enclosed area
Hydration product for people who are physically unable to do this for themselves
Inventing new technology ideas for different communities, basically for the elderly
Inventor of ergonomic laptop table
Life science consultancy
Life Sciences
Make activity monitors
Manufacture and sale of infant health development products
Manufacture orthopaedic products
Manufacture reduced sodium sea salts
Manufacturing self-service kiosks
Marketing a device to provide stool samples
Mechanical / Electrical Engineering
Medical research and development
Medication device
Mobile app for dependent people
Mobile phone technology
Not yet set up
Occupational Health
Occupational health. Local, UK, international
Online CPD
Online habit changing model
Organising training courses
Outdoor physical act
Patented inventions
Phone application that measures dietary intake and feed results back to dietician
Product development. Medical - playground equipment, telecoms and consumer products
Product Innovation Design

Main business activity in Scotland
Provide training and education for fitness and health professionals
Range of skincare
Research on diets
Residential Child Care
Sell on wireless system reporting back readings and instructing on health, lifestyle etc
Selling devices and consumables for drug testing
Simulation software
Site for photo care products for dementia
Ski instructions
Skincare company
Skincare range
Small electronic medical products
Social enterprise
Software
Software Design Company
Software development
Software development and multimedia communications
Software development and sales
Software Health Care
Specialised intensive care rooms
Sports products
Start-up infertility products
Stress Management / Training and Consultancy
Supply equipment for disabled, mainly visibility and dyslexia
Supply software and services
Sustaining elderly
Technology products
Testing Omega 3 fatty acids in blood
Training consultants for medical device industry. Looking at MRSA
Travel Pillows
Treatment for snoring
Unique heating tech included in a wide range of products. Gloves/insole/jackets

Main business activity in Scotland
Use of light to improve people's performance
Wheelchair manufacturers
Written software for businesses to collaborate

Source: SQW/IBP

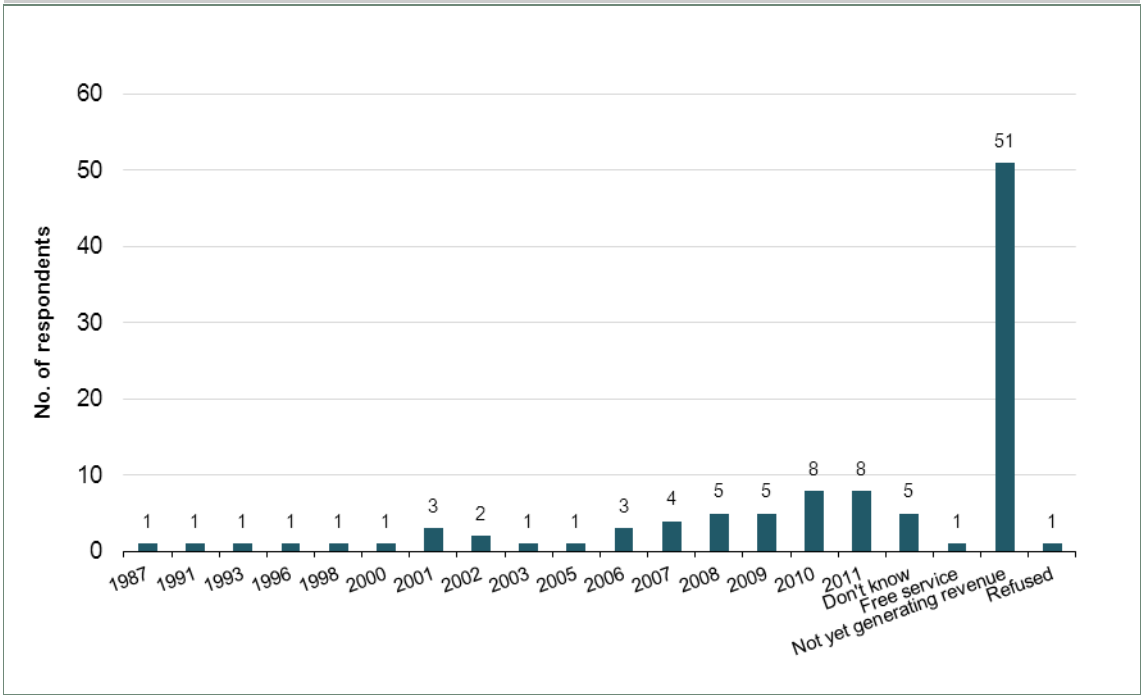
What is your main role at this business?

Main role at this business
All aspects - managing director
Business and Technical Director. Analysis of results
Business development
Business development manager
Business Director
CE
CEO
Chief Analyst
Chief Executive
Chief technology officer and director
Clinical Director
Co-director
Co-inventor
Commercial Director
Commercial Officer
Consultant and trainer
Creative insight to digital companies
Deputy development manager
Design Engineer
Designed the equipment and group exercise program. Seek opportunities and trials for the equipment
Designer
Designer and business development
Director
Director / Joint MD
Director, marketing co-ordinator, design and manufacturing co-ordinator
Financial controller
Founder

Main role at this business
General Manager
Head of Scotland
Inventor
Inventor and manufacturing Director
Inventor and Patent Holder
Lead for health & social care
Managing direct. Running everything
Managing Director
Managing Director - strategy of DZD management
Marketing officer
MD
Operations director
Owner
Partner
Product development
Project Lead
Research for Edinburgh University
Sales & Technical Director
Sales and marketing manager
Sole trader
Technical Design & Development Director
Technical Director

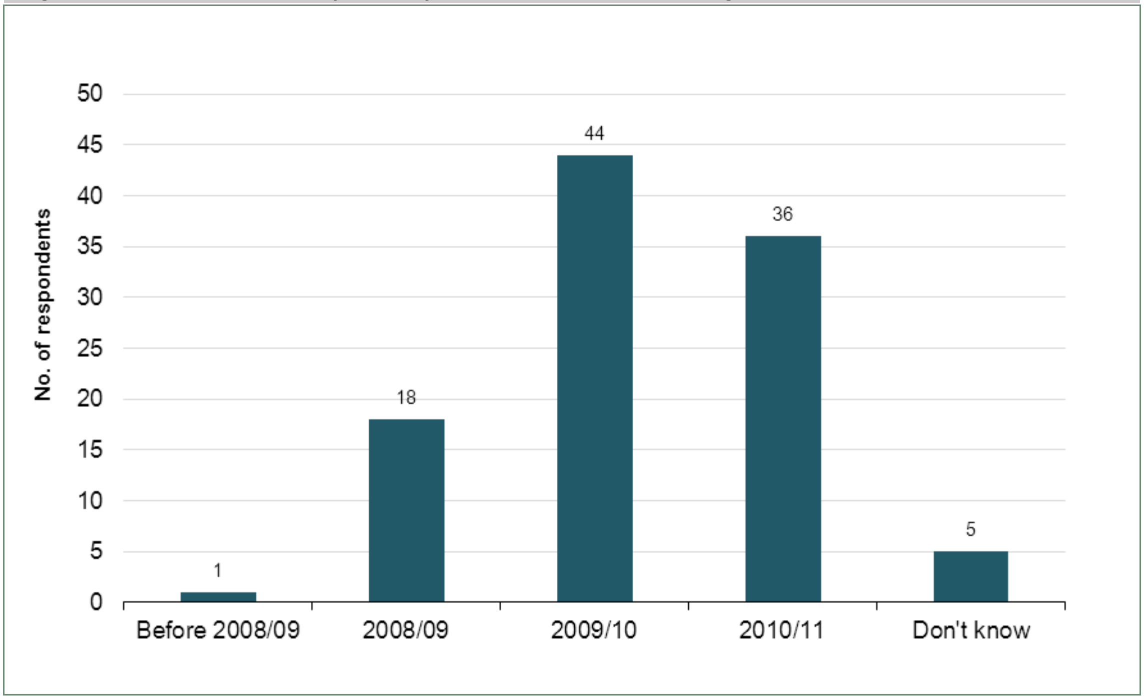
Source: SQW/IBP

Figure B-1: In what year did this business first start generating revenues?



Source: SQW/IBP

Figure B-2: In which financial year did your business first start using WHI services?



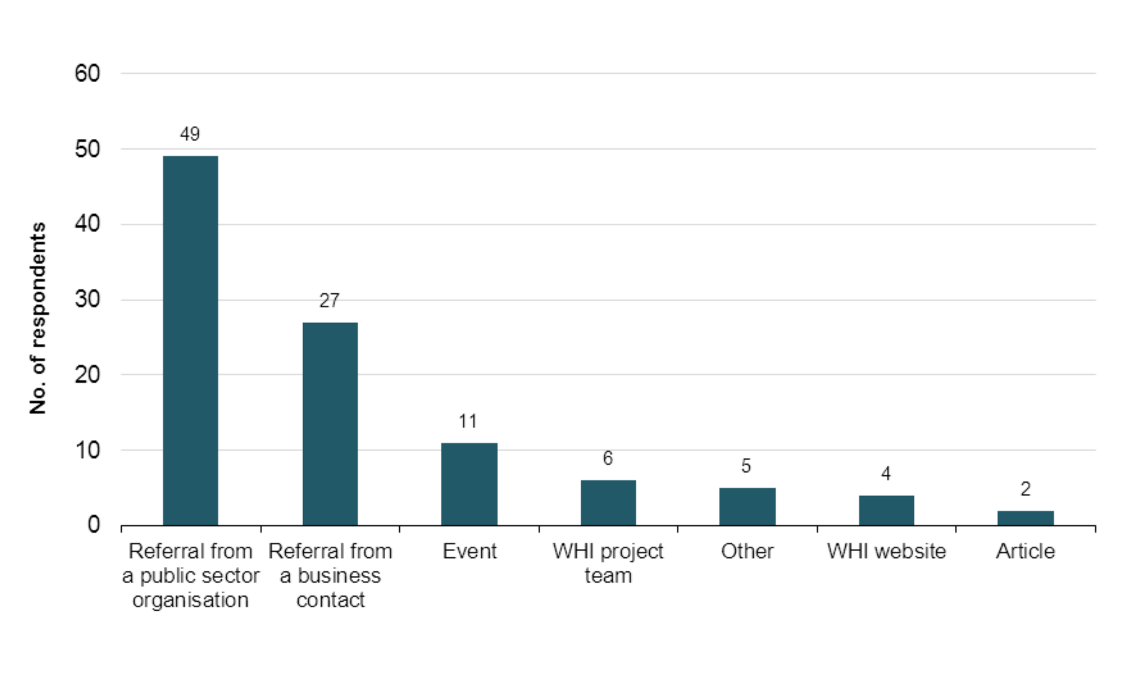
Source: SQW/IBP

What were the main problems, issues or opportunities you were looking to get help with, from WHI?
Main problems, issues or opportunities
Business models (20 responses)
Assistance starting up (but we were refused)
Business models, advice, investors
Business start-up support and finance streams, partnerships / networking, advice
Business Structure
Collaborations
Designers
Help in developing business model for sales and distribution
Innovation in CPD
IT system. Relationship management
Links with other companies
Network with SME
Networking
Networking information on markets
Networks contacts
Networks, partners, validating markets
Project partner
Routes to markets. Collaboration with universities
To find opportunities to work with other companies in that field
To gain contacts into large organisations such as NHS and BT
We were looking for advice on possible companies to work with, and also for networking opportunities
Finance (5 responses)
Funding
Funding market/product readiness. Access to market
Funding, business SOP, contacts
Funding. Clear marketing focus. Links to manufacture
Resources to expand
General (6 responses)
Advice / networking
General advice for community
Logistical support
Opportunity to listen
Understand wellness and how it fits in with health
Identify the market for products, help with market penetration
Markets (33 responses)
Accessing new markets
Background and market information
Help introducing to market
Identifying the market for the equipment
Info on night workers and assess the market
Information on wellness sector. Information on funding
Introduction to key people in target sectors
Links to USA, collaboration

Main problems, issues or opportunities
Market Analysis
Market information
Market intelligence
Market intelligence, finance, networking
Market research
Market research - paid a sales consultant
Market research and networking
Market research for new product launch
Market research profile contacts
Market research, data analysis
Market research, networking
Market research. Diabetes, pregnancy, people
Marketing
Marketing and focus (Product steering)
Needed better understanding of health marketplace, more focused approach to market and opportunity to access relevant networks
Open gateways to European market
Opportunities for assisted living, things for chips. Market research
Research
Research for care market. Introductions to Local Authorities
Research, statistics, growth figures
Routes to market
Statistical info
Support identifying the commercial challenges. Market analysis
Therapeutic and medical opportunity for product. Help with understanding
We needed to get advice on market research
Sales (1 response)
Sales from astronomy – biomedical
Technology (14 responses)
Advice on system, using market intelligence
Applying theories to practical issues
Best way to facilitate market research and help with technology
Ideas to place new textiles within a wellness environment
Intellectual property
IP, manufacturers contacts, evaluating products
Looking for help with design of some new products
New technology for preventative healthcare
Product development process. Market information
Protecting intellectual property
Prototype mobile app – walking
Support and guidance for a new product
Technical systems
To explore new textiles innovation, i.e. smart and technical textiles

Source: SQW/IBP

Figure B-3: How did you first hear about the WHI project?



Source: SQW/IBP

Referral from a public sector organisation – detail

Specify public sector organisation	**No. of respondents**
Scottish Enterprise	21
Don't know	7
Business Gateway	6
Abertay University	1
Cultural Enterprise Officer	1
Glasgow University	1
Go Group	1
ICAS	1
Innovation Scotland	1
Interface	1
Long-time conditions alliance	1
Not specified	1
SE/SDI	1
SHI	1
St Andrews	1
Stirling University	1
True Innovation	1
Worked for ICS	1

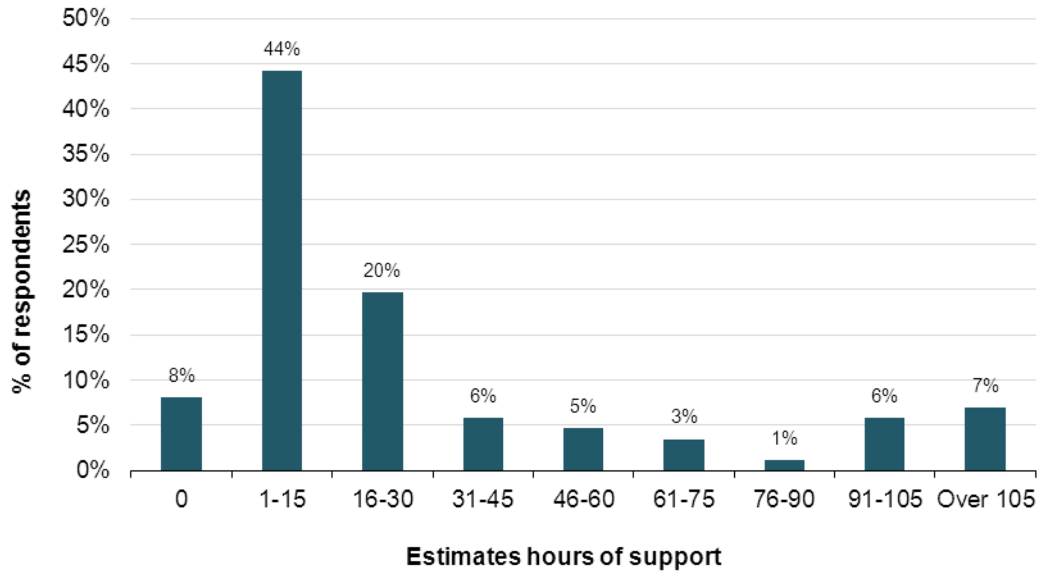
Specify public sector organisation	No. of respondents
Total	**49**

Source: SQW/IBP

Can I confirm the WHI services you have used from the time you first started using their services?	
Services	**No. of respondents**
Market research	59
Large market sharing events	29
Workshops	27
Advice on routes to market	27
Facilitating collaborations – SME, University or Corporate	27
Innovation/ Product assistance	26
Signposting to intermediaries	24
Assistance with highlighting gaps in the market	23
Sales and marketing guidance	22
Intellectual Property Audit	21
Brokerage events with key stakeholders/ partners	19
Market positioning advice	16
Business model/ structure advice	14
Focus groups	12
Technology/ Application audit	9
Assistance with Regulations	7
Service toolkits	5
Other	5
Innovation toolkits	5

Source: SQW/IBP

Figure B-4: Roughly, how many hours support do you estimate having received from the WHI project in total?



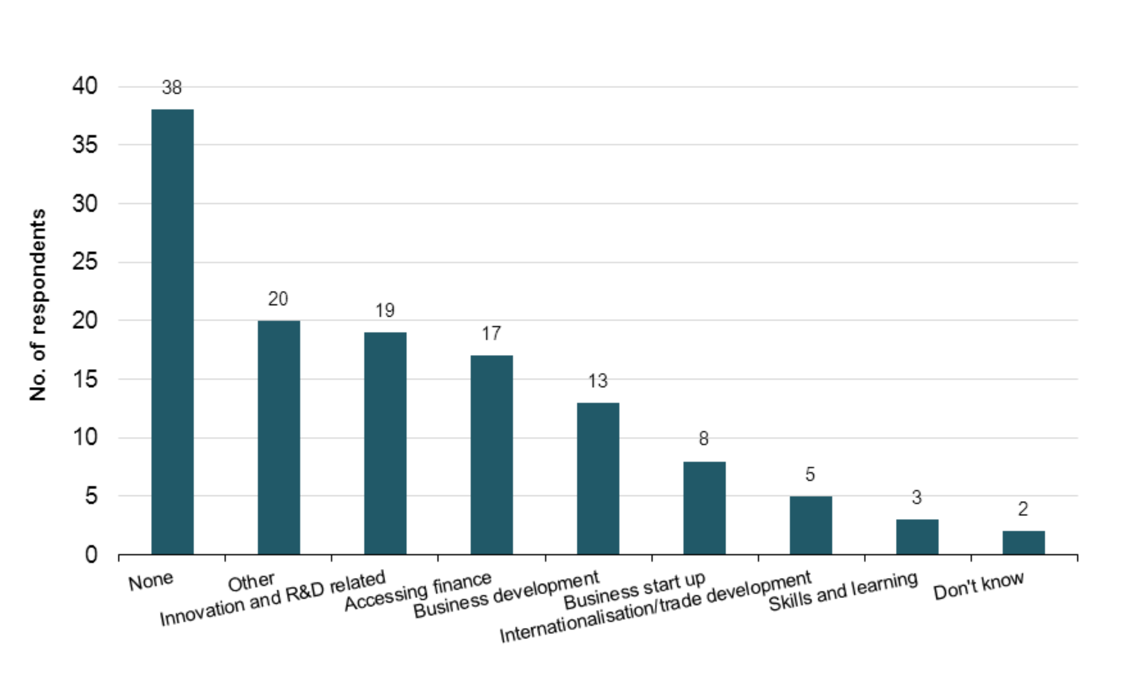
Source: SQW/IBP – base 83 (excluded outliers and don't knows)

Roughly, how many hours support do you estimate having received from the WHI project, in total? (median)
Estimated hours of support
Median estimated hours of support = 13.5 hours

Source: SQW/IBP

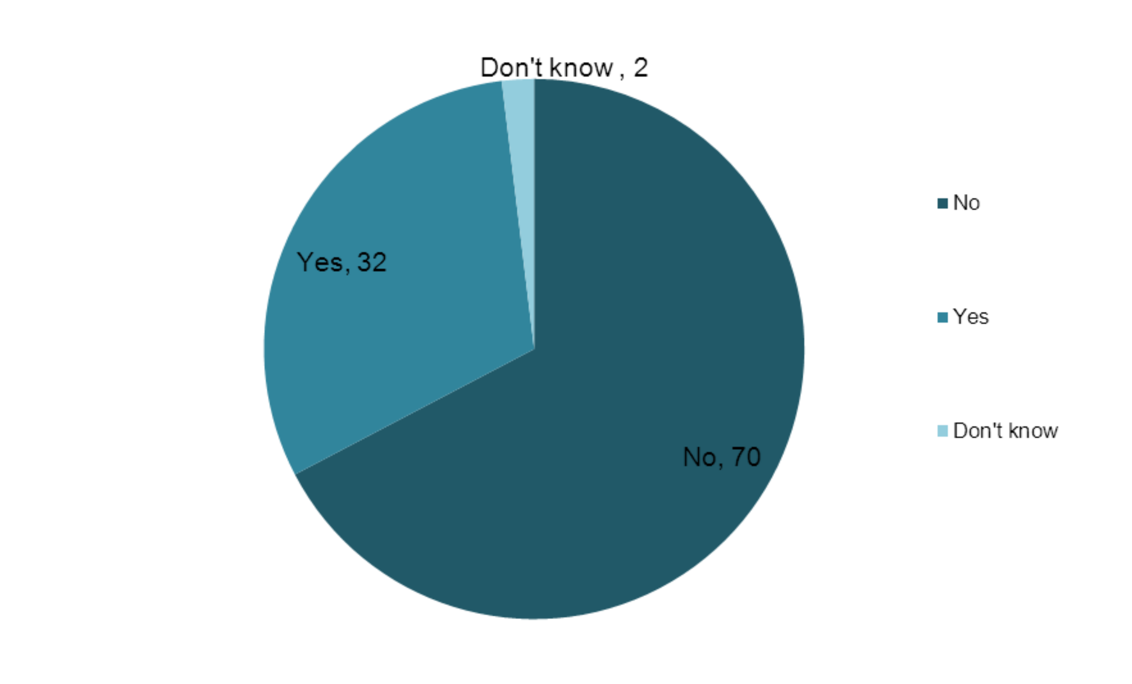
Other public sector support

Figure B-5: What other forms of support, including FINANCIAL support, have you received from public sector organisations in the past three years?



Source: SQW/IBP

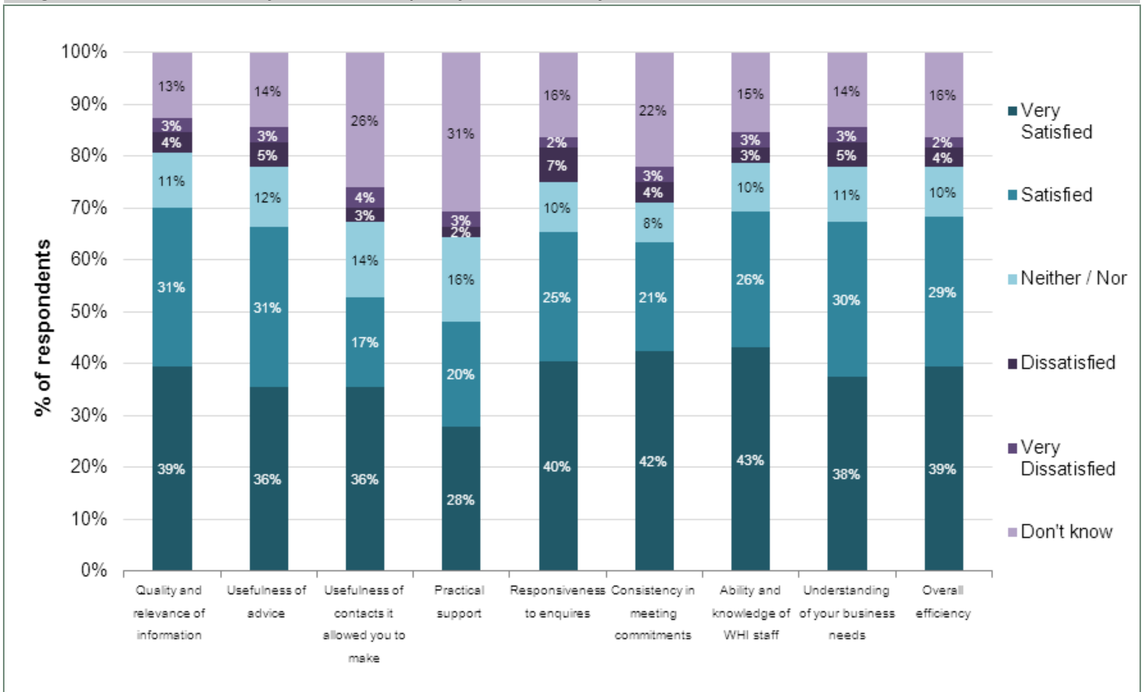
Figure B-6: Have you received Scottish Enterprise Account Management Support in the past three years?



Source: SQW/IBP

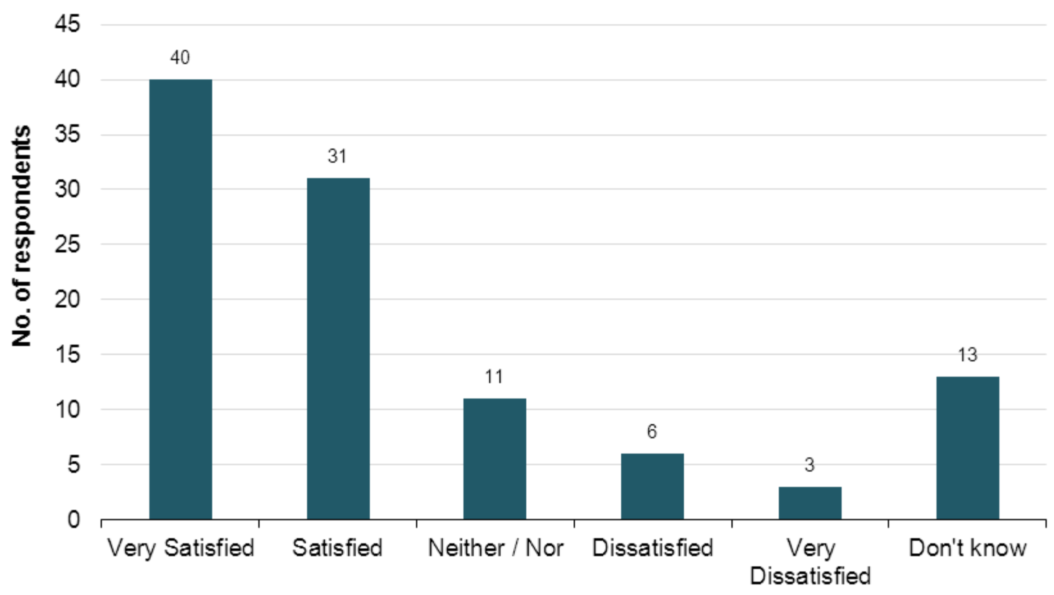
Satisfaction with WHI

Figure B-7: How would you rate the quality of services you have received from WHI?



Source: SQW/IBP (Neither/nor = neither satisfied or dissatisfied)

Figure B-8: How would you rate your overall satisfaction with the WHI project?



Source: SQW/IBP (Neither/nor = neither satisfied or dissatisfied)

Benefits of using WHI

Which, if any, of the following benefits have you experienced as a result of using the WHI services?

	No. of respondents
Improved your knowledge and understanding of the wellness and health sector	62
Improved your market awareness	57
Established new links with companies	43
Developed links with other networks or collaborations	41
Improved your technical awareness	33
Established new links with the science/research base	32
Established new links with Support Providers	30
Developed new products	29
Improved your existing products	28
Undertaken new innovation or R&D projects	26
Developed new processes	24
Improved your existing processes	21
None of the above	18
Established new links with NHS	13
Undertaken collaborative projects	14
Secured financing, such as loan finance	8

	No. of respondents
Formed a start-up company	8
Secured new licensing deals	7
Secured financing, such as equity finance	5
Formed a spin-out company	3
Other	2

Source: SQW/IBP

Impact of WHI

For the benefits identified, can you say how important these have been in terms of their impact to date or their future potential impact?

	Very Important	Important	Neither / Nor	Not Important	Don't know
Improved your market awareness	32	18	5	1	1
Improved your knowledge and understanding of the wellness and health sector	29	19	11	2	1
Established new links with companies	20	10	10	2	1
Developed links with other networks or collaborations	19	11	9	1	1
Improved your existing products	17	6	5		
Improved your technical awareness	17	12	4		
Established new links with the science/research base	15	8	5	3	1
Undertaken new innovation or R&D projects	14	8	4		
Established new links with Support Providers	13	11	6		
Developed new products	13	10	5	1	
Improved your existing processes	11	6	4		
Established new links with NHS	9	3		1	
Developed new processes	9	11	4		
Undertaken collaborative projects	7	4	2	1	
Secured financing, such as loan finance	6		2		
Formed a start-up company	5	2	1		
Secured new licensing deals	3	1	3		
Secured financing, such as equity investment	3	1	1		
Other	1			1	
Formed a spin-out company		2	1		

Source: SQW/IBP (Neither/nor – neither important or not important)

Roughly how much additional investment did you make in innovation or R&D, as a result of WHI? (respondents who cited new innovation or R&D as a benefit)

Additional investment in innovation or R&D	**No. of respondents**
Don't know	11
£0	4
£150	1
£5,000	2
£10,000	2
£9,000	1
£40,000	1
£50,000	1
£70,000	1
£150,000	1
More time	1
Total	**26**

Source: SQW/IBP

Roughly how much additional financing did the WHI support help you to secure? (loan finance) (respondents who cited financing as a benefit)

Additional loan financing	**No. of respondents**
Don't know	5
£25,000	1
£70,000	1
£300,000	1
Total	**8**

Source: SQW/IBP

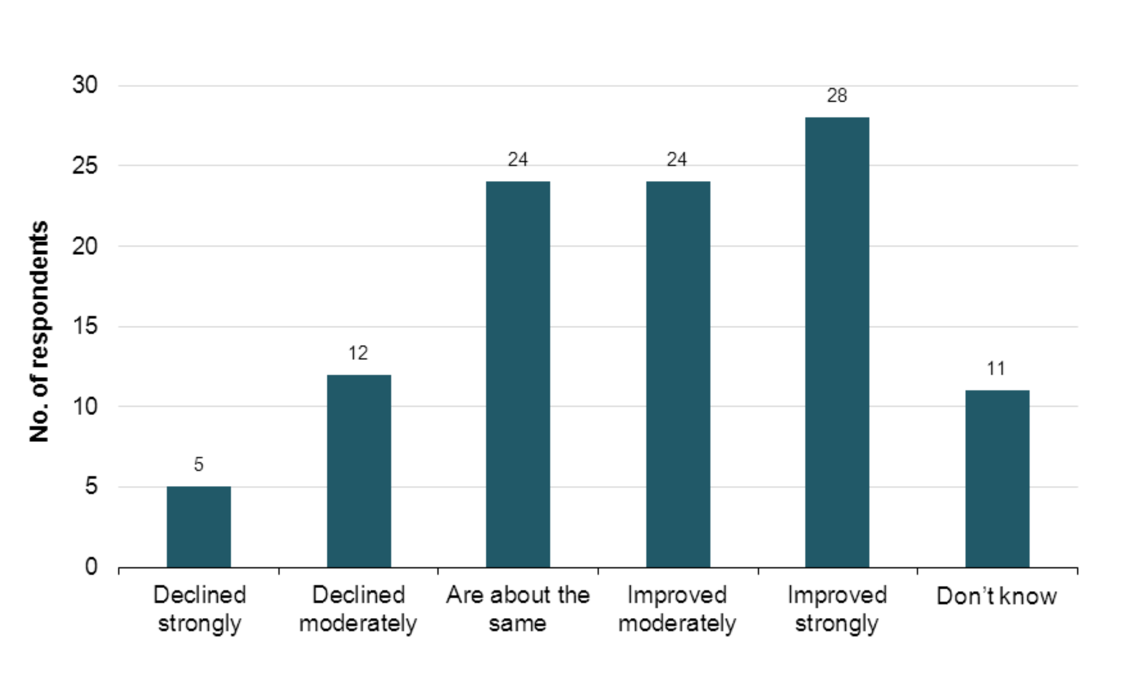
Roughly how much additional financing did the WHI support help you to secure? (equity finance) (respondents who cited financing as a benefit)

Additional loan financing	**No. of respondents**
Don't know	5
Total	**5**

Source: SQW/IBP

Market conditions

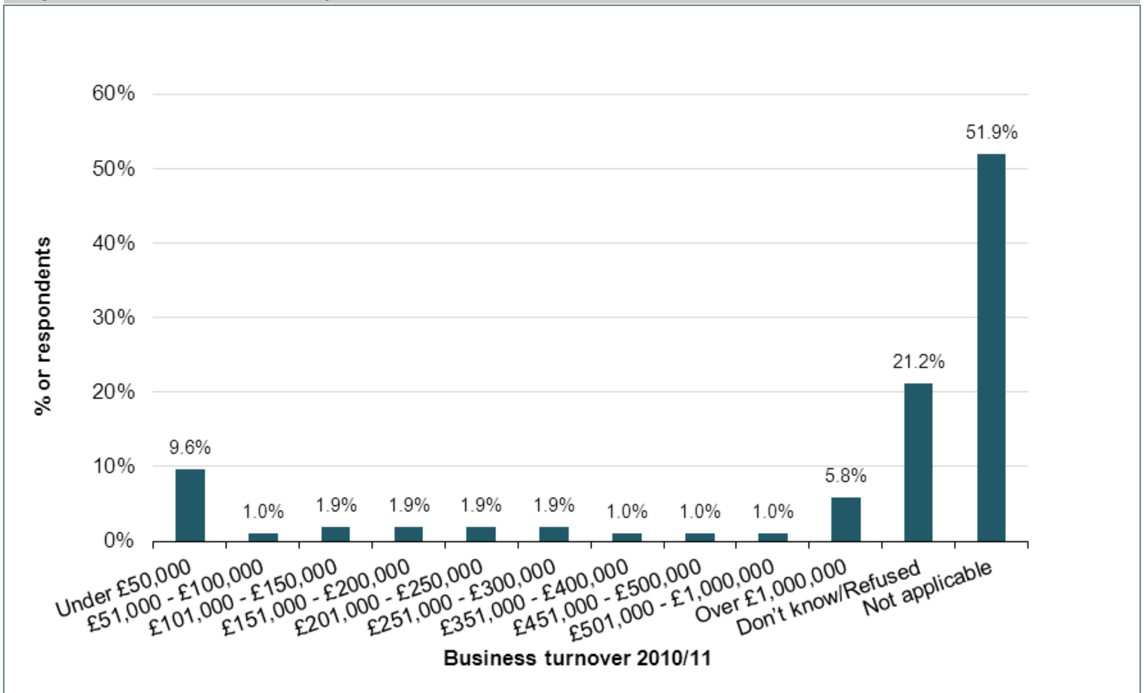
Figure B-9: Thinking about market conditions in your main area of business over the last 3 years, would you say the market conditions have?



Source: SQW/IBP

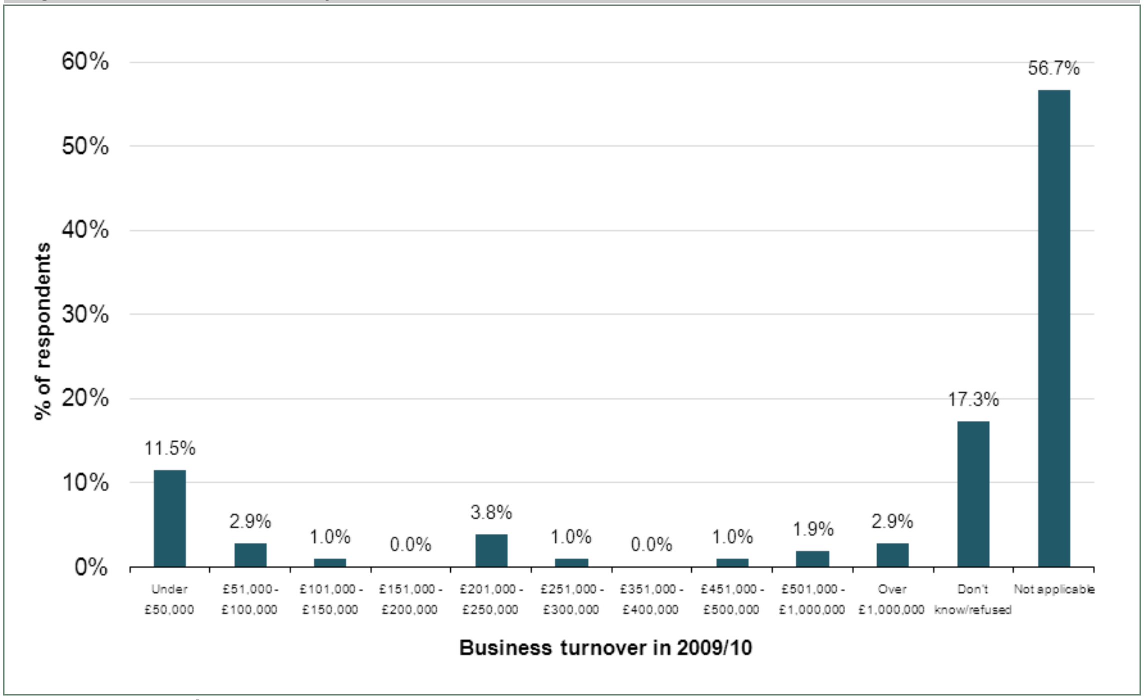
Turnover to date

Figure B-10: What has been your business turnover in 2010/11?



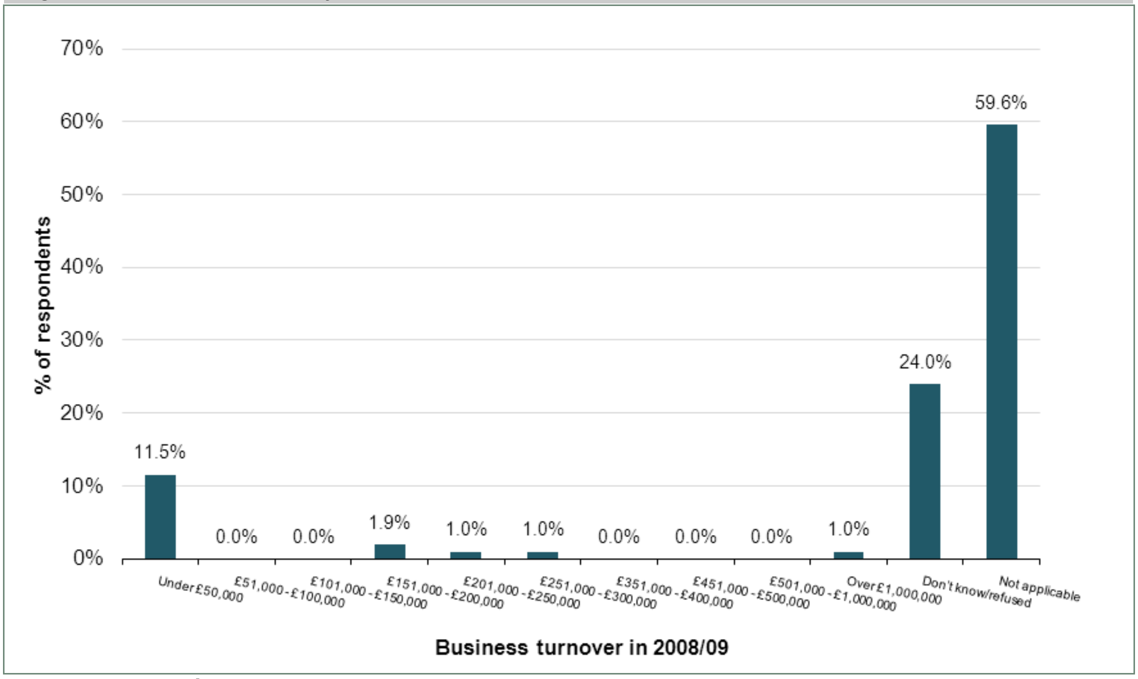
Source: SQW/IBP – base 104

Figure B-11: What has been your business turnover in 2009/10



Source: SQW/IBP – base 104

Figure B-12: What has been your business turnover in 2008/09?



Source: SQW/IBP – base 104

What has been your business turnover?	Mean value	Median value
2010/11	£1,492,800	£200,000
2009/10	£1,111,950	£98,000
2008/09	£210,500	£22,000

Source: SQW/IBP

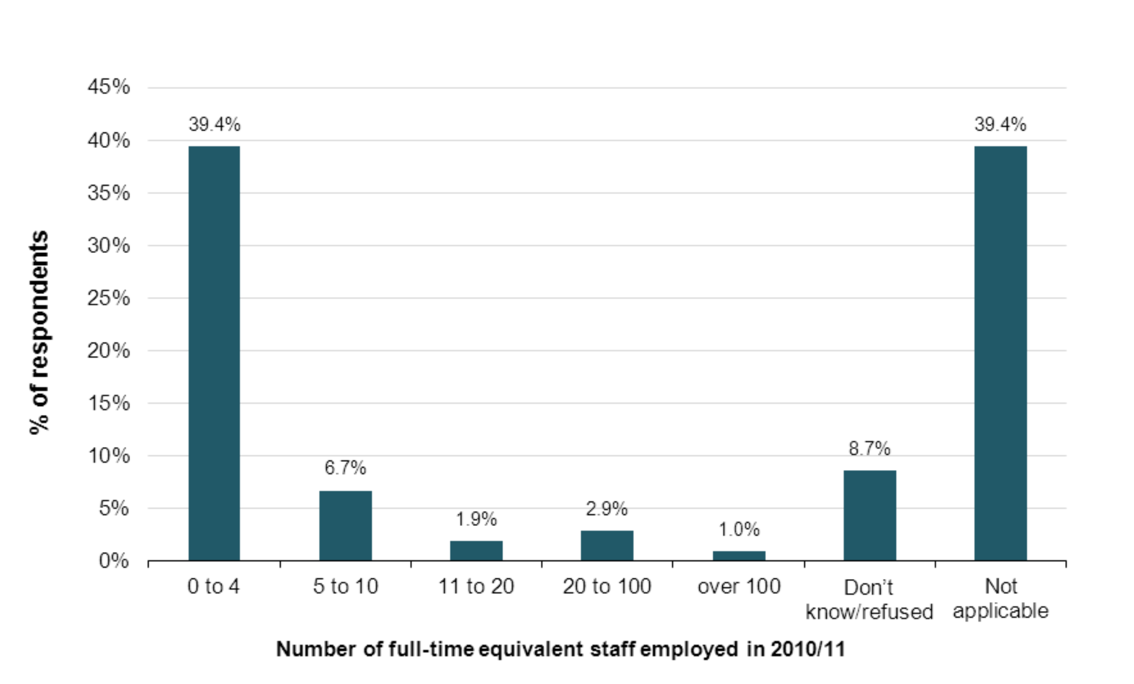
Thinking about turnover generated in each year, how much different do you think turnover would have been without WHI?

	Lower (i.e. turnover would have been worse without WHI)	**Higher (i.e. turnover would have been better without WHI)**	**No difference**	**Don't know**	**Not applicable**	**Refused**	**Total**
2010/11	7	4	43	19	29	2	104
2009/10	5	3	43	18	33	2	104
2008/09	2	3	37	25	35	2	104

Source: SQW/IBP

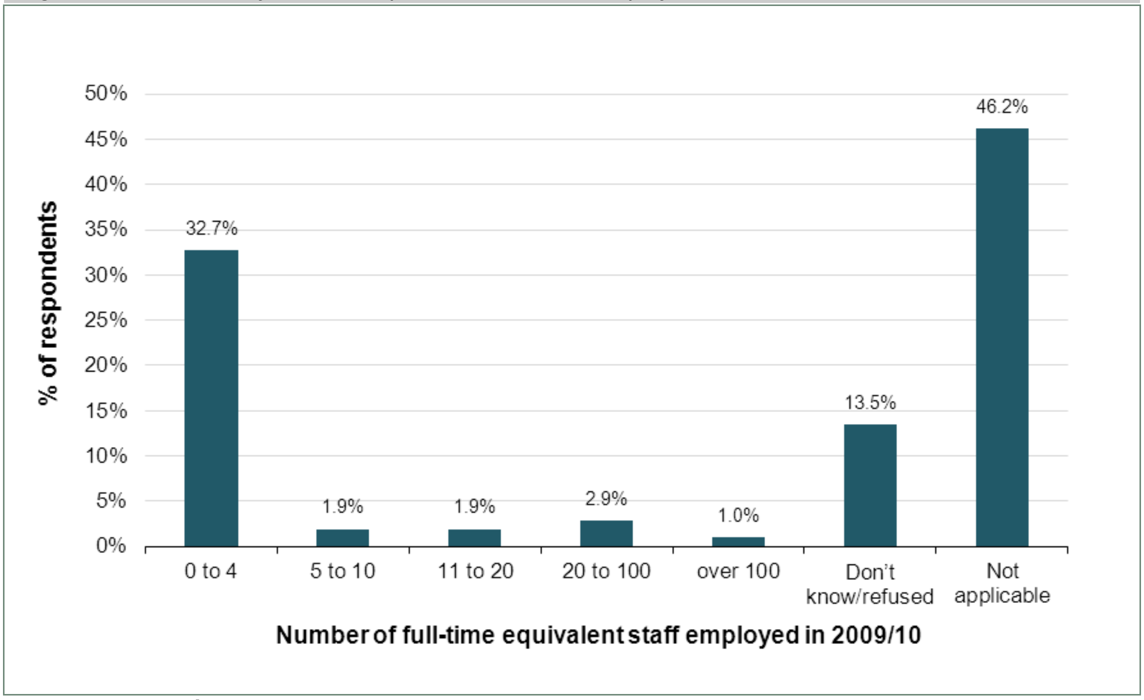
Employment to date

Figure B-13: How many full-time equivalent staff were employed in this business in 2010/11?



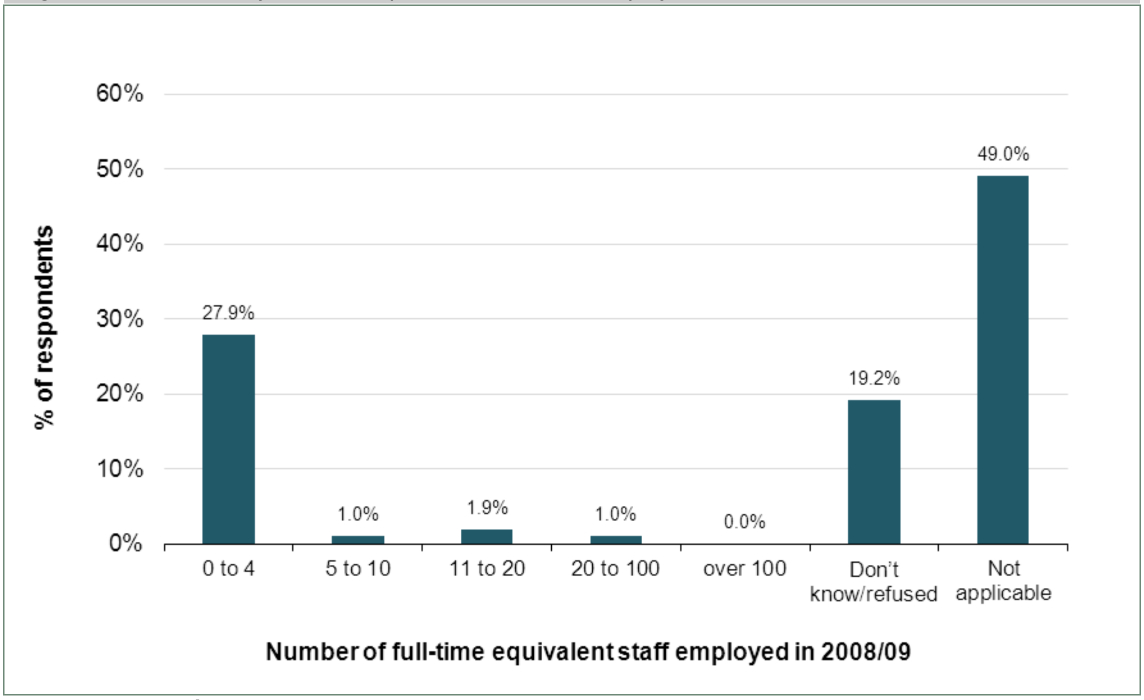
Source: SQW/IBP – base 104

Figure B-14: How many full-time equivalent staff were employed in this business in 2009/10?



Source: SQW/IBP – base 104

Figure B-15: How many full-time equivalent staff were employed in this business in 2008/09?



Source: SQW/IBP – base 104

How many full-time equivalent staff were employed in this business? (median)	Mean	Median value
2010/11	37	2
2009/10	35	2
2008/09	14	1

Source: SQW/IBP

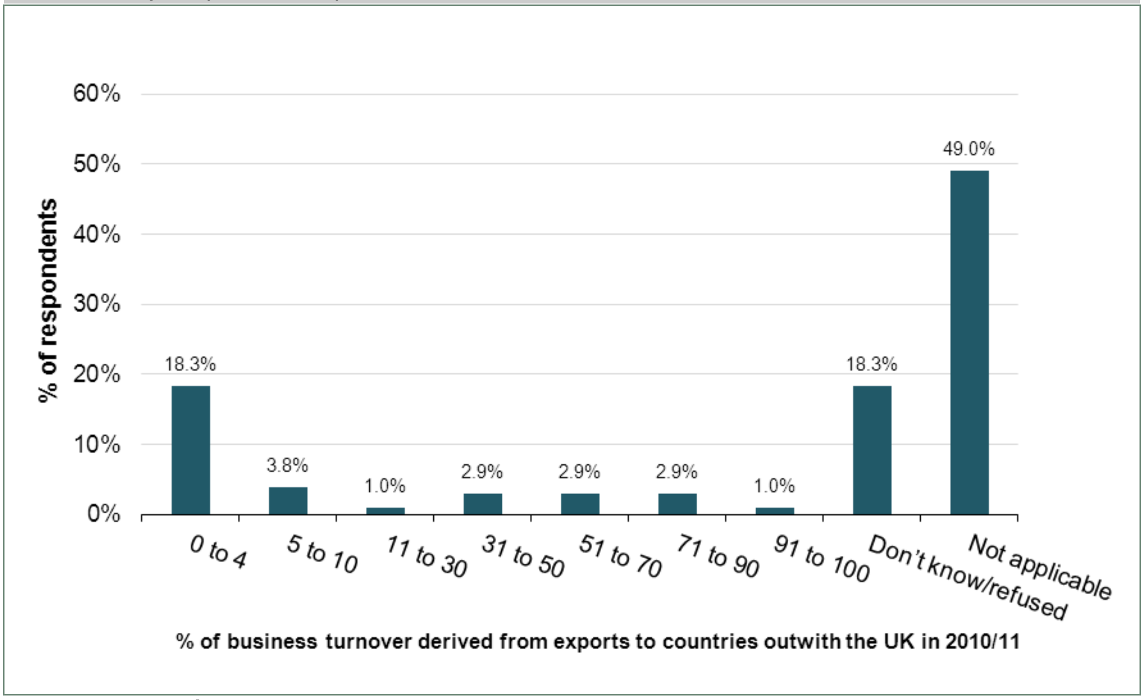
Thinking about the number of employees in the business in each year, how much different do you think employment would have been without WHI?

	Lower (i.e. employment would have been lower without WHI)	Higher (i.e. employment would have been higher without WHI)	No difference	Don't know	Not applicable	Refused	Total
2010/11	3	2	62	10	25	2	104
2009/10	1	1	55	15	30	2	104
2008/09	1	1	46	21	32	2	104

Source: SQW/IBP

Exports

Figure B-16: Roughly what percentage of your turnover was derived from exports to countries outwith the UK, last year (i.e. 2010/11)?



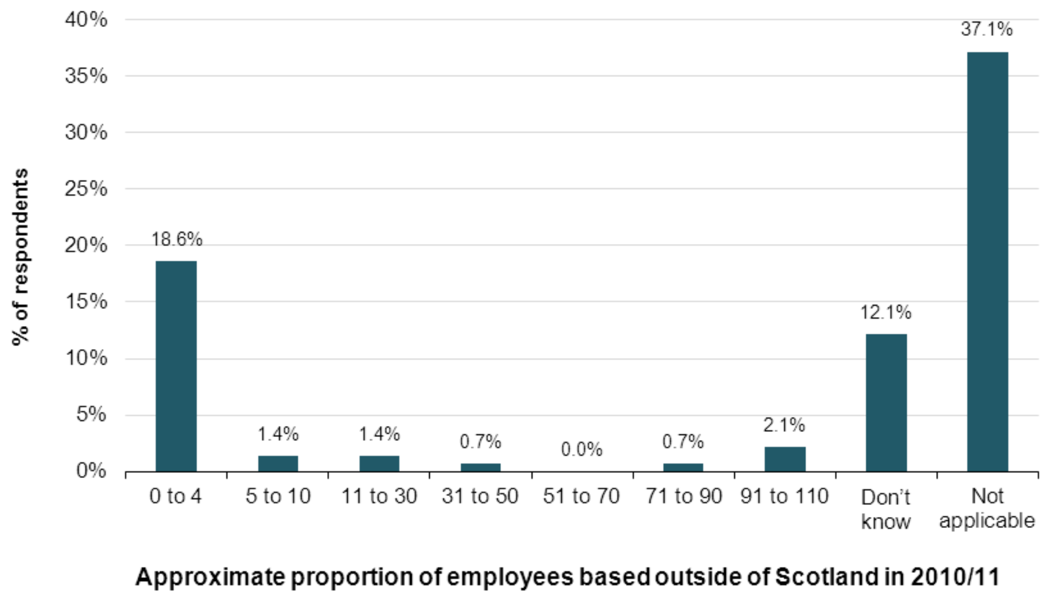
Source: SQW/IBP – base 104

Roughly what percentage of your turnover was derived from exports to countries outwith the UK, last year (i.e. 2010/11)? (median)
% of turnover
Median percentage of turnover derived from exports = 0%

Source: SQW/IBP

Leakage

Figure B-17: Approximately what proportion of your employees in the last financial year (2010/11) are based outside of Scotland?



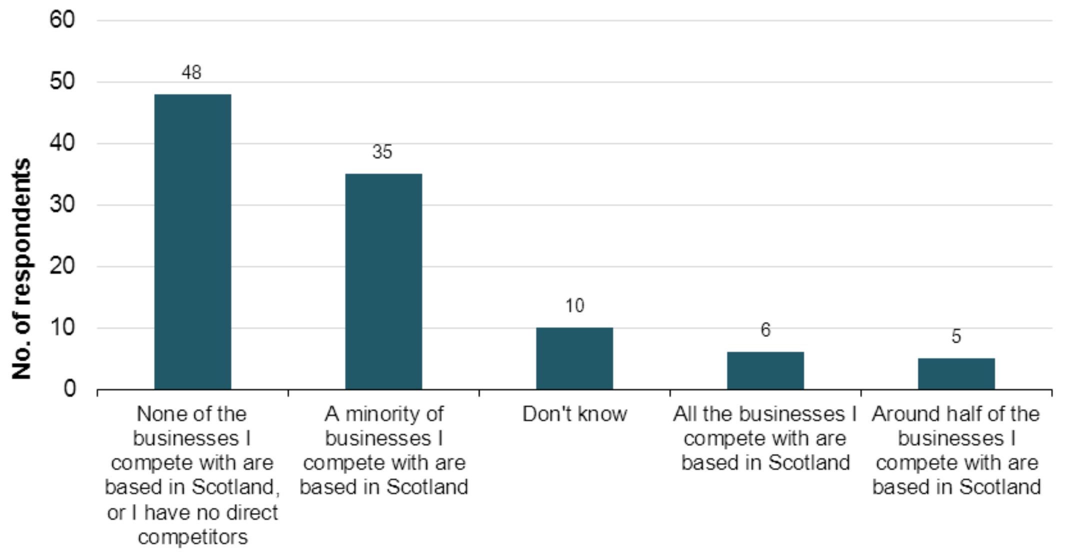
Source: SQW/IBP – base 104

Approximately what proportion of your employees in the last financial year (2010/11) are based outside of Scotland? (median)
% of turnover
Median percentage of employees based outside Scotland = 0%

Source: SQW/IBP

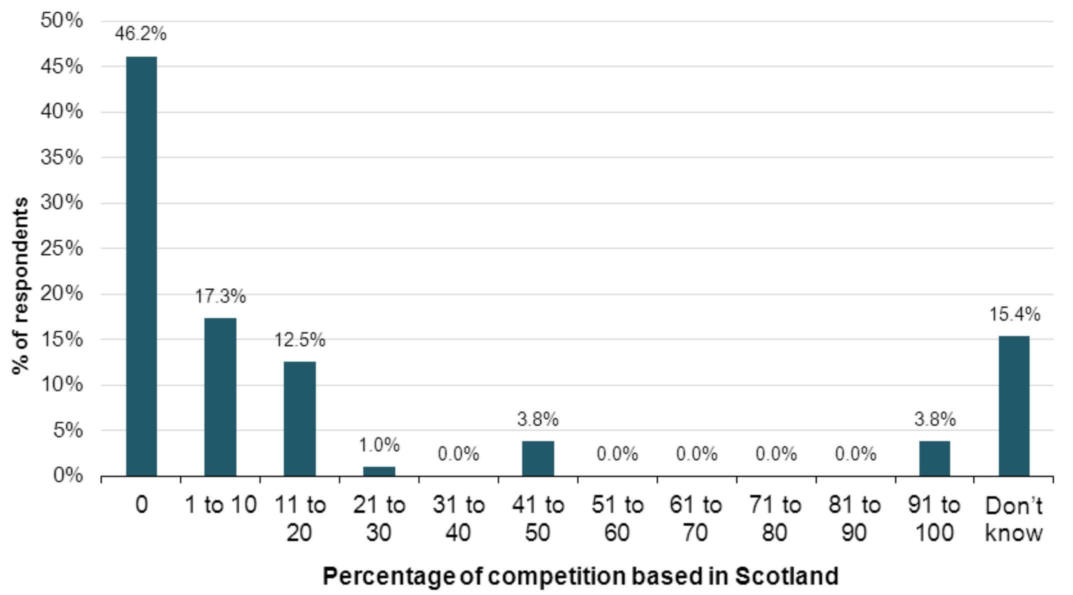
Displacement

Figure B-18: Thinking about competition in your main area of business, which of the following statements best describe your business?



Source: SQW/IBP

Figure B-19: Thinking about competition in your main area of business, what percentage of your competition are based in Scotland? (%)



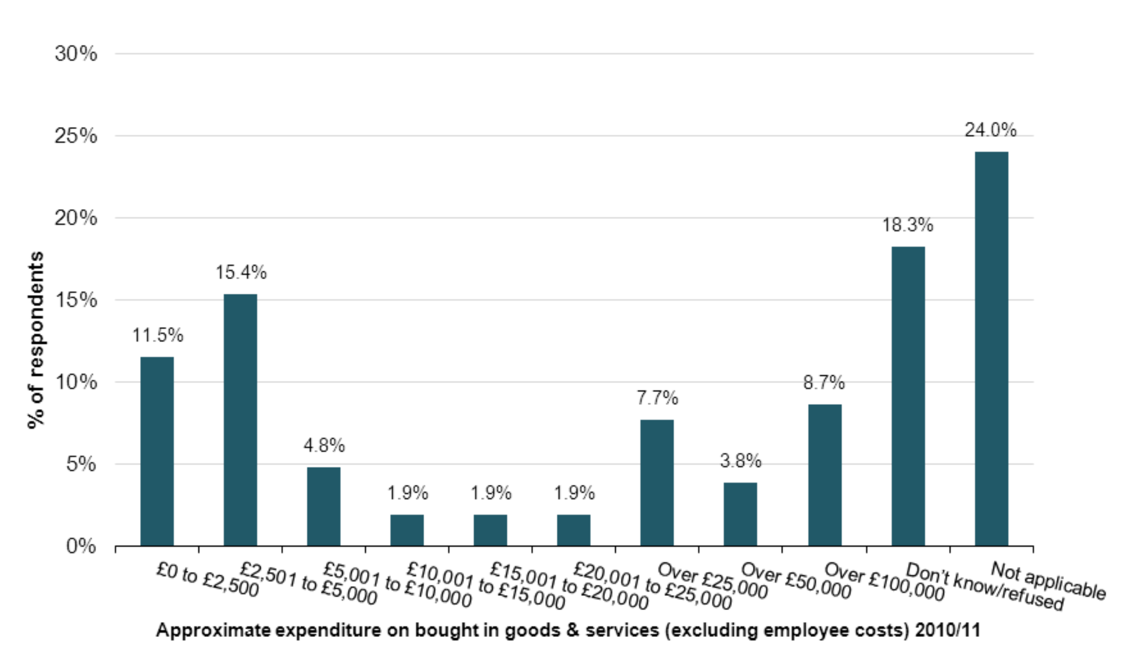
Source: SQW/IBP – base 104

Approximately what proportion of your employees in the last financial year (2010/11) are based outside of Scotland? (median)
% of turnover
Median percentage of employees based outside Scotland = 0%

Source: SQW/IBP

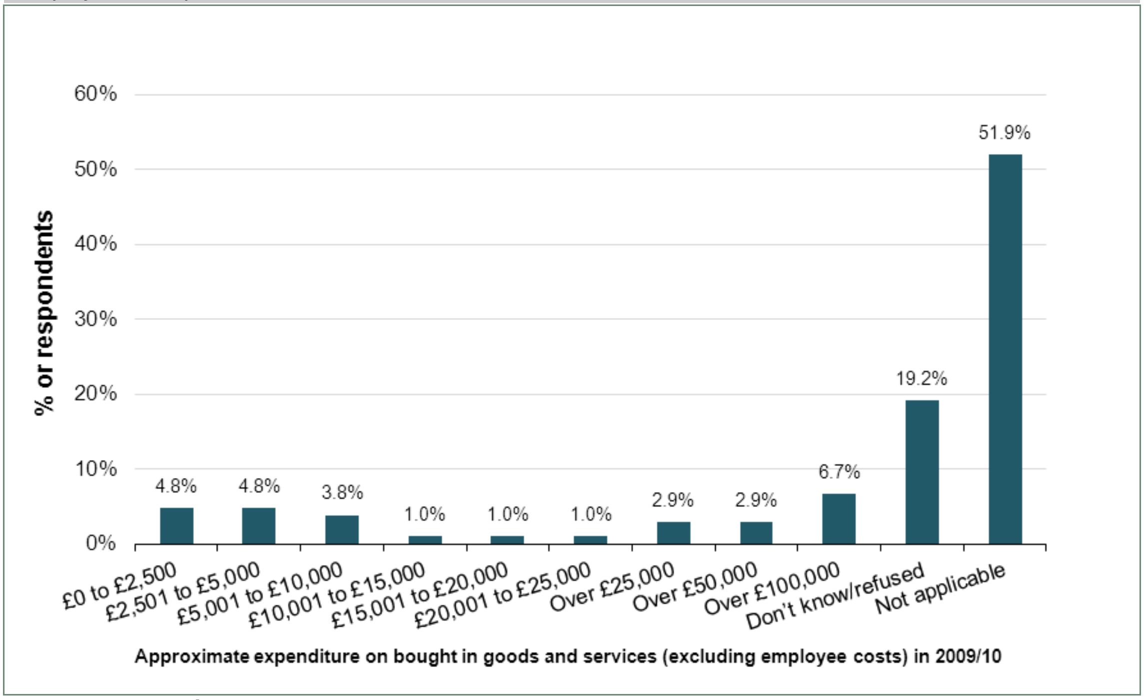
Multiplier effects

Figure B-20: Approximately how much did you spend on bought in goods & services (excluding employee costs) in 2010/11?



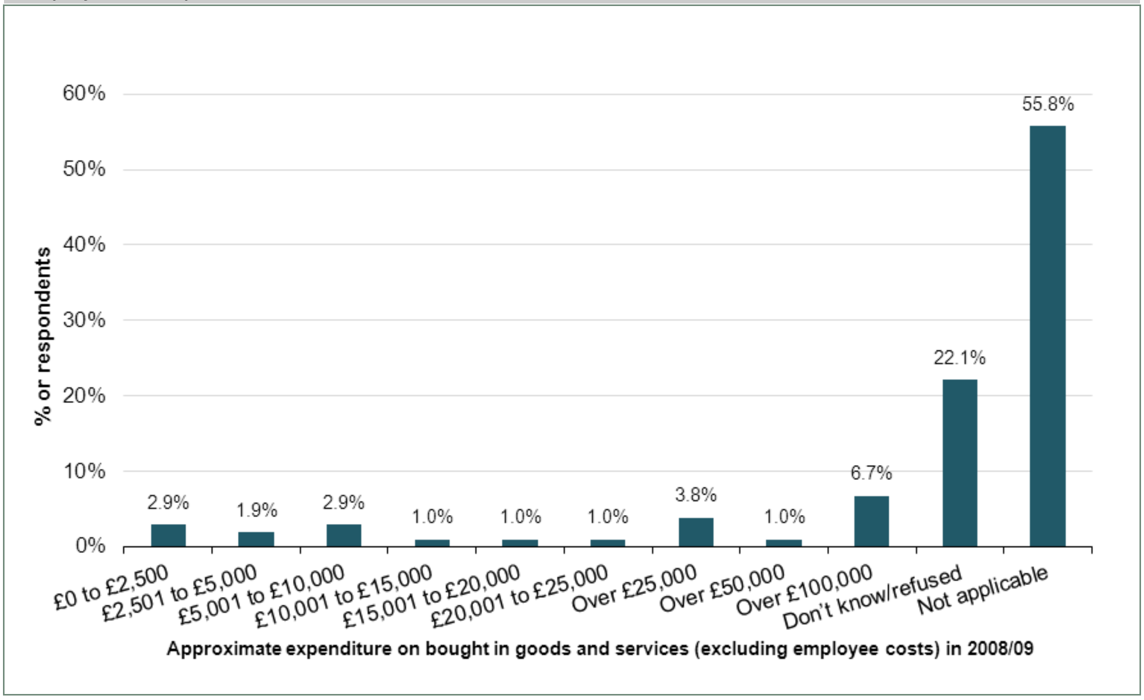
Source: SQW/IBP – base 104

Figure B-21: Approximately how much did you spend on bought in goods & services (excluding employee costs) in 2009/10?



Source: SQW/IBP – base 104

Figure B-22: Approximately how much did you spend on bought in goods & services (excluding employee costs) in 2008/09?

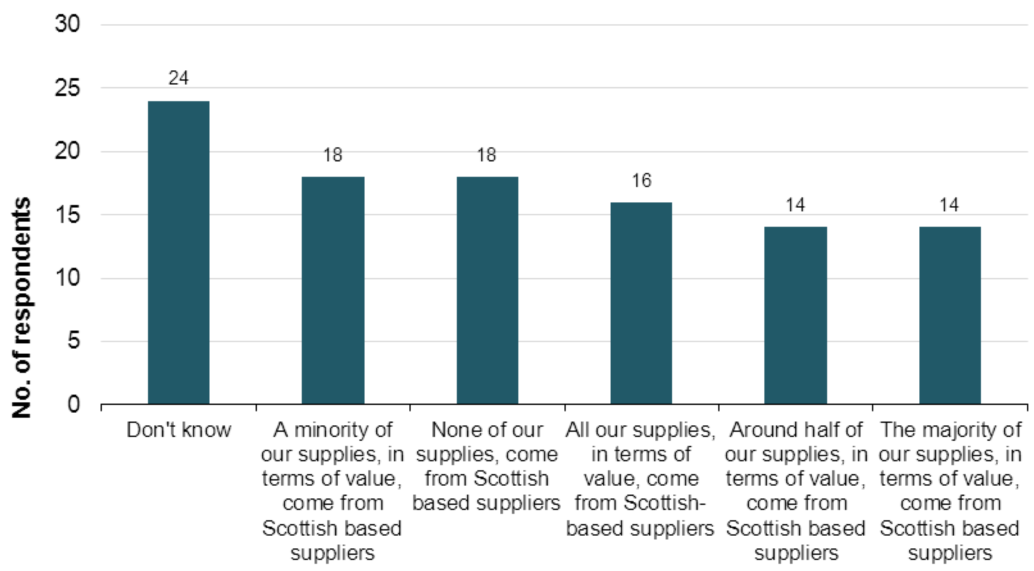


Source: SQW/IBP – base 104

Approximately how much did you spend on bought in goods & services (excluding employee costs)? (median)	
	Median value
2010/11	£7,500
2009/10	£16,525
2008/09	£30,000

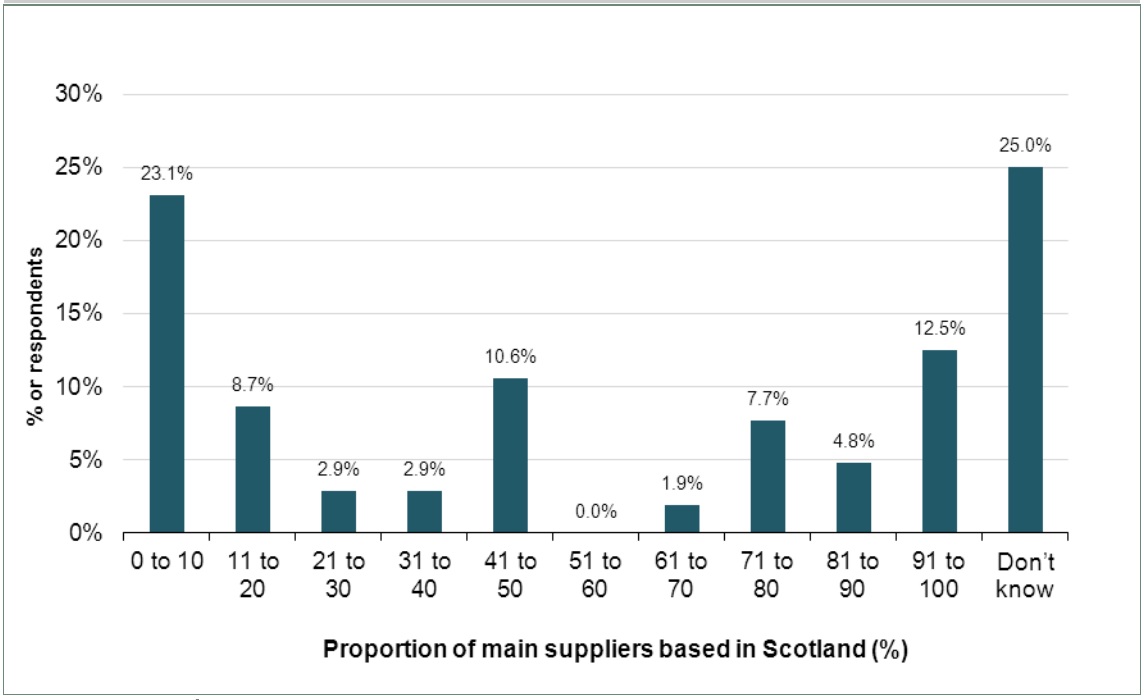
Source: SQW/IBP

Figure B-23: Thinking about the main supplies for your business, which of the following statements best describes your main suppliers?



Source: SQW/IBP

Figure B-24: Thinking about the main supplies for your business, what proportion of your main suppliers are based in Scotland? (%)



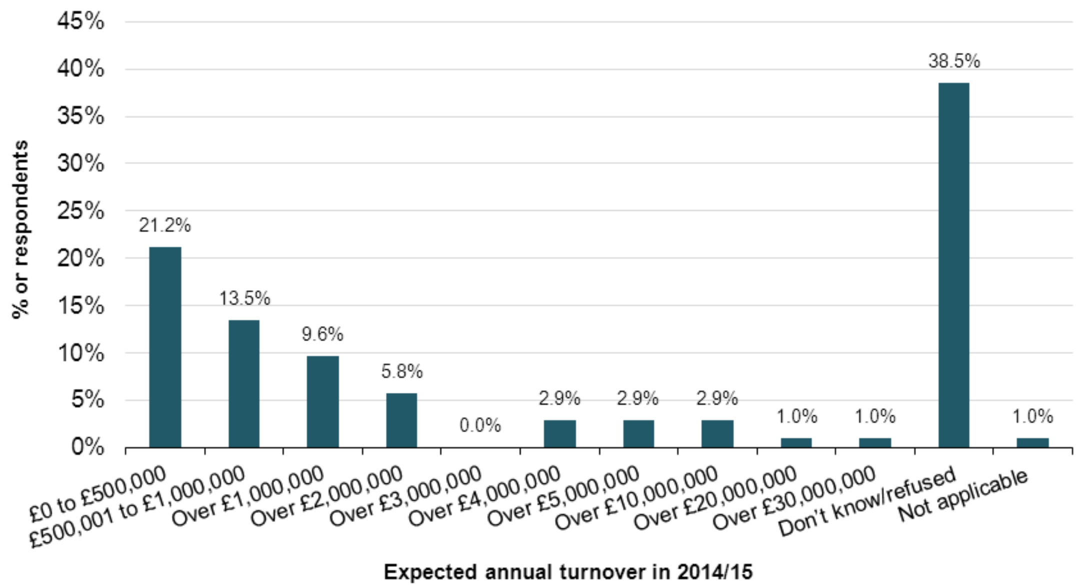
Source: SQW/IBP – base 104

Thinking about the main supplies for your business, what proportion of your main suppliers are based in Scotland? (median)
% suppliers based in Scotland
Median percentage of suppliers based in Scotland = 45%

Source: SQW/IBP

Future impacts

Figure B-25: Looking to the future what would you expect your annual turnover to be, three years from now, in 2014/15?

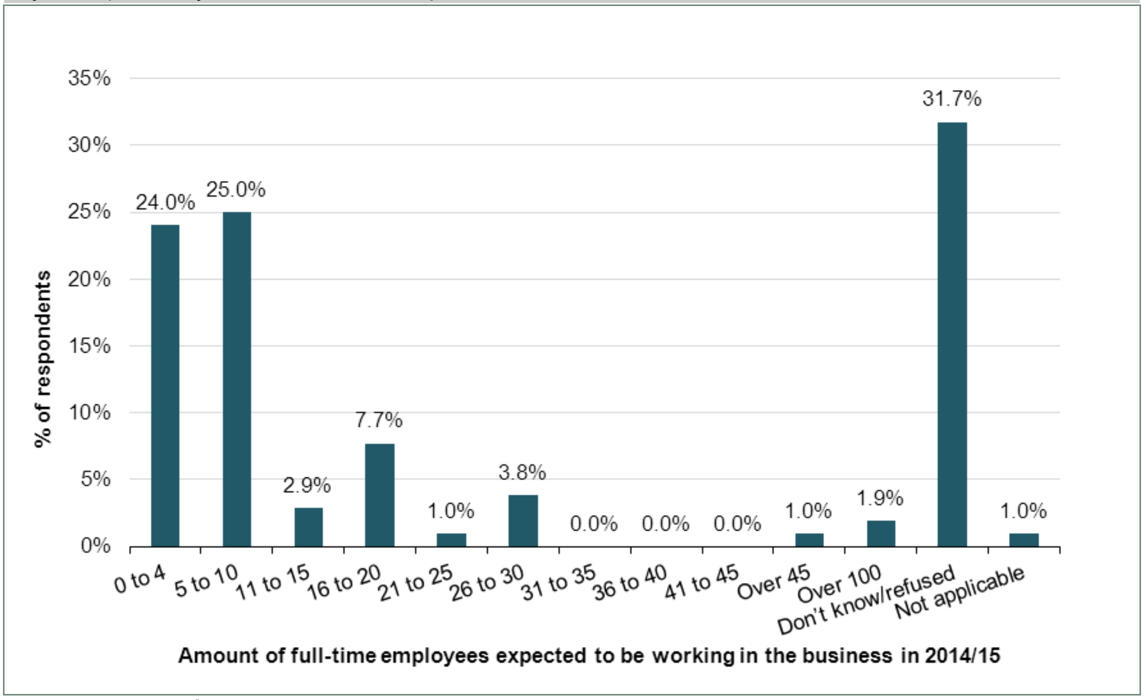


Source: SQW/IBP – base 104

Looking to the future what would you expect your annual turnover to be, three years from now, in 2014/15? (median value)
Median value
Annual turnover in 2014/15 = £1,000,000

Source: SQW/IBP

Figure B-26: And how many full time equivalent employees would you envisage working in the business by then (i.e. in 3 years' time in 2014/15)



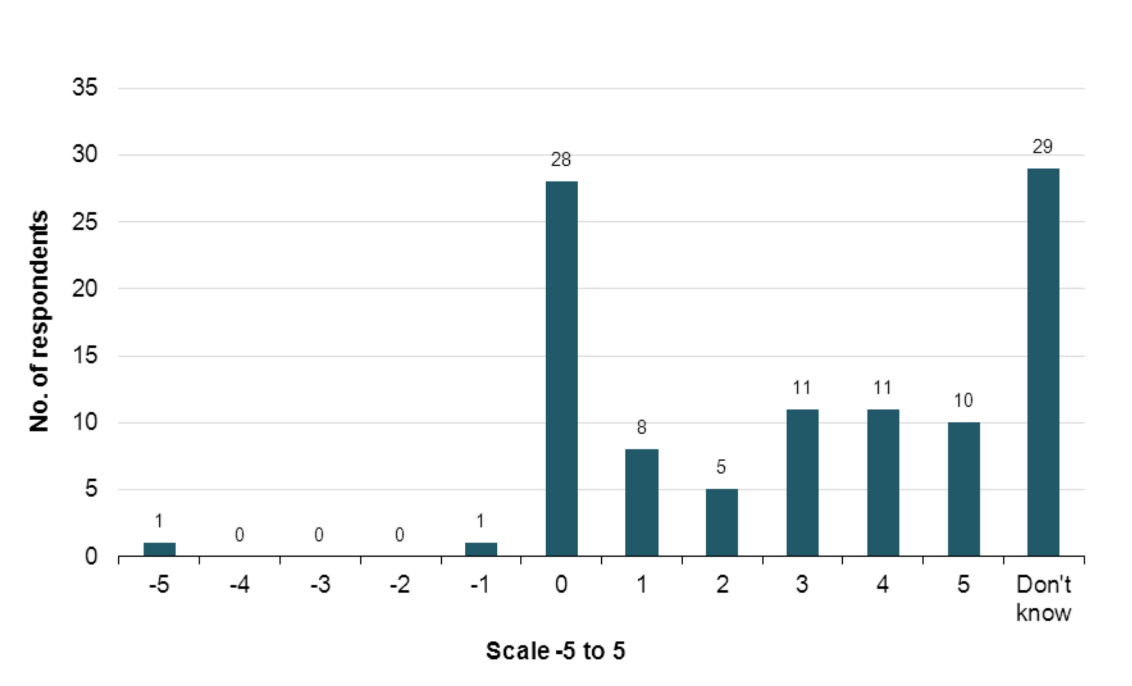
Source: SQW/IBP – base 104

And how many full time equivalent employees would you envisage working in the business by then (i.e. in 3 years' time in 2014/15) (median)

Median value
FTE in 2014/15 = 6

Source: SQW/IBP

Figure B-27: Thinking about the support you've had to date from the WHI project, how would you rate the likely impact of that support in helping you reach your expected level of turnover over the next three years (2014/15)?



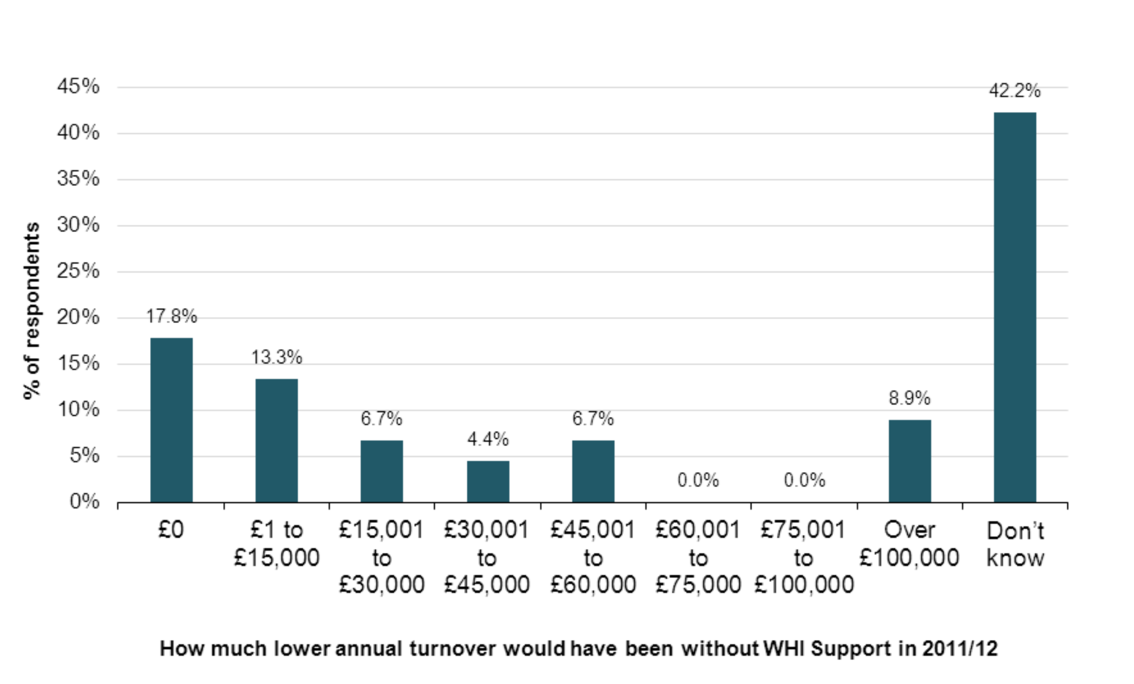
Source: SQW/IBP

Roughly, how much <u>higher</u> would your annual turnover be in each of the following years, if you hadn't had the WHI support?

<u>Higher</u> would your annual turnover be - if you hadn't had the WHI support?	Value	No. of respondents
2011/12	0	1
2012/13	0	1
2013/14	0	1
2014/15	0	1
Don't know		4

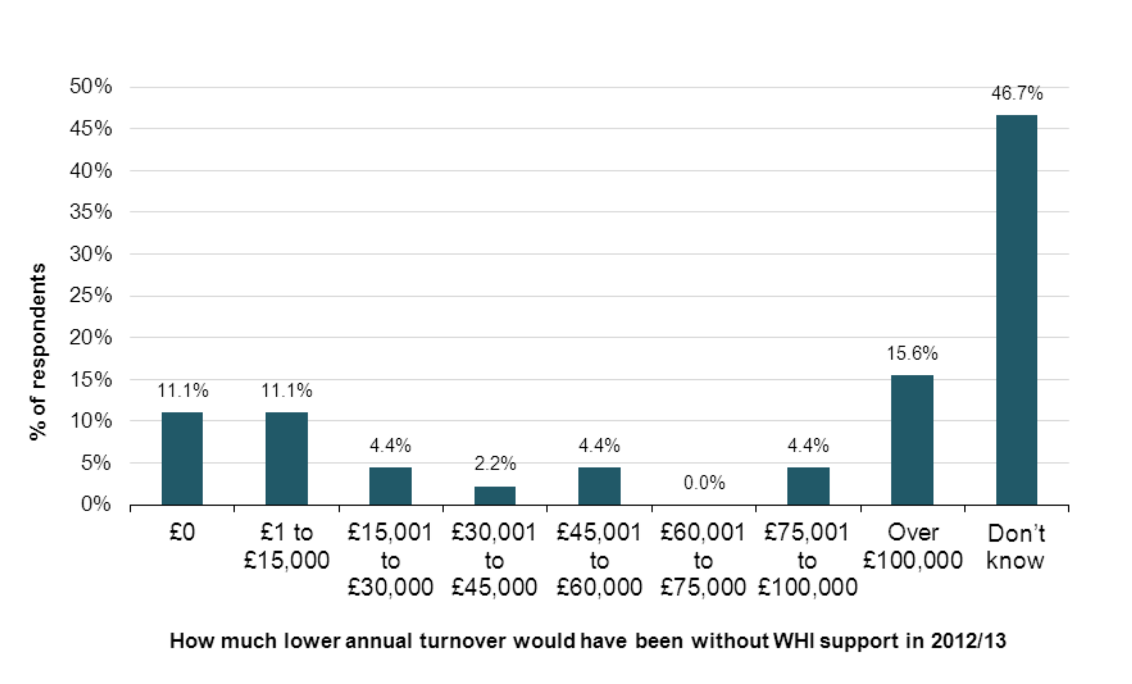
Source: SQW/IBP

Figure B-28: Roughly, how much lower would your annual turnover be in 2011/12, if you hadn't had the WHI support?



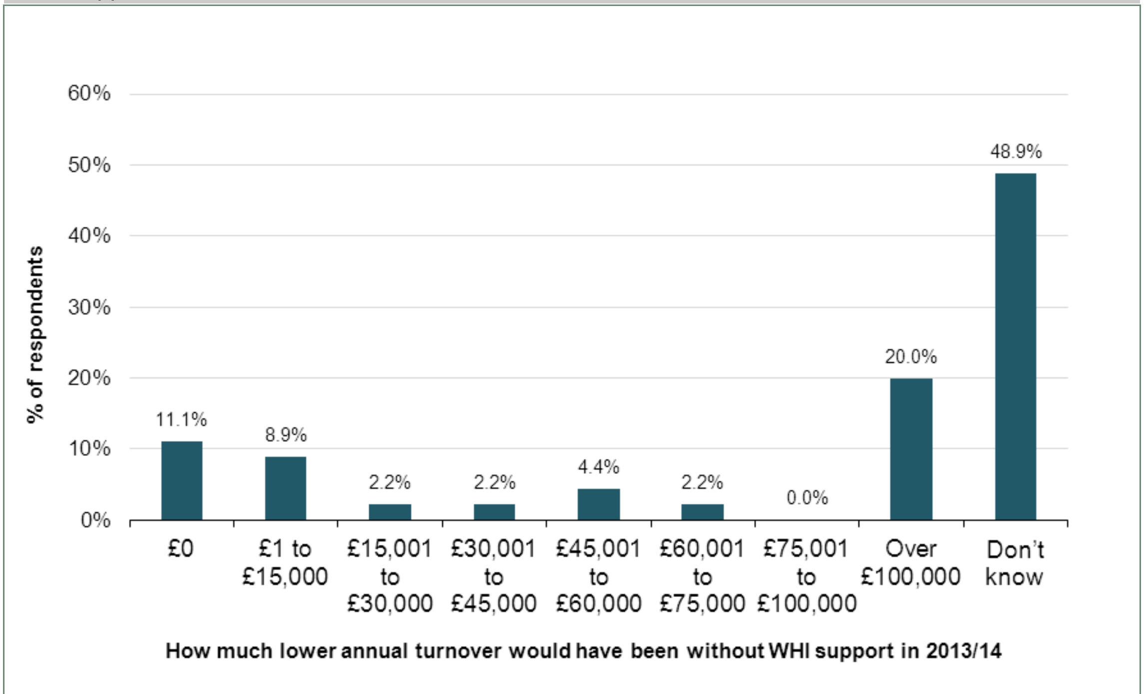
Source: SQW/IBP – base 104

Figure B-29: Roughly, how much lower would your annual turnover be in 2012/13, if you hadn't had the WHI support?



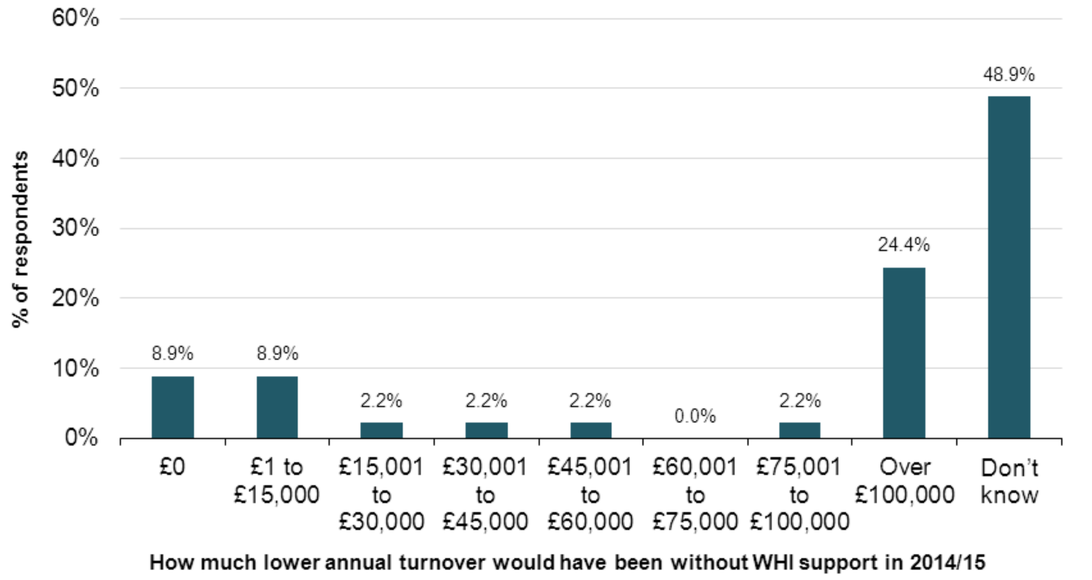
Source: SQW/IBP – base 104

Figure B-30: Roughly, how much lower would your annual turnover be in 2013/14, if you hadn't had the WHI support?



Source: SQW/IBP – base 104

Figure B-31: Roughly, how much lower would your annual turnover be in 2014/15, if you hadn't had the WHI support?



Source: SQW/IBP – base 104

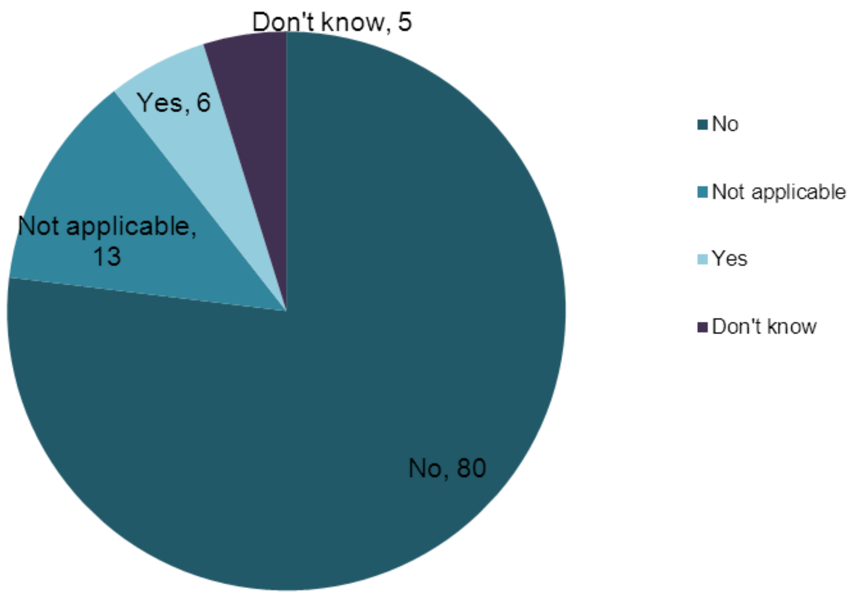
Roughly, how much lower would your annual turnover be if you hadn't had the WHI support? (Median)

	Median value
2011/12	£12,500
2012/13	£35,000
2013/14	£50,000
2014/15	£100,000

Source: SQW/IBP

Sustainability

Figure B-32: Has using WHI services contributed to any environmental impacts for your business?



Source: SQW/IBP

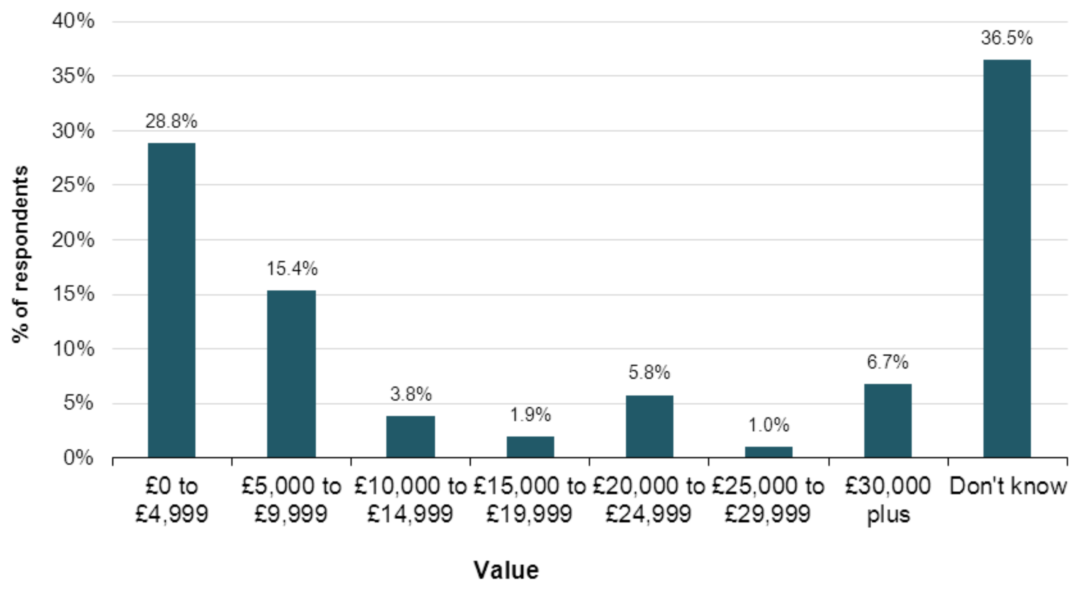
Has using WHI services contributed to any environmental impacts for your business? (if yes)

If yes, please explain:	No. of respondents
Awareness	1
Eco friendly products	1
Minimising wastage by 25%	1
Some of the things are not yet implemented so cannot quantify	1
Sustainability of creamed over packaging	1
Working with recyclable textiles	1
Total	**6**

Source: SQW/IBP

Funding

Figure B-33: If you were to obtain the WHI services you used from someone else or through some other way, can you place an approximate value on how much this would have cost?

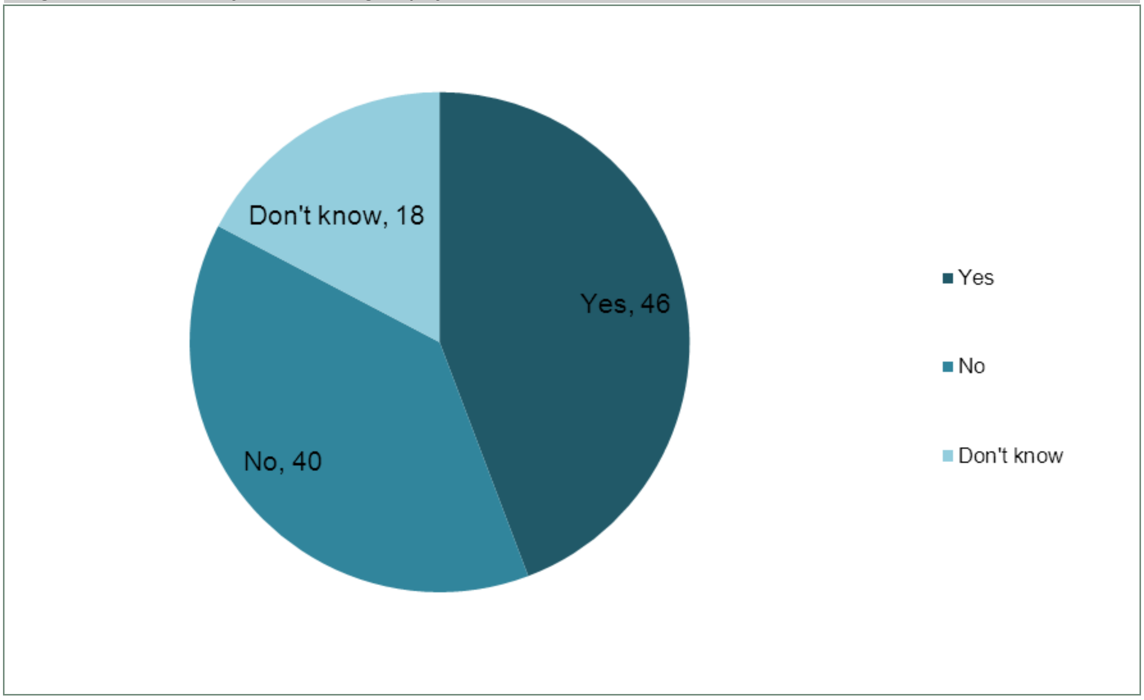


Source: SQW/IBP – base 104

If you were to obtain the WHI services you used from someone else or through some other way, can you place an approximate value on how much this would have cost? (median)
Value of WHI service
Median value of WHI service = £5,000

Source: SQW/IBP

Figure B-34: Would you be willing to pay for WHI services in the future?



Source: SQW/IBP

Figure B-35: If 'Yes', roughly how much would you be willing to pay for a day's support from the WHI project?

Source: SQW/IBP – base 104

If 'Yes', roughly how much would you be willing to pay for a day's support from the WHI project? (median)
Value of WHI service
Median value of willingness to pay = £200

Source: SQW/IBP

Future development

Do you have any specific suggestions on how existing WHI services could be improved?
Responses
Access to overseas consultants. Signposting to specialists
Access to physical resources /help support SME's get involved in Dallas - staff/financial more networks
Advice on start-ups getting into health care
Advisor to one individual company, streamlined
Awareness and clarity
Awareness. Information on what is out there
Better communication
Better follow-up after initial contact. Provide expert advice from initial contact
Better links with government and politicians. Broader views of international markets
By making it a permanent fixture
Clearly a barrier to NHS. Lack of collaborations
Communications. Meet deadlines
Continuity of staff
Direct contact with chemical research companies
Don't stop half way through projects
Emphasizes collaborations too much
Follow up on meetings
Follow up service in 6 months
Fully understand business
Funding
Have a base in Glasgow
Important to give support to University and groups to help the communities
Initial audit about who is going to do what. Make sure best people are doing job
Keep it free for start-ups. The service would fail if you had to pay at start-up level
Keep it going
Lack of communications

Responses
Lack of communications. More questions have to be asked. More analysis of clients' needs
Lack of experience with new Scottish companies' means there is a need for people to come in from WHI and actually physically show people what to do. Too much theoretical support
More communication and feedback following meeting
More emphasis on networking and initial contacts
More face to face interaction
More involvement / knowledge of Social Enterprise sector
More knowledge about global products. The product I have would be very beneficial to Scottish companies but nobody knew of it, so it was more or less dismissed out of hand
More market knowledge and provide correct information. Make client consultant accountable to more transparency between consultant and client
More networking opportunities. More introductions to global markets
More pro-active feedback. More signposting to expertise. Better client management
Need more time to build and sustain value
Need to have stronger relationship with NHS and Government
Networking events
Open day event. Networking other support providers
Other public sector organisations should immediately pass on relevant information and contact s regarding WHI so people can access it without wasting time. Would like to see WHI in a permanent role within the public sector, not dependent on rolling contracts
Put all public sector business support under one name. Should not just be based around IT
Remain free
Reply to messages. Actually provide support.
Sometimes we only received short notice of events
Specific remit. Could be more targeted but realistically
Stop charging for events and seminars. Many inventors are on jobseekers allowance
They have become very disconnected in the North of Scotland. I haven't heard anything of them in the last 18 months and don't even know what they do now
To help us with some legal representatives
Too early to sat
Too prescriptive. Should be more open to business needs initially
Transport expenses to attend events for peripheral companies
We have had a great service from them to date
We need somebody to identify the possibilities of our technology to the industry in Scotland and elsewhere, and help making the right connections
When I contact them they are very good. I feel perhaps they could be a bit more pro-active

Responses
WHI to use funds to pay for actual work to be done and products produced. Focus on clients actual sales and hard delivery of product on a full commercial engagement
Wide dissatisfaction throughout Lanarkshire businesses. Much more focus on business reality is needed. Less jobs worth approach
Would like financial help with patent costs

Source: SQW/IBP

Are there any additional services which would be of value to your business?
Responses
A follow-up meeting to run through things and see if there was anything we should be doing and helping with signposting etc.
Access to grant finance. Understanding of financial stability
Advice on funding from local and national government
Anything would be of value
Applied for funding in Scotland and was refused. SDA is offered only if you live here. It would be too late to do anything now as we have established this business in England. Have had no dealings with WHI project
Closer working with HIE
Contacts in the NHS
Direct contact with a business angel
Direction to funding
Don't know
Efficient funding information should be more readily available across the whole Business Advice areas in Scotland
Emphasis on IP & patenting
Expand and have more people
Funding sourcing of manufacturers
I.P. services
Identification on manufacturing companies
Improved access to funding. If they developed a bank of angel investors and/or venture capitalists that would be useful
Increase links with Universities/Academia for collaborations
Independent relationships with global markets
Intellectual Assets audit. Help with USPs
International marketing
Links to manufacturing. Exporting / importing assistance
Manufacturing sourcing
Marketing experience within new technologies and developments

Responses
Match making (brokerage)
Mentoring service with people experienced in our area of business (health & wellness)
More access to patent attorneys
More conferences seminars
More exposure towards the international market
More grants. Can't fault
More marketing advice
More of a legal service SME's have difficulty with T&Cs(SME rate) subsidised
None as yet identified
Not sure what is on offer. WHI have been very key to getting our company to the position we are in now. Without their support we would not have been able to continue as we have and make key decisions for business
Perhaps business advice
Physical product testing
Professional assistance, setting up meeting with existing services
Putting companies together
Retired, making alarms for doors and giving them for free to vulnerable people. Received award from John Logie Baird for his work. Have had no dealings with WH1 project
Sales channels. Business model consultancy within health sector
Sales profiling
Site visits to rural areas
Some kind of technology watch
Specialists for finance structures. Basically accountancy services
Take equity stakes to provide funding or loans. Advisor controlled
Technical / Design department
Was hoping it would have tapped us into SE services (possibly for the purchase of new equipment) with relation to Omega 3 test
Workshop on entrepreneur skills
Would like the opportunity to trial our technology with other partners or end users

Source: SQW/IBP

Annex C: Copies of research tools

Interview guide for stakeholders

Background

1. Establish interviewee's role within their organisation as well as their involvement with the WHI project.

- probe for level of involvement with the project.

Project objectives, rationale and policy context

2. What do you understand to be the objectives of the WHI project?

- probe for views on the degree to which objectives are 'SMART' and appropriate.

3. And what is the *rationale* for using public funds for this intervention, rather than just letting market forces take their course?

4. Specifically, what market failures do you think the intervention is addressing?

- prompt with the following types of market failures:
  - 'imperfect information'– (for example, where companies lack the information required to understand market need and opportunity, or lack information on the levels of risk involved, or lack information on routes to market)
  - 'positive externalities' (for example, spillover benefits to society from firms' investment in R&D. Or network effects whereby it becomes more attractive for wellness & health firms to locate in Scotland, the larger the cluster of similar firms)
  - 'market power' (for example, with insufficient competition in a market due to high start-up costs)

5. How would you describe the degree to which the project fits with and contribute towards [your organisation's] policies and strategies (or SE's policies/ strategies for ICS interviewees)?

- prompt if necessary, with
  - the Government Economic Strategy
  - the SE Business Plan 2010-11
  - SE sector plans.

6. Aside from the WHI project, what other publicly-funded support is available to Scottish companies operating in the wellness and health sector?

7. In your view, what is the 'USP' of the WHI project, i.e. how does it differentiate itself from these other forms of support (both generic and specialised forms of support)?

Usage, quality and demand

8. How relevant and appropriate are the project's services for the target beneficiaries?

9. In your view, which services are perceived most valuable to clients?

10. How does the actual level of demand compare with that originally expected for the project?

- probe for expectations vs reality in terms of type/size/stage of business

11. What feedback have you had, if any, on the quality of the WHI advisors?

12. How has the service been marketed to potential clients?

13. How effective has this marketing been?

14. How effective are the sources of enquiries and referrals for the project including relationships with SE Account Managers and other parts of SE?

Management

15. How effective has the project been in terms of its:

- project management
  - by ICS?
  - by SE?
- monitoring systems and processes?
- governance (steering group)?

16. What are the main challenges the project has faced?

- probe for how/whether these have been overcome

Outcomes and impacts of the project

17. Are there any observed outcomes for project beneficiaries you would point to?

- probe for quantifiable outcomes (e.g. jobs created, turnover, R&D, innovation expenditure, IP, new products etc)
- probe for non-quantifiable outcomes (e.g. improved company learning, knowledge and behaviour, management skills and capacity).

18. To what extent do you consider the project's outcomes would have been achieved anyway in the absence of the project?

19. Are there any wider impacts from the project that you would point to?

- probe for potential impacts on health, equalities, sustainability.

20. What impact has the project had or likely to have on the growth of the wellness and health sector in Scotland?

- probe for how successful the project has been in trying to develop a pipeline of Scottish SMEs that are successful in supplying to the global wellness and health market?

21. Just over £1.5m (excl. VAT) will have been invested in this project (made up of staff/associate costs, marketing, website, events, research costs, trade missions etc). Thinking about alternative uses for this, how would you rate the project's value for money? (e.g. very high to very low).

Project learning

22. What in your view have been the strengths and the weaknesses of the project to date?

- probe for what works well and less well
- probe for what the critical success factors have been (if any)
- probe for whether/how similar/better outcomes could have been achieved through a different approach

23. Is there any transferable learning from the project i.e. learning that could be transferred into other projects/ programmes or could have an impact on future strategy or policy?

- probe for any learning re:
  - ➢ this sort of specific sector support
  - ➢ how any difficulties have been overcome
  - ➢ outsourcing delivery to a third party
  - ➢ governance

Future development

24. Should the WHI project be continued? Is it valuable or just a 'nice to have'?

25. Do you have any suggestions for future funding models for the project (e.g. 'pay as you go' services or subscription)?

26. Do you have any suggestions on how the project could be improved (e.g. role/ objectives; priorities; existing and additional services delivered etc)? END.

Business survey

WHI client ID:

Business name:

Telephone number:

Contact name:

Job title:

Date of interview:

Time of interview:

Interviewer:

INTRODUCTION

Good morning/afternoon my name is (YOUR NAME) and I'm calling from IBP Strategy and Research. We are currently carrying out a survey on behalf of Scottish Enterprise (SE). You should have been contacted recently by Innovation Centres Scotland explaining the purpose of the research being conducted by SQW and IBP.

This is to access the benefits of the services provided by the Wellness and Health Innovation project. The survey aims to help Scottish Enterprise meet the needs of businesses. Your co-operation will ensure that the views expressed are representative of all their customers.

I understand that in the past your business has used services from WHI.

Participation in the study is entirely voluntary and any individual responses are confidential and will **only** be made available to Scottish Enterprise. You will be able to read the final report and findings of the evaluation, which will be publicly available on the Scottish Enterprise website. To be clear, this publicly available report will not identify the responses of any individual company without their permission.

The interview will take around 20 to 30 minutes to conduct.

IF RESPONDENT WISHES TO CONFIRM VALIDITY OF SURVEY OR GET MORE INFORMATION ABOUT AIMS AND OBJECTIVES, THEY CAN CONTACT:

- Scottish Enterprise: Michael Kornacki, Michael.Kornacki@scotent.co.uk
- SQW: Osman Anwar, oanwar@sqw.co.uk

Can I confirm that you are the person best qualified to talk about your organisation's experience of working with people from the WHI project?		
Yes	☐	ASK NEXT Q
Someone else at this establishment	☐	TRANSFER AND RE-INTRODUCE
Hard appointment	☐	MAKE APPOINTMENT
Soft appointment	☐	
Refusal	☐	THANK & CLOSE
Refusal- company policy	☐	
Refusal- taken part in recent survey	☐	
Nobody at establishment able to answer questions	☐	
Not available in deadline	☐	

I would like to ask you some questions about the activities carried out here, and the services you have received from WHI as I will refer to them.

COMPANY PROFILE

1. Thinking about the business for which you sought help from WHI:

(For contacts with a company name in client field): **Can I just confirm that the name of this business is**

……………………………………………………………………….[pre-coded]

Yes ☐

No ☐

(For contacts with an individual's name in client field): **What is the name of this business?**

……………………………………………………………………….

Doesn't currently have a name ☐

2. Can you confirm that the postcode of this business is….(SEE CONTACT DATA)

<u>Interviewer: check postcode from contact data and enter or if different, enter new postcode</u>

Postcode [ ]

Don't know ☐

3. Briefly, what is your main business activity in Scotland?

Interviewer: ***ensure the business activity relates to the business unit operating in Scotland. Information for this business unit should be extracted rather than, for example, the global operations of the business if it is part of a larger group (this is applicable throughout the questionnaire)***

4. Briefly, what is your main role at this business?

5. In what year did this business first start generating revenues?

Write year

Don't know ☐

Not yet generating revenue ☐

6. In which financial year did your business first start using WHI services? **Tick one**

Interviewer: pre-code if possible from database

2010/11 ☐

2009/10 ☐

2008/09 ☐

Before 2008/09 (Specify) ☐

……………………….

7. What were the main problems, issues or opportunities you were looking to get help with, from WHI ?

8. How did you first hear about the WHI project? **Tick any**

WHI website ☐

WHI project team ☐

Event ☐

Article ☐

Referral from a business contact ☐

Referral from a public sector organisation(Specify source e.g. Scottish Enterprise, Business Gateway) ☐

…………………………………………………………………….

Other (Specify) ☐

…………………………………………………………………….

9. Can I confirm the WHI services you have used from the time you first started using their services?

Interviewer: ***see interview sheet for definition of services***

	Services used Tick any
Market intelligence and analysis:	
Market research	☐
Events:	
Large market sharing events (e.g. conference/ seminar style)	☐
Brokerage events with key stakeholders/ partners (i.e. one-to-one facilitated by WHI)	☐
Workshops	☐
Product, technology and innovation support:	
Intellectual Property Audit	☐
Technology/ Application audit	☐
Innovation/ Product assistance	☐
Assistance with Regulations	☐
Focus groups	☐
Assistance with highlighting gaps in the market	☐
Signposting to intermediaries	☐
Innovation toolkits	☐
Business development:	
Sales and marketing guidance	☐
Business model/ structure advice	☐
Market positioning advice	☐
Advice on routes to market	☐
Service toolkits	☐
Facilitating collaborations – SME, University or Corporate	☐
Other:	
i.	☐
ii.	☐

10. Roughly, how many hours support do you estimate having received from the WHI project, in total?

Write number of hours	
Don’t know	☐

OTHER PUBLIC SECTOR SUPPORT

11. What other forms of support, including FINANCIAL support, have you received from public sector organisations in the past three years?

	Tick any	Specify public sector organisation
None	☐	
Innovation and R&D related	☐	
Business development	☐	
Skills and learning	☐	
Business start up	☐	
Accessing finance	☐	
Internationalisation/trade development	☐	
Other (Specify form of support)	☐	
…………………………………………………………………..		

12. Have you received Scottish Enterprise Account Management Support in the past three years? **Tick one**

Interviewer: pre-code if possible from database

Yes	☐
No	☐

SATISFACTION WITH WHI

13. How would you rate the quality of services you have received from WHI?

Please score 1 for "very dissatisfied"; 2 for "dissatisfied"; 3 for "neither satisfied or dissatisfied"; 4 for "satisfied"; and 5 for "very satisfied"

Interviewer: read out

	Score
Quality and relevance of information	
Usefulness of advice	
Usefulness of contacts it allowed you to make	
Practical support (events, mentoring etc)	
Responsiveness to enquires	
Consistency in meeting commitments	
Ability and knowledge of WHI staff	
Understanding of your business needs	
Overall efficiency	

14. How would you rate your overall satisfaction with the WHI project?

Using the same scale (1 for "very dissatisfied"; 2 for "dissatisfied"; 3 for "neither satisfied or dissatisfied"; 4 for "satisfied"; and 5 for "very satisfied")

Score

BENEFITS OF USING WHI

15. Which, if any, of the following benefits have you experienced as a result of using the WHI services?

Interviewer: read out list of benefits

	Tick any
Established new links with companies	☐
Established new links with the science/research base	☐
Established new links with NHS	☐
Established new links with Support Providers (e.g. lawyers, accountants, consultants etc.)	☐
Undertaken new innovation or R&D projects*	☐
Developed new products	☐
Developed new processes	☐
Improved your existing products	☐
Improved your existing processes	☐
Secured new licensing deals	☐
Developed links with other networks or collaborations	☐
Undertaken collaborative projects	☐
Secured financing, such as loan finance**	☐
Secured financing, such as equity finance**	☐
Formed a spin-out company	☐
Formed a start-up company	☐
Improved your market awareness	☐
Improved your technical awareness	☐
Improved your knowledge and understanding of the wellness and health sector	☐
None of the above	☐
Other (Specify)	☐
…………………………………………………………………	

IMPACT OF WHI

16. For the benefits identified, can you say how important these have been in terms of their impact <u>to date</u> or their <u>future potential</u> impact?

On a scale of 1 to 5, where 1 is "not at all important", and 5 is very "important"-*<u>Interviewer: read out</u>*

	Score
Established new links with companies	
Established new links with the science/research base	
Established new links with NHS	
Established new links with Support Providers	
Undertaken new innovation or R&D projects*	
Developed new products	
Developed new processes	
Improved your existing products	
Improved your existing processes	
Secured new licensing deals	
Developed links with other networks or collaborations	
Undertaken collaborative projects	
Secured financing, such as loan finance**	
Secured financing, such as equity investment**	
Formed a spin-out company	
Formed a start-up company	
Improved your market awareness	
Improved your technical awareness	
Improved your knowledge and understanding of the wellness and health sector	
Other (Specify) …………………………………………………………	
Not applicable	☐

17. ***(* For respondents citing new innovation or R&D as a benefit)* Roughly how much additional investment did you make in innovation or R&D, as a result of WHI?**

	Value
	£
Don't know	☐

18. ***(** For respondents citing financing as a benefit)* Roughly how much additional financing did the WHI support help you to secure?**

	Value
Loan finance	£
Equity finance	£
Don't know	☐

Market conditions

19. **Thinking about market conditions in your main area of business over <u>the last 3 years</u>, would you say the market conditions have?**

	Tick
Declined strongly	☐
Declined moderately	☐
Are about the same	☐
Improved moderately	☐
Improved strongly	☐
Don't know	☐

Turnover to date

***Interviewer:** for the following questions do not enter 0 unless this is the actual value reported*

20. What has been your business turnover in each of the following financial years?

21. Thinking about turnover generated in each year, how much different do you think turnover would have been without WHI? ***Interviewer:** ask for actual percentage*

	Amount	Don't know	Lower (i.e. turnover would have been worse without WHI)	Higher (i.e. turnover would have been better without WHI)	No difference	Don't know
2010/11	£	☐	%	%	☐	☐
2009/10	£	☐	%	%	☐	☐
2008/09	£	☐	%	%	☐	☐

Exports

22. Roughly what percentage of your turnover was derived from exports to countries outwith the UK, last year (i.e. 2010/11)?

	Percentage
	%
Don't know	☐

Employment to date

23. How many full-time equivalent staff were employed in this business in each of the following years?

24. Thinking about the number of employees in the business in each year, how much different do you think employment would have been without WHI? ***Interviewer:** ask for actual percentage*

	Number (FTE)	Don't know	Lower (i.e. employment would have been lower without WHI)	Higher (i.e. employment would have been higher without WHI)	No difference	Don't know
2010/11		☐	%	%	☐	☐
2009/10		☐	%	%	☐	☐
2008/09		☐	%	%	☐	☐

Leakage

25. Approximately what proportion of your employees in the last financial year (2010/11) are based outside of Scotland?

	Percentage
	%

Displacement

26. Thinking about competition in your main area of business, which of the following statements best describe your business?

Interviewer: first ask for A and then B

	Tick one A	**Tick one** B
All the businesses I compete with are based in Scotland	☐	100% ☐
The majority of the businesses I compete with are based in Scotland	☐	90% ☐ 80% ☐ 70% ☐
Around half of the businesses I compete with are based in Scotland	☐	60% ☐ 50% ☐ 40% ☐
A minority of businesses I compete with are based in Scotland	☐	30% ☐ 20% ☐ 10% ☐
None of the businesses I compete with are based in Scotland, or I have no direct competitors	☐	0% ☐
Don't know	☐	

Multiplier effects

27. Approximately how much did you spend on bought in goods & services (excluding employee costs) in each of the following years?

	Actual
2010/11	£
2009/10	£
2008/09	£
Don't know	☐

28. Thinking about the main supplies for your business, which of the following statements best describes your main suppliers?

Interviewer: first ask for A and then B

	Tick one A	Tick one B
All our supplies, in terms of value, come from Scottish-based suppliers	☐	100% ☐
The majority of our supplies, in terms of value, come from Scottish based suppliers	☐	90% ☐ 80% ☐ 70% ☐
Around half of our supplies, in terms of value, come from Scottish based suppliers	☐	60% ☐ 50% ☐ 40% ☐
A minority of our supplies, in terms of value, come from Scottish based suppliers	☐	30% ☐ 20% ☐ 10% ☐
None of our supplies, come from Scottish based suppliers	☐	0% ☐
Don't know	☐	

FUTURE IMPACTS

Future turnover and employment

29. Looking to the future what would you expect your annual turnover to be, three years from now, in 2014/15?

	Value
	£
Don't know	☐

30. And how many full time equivalent employees would you envisage working in the business by then (i.e. in 3 years time, in 2014/15)

	Number (FTE)
Don't know	☐

31. Thinking about the support you've had to date from the WHI project, how would you rate the likely impact of that support in helping you reach your expected level of turnover over the next three years (2014/15)?

***Interviewer read out:** On a scale of -5 to 5, where:*

-5 is very negative impact

0 is no impact at all

and +5 is very positive impact

	Tick	
-5	☐	*[Go to Q32]*
-4	☐	*[Go to Q32]*
-3	☐	*[Go to Q32]*
-2	☐	*[Go to Q32]*
-1	☐	*[Go to Q32]*
0	☐	*[Go to Q34]*
1	☐	*[Go to Q33]*
2	☐	*[Go to Q33]*
3	☐	*[Go to Q33]*
4	☐	*[Go to Q33]*
5	☐	*[Go to Q33]*
Don't know	☐	*[Go to Q34]*

For -5 to -1 responses:

32. Roughly, how much higher would your annual turnover be in each of the following years, if you hadn't had the WHI support?

	Value
2011/12	£
2012/13	£
2013/14	£
2014/15	£
Don't know	

For +1 to +5 responses:

33. Roughly, how much lower would your annual turnover be in each of the following years, if you hadn't had the WHI support?

	Value
2011/12	£
2012/13	£
2013/14	£
2014/15	£
Don't know	☐

SUSTAINABILITY

34. Has using WHI services contributed to any environmental impacts for your business?

Such as reducing carbon/ emissions or minimising waste **Tick one**

	Tick one
Yes	☐
No	☐
Don't know	☐
Not applicable	☐

If yes, please explain (if possible, quantify/ monetise any impact)

FUNDING

35. If you were to obtain the WHI services you used from someone else or through some other way, can you place an approximate value on how much this would have cost?

Total amount	£
Don't know	☐

36. Would you be willing to pay for WHI services in the future?

	Tick
Yes	☐
No	☐

37. If 'Yes', roughly how much would you be willing to pay for a day's support from the WHI project?

Specify approximate value

£

FUTURE DEVELOPMENT

38. Do you have any specific suggestions on how existing WHI services could be improved?

39. Are there any additional services which would be of value to your business?

Interviewer: Read out – Thank you for taking the time to answer our questions.