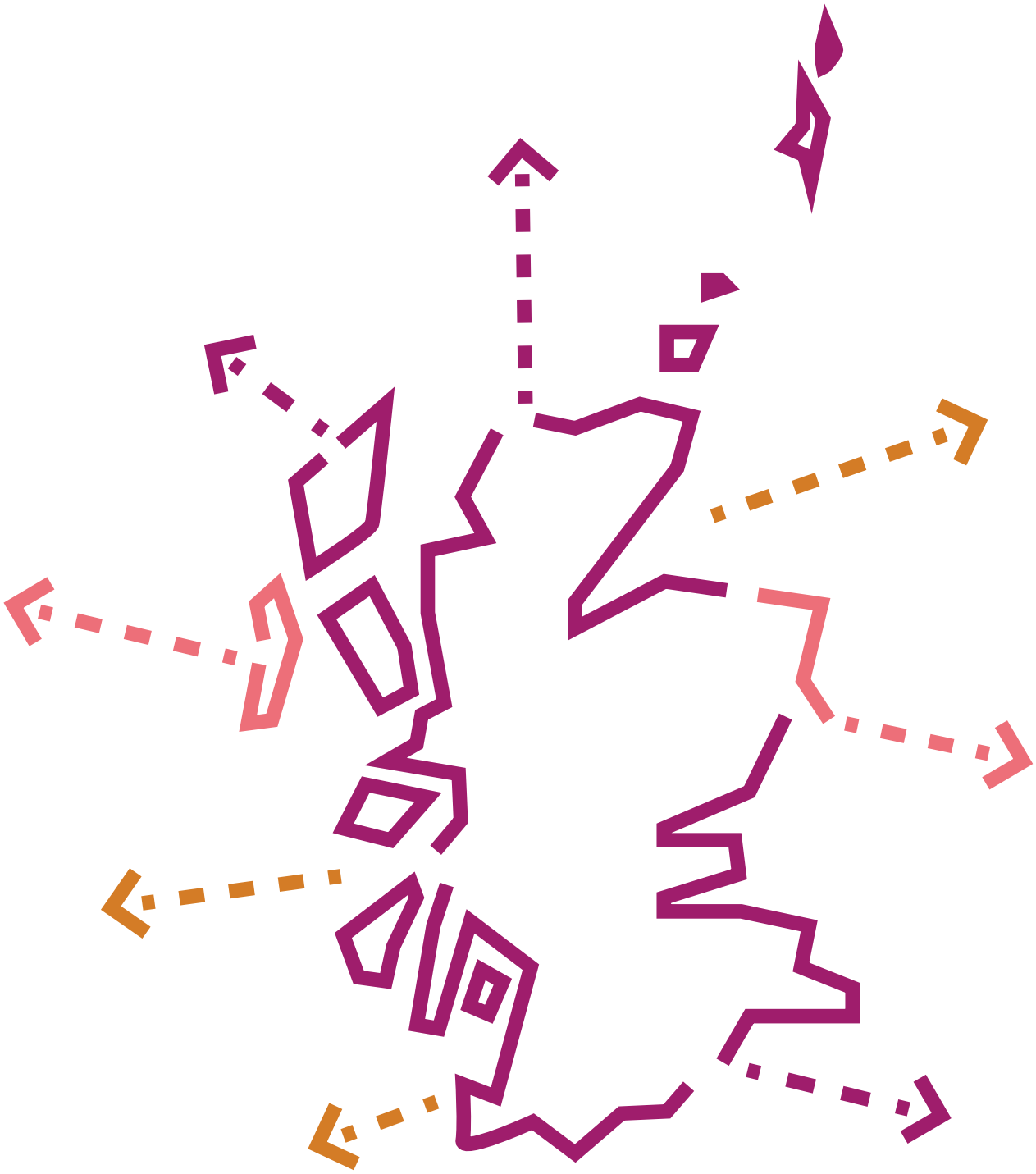
Scottish Government
Riaghaltas na h-Alba

Team Scotland's Export Promotion Support Evaluation

Summary Report



1. Introduction

1.1 Scotland's export growth plan, A Trading Nation (hereafter referred to as ATN) was published in 2019. It recognised that access to international markets and international competition drives business performance, innovation, and productivity growth, thus stimulating economic growth, generating job opportunities and higher living standards, as well as the tax receipts critical for the delivery of public services.

1.2 The strategy, utilising evidence on key geographical markets, sectors, and the characteristics of exporting firms, featured a set of actions for the Scottish Government and partners to help reach a target to increase Scotland's international exports as a share of GDP from 20% to 25% by 2029. It also pledged to monitor, evaluate and adjust these actions.

1.3 To this end, a working group was established comprising the Scottish Government and its key export support delivery partners[1] including Scottish Development International (SDI), which leads on trade and investment support, to develop and implement an evaluation approach. Analysts in other parts of the Scottish Government, the Department for Business and Trade, Wales and Northern Ireland, as well as subject experts in academia, were consulted. The framework was deliberately designed to provide a holistic assessment of: the impact of support on business outcomes; what support works; how the impacts are achieved; and lessons on delivery.

1.4 The framework is set out in figure 1 below. A research team from the Enterprise Research Centre (ERC) and the Centre for Business Prosperity (CBP) at Aston Business School in Birmingham were commissioned to undertake an evaluation of Team Scotland's export promotion support on this basis and helped further develop the approach. A review of delivery partners' management information and interviews with customer facing staff within the delivery partners were carried out earlier by Frontline Consultants. Firms supported between 2018 and 2021 were within scope for evaluation.

Figure 1: Evaluation Approach

1. Business Surveys	2. Econometric Analysis	3. Management Information Review and Delivery Practitioner Interviews	4. Qualitative Analysis
Beneficiary AND non-beneficiary surveys of Scottish exporting businesses	Assessment using different methods to estimate the impact of the support on exports and other business metrics.	Desk based review of management information and interviews with those delivering the support.	In-depth understanding of the support to complement and add insight to other research methods.

1.5 The aforementioned delivery partner organisations are set out graphically in figure 2.

[1] These include Scottish Enterprise (SE) through its international division Scottish Development International (SDI), Highlands and Islands Enterprise (HIE), South of Scotland Enterprise (SoSE), and Scottish Chamber of Commerce (SCC).

Figure 2: Delivery partner (DP) organisations

1.6 SDI work mainly on targeted one-to-one business support to assist them as they consider exporting activity and develop plans with business to grow their international footprint. Regional enterprise agencies, HIE and SoSE work largely with early-stage and non-exporters in awareness raising and early-stage support, to build and develop a pipeline of exporters at the right stage to pass to SDI for intensive support. The SCC trade missions programme also focus on feeding the pipeline of exporting businesses in Scotland, supporting those to access exporting. A Trading Nation moved SDI away from intensive, non-digital channel work with non-exporters, which is reflected in the results of the evaluation, as SDI work with a greater share of active exporters relative to SCC, HIE and SoSE.

2. Economic context

2.1 This evaluation looks at the support formats used with ATN categorised businesses, as well as the wider support to new and less experienced exporters. It is also important to note the evaluation period includes pre-ATN support and the transition between earlier policy (which included targets for new exporters) and support which responds to ATN priorities.

2.2 The impact of export support has to be viewed in the context of the economic headwinds that global trade experienced over this time in the form of the UK's exit from the EU and the Covid-19 pandemic, which both occurred within the evaluation timeframe. Analysis conducted by the Scottish Government[2] showed that Scotland's trade in goods with the EU was an estimated 12% lower (or £2.3 billion in cash terms) in 2021 as a result of EU exit. Both beneficiary and non-beneficiary survey respondents noted that their export performance was hindered by Brexit and the pandemic, with 84% and 87% reporting experiencing challenges with exporting goods and/or services respectively. The significant twin impacts on exporters of these historically significant factors must be borne in mind when interpreting results. Despite these headwinds, evaluation evidence shows over 30%[3] additionality of supported export companies in Scotland.

[2] Synthetic control analysis conducted by the Office of the Chief Economic adviser and found here State of the economy: May 2022 - gov.scot (www.gov.scot).
[3] 58% impact on 60% of supported companies which export, yields 34.8% additionality of support.

3. Factsheet – Scottish Export Promotion Support Evaluation (2018/19 – 2020/21)

2,329	3,747	£1.6bn	140%	41%	£2.7bn
Companies opted into the beneficiary evaluation survey.	Number of international export sales projects across delivery partners.	Estimated increase in export sales over evaluation period, as a result of the support.	Estimated increase in export sales as a result of export support - almost 2.5 times higher (econometric estimation).	Estimated increase in export sales as a result of export support (beneficiary survey findings)	Value of **additional** export sales expected over the subsequent 3 years as a result of support.

60%	Proportion of beneficiary survey respondents that were **active exporters** (had exported in the past 12 months)
58%	Of exporting beneficiaries reported that the support **positively** impacted their export sales (including value of sales and achieving sales sooner)
73%	Proportion of current **non-exporters** that had not exported to date
£4.9 billion	Total value of **planned** international export sales by supported companies over the evaluation period
618	The number of SCC companies that attended one or more of the 71 missions over the three-year period
135	Number of non-beneficiary survey responses received for counterfactual analysis
40%	Share of **non-beneficiary** respondents that reported not being aware of the availability of support.
Top 3 Most Delivered International Interventions	One-to-one exporting support International Market Events International Access Support.
7 out of 10	Beneficiary rating of the support offered
84%	reported experiencing numerous export challenges over the evaluation period (beneficiaries)

Companies in receipt of international and R&D/innovation support (as a combination) were more likely to achieve export sales outcomes, create/safeguard jobs and anticipate future export sales, compared to companies that received either support type in isolation.

Businesses in receipt of exclusively wider business development support, were the least likely to achieve an export sales outcome.

4. Summary of approach

4.1 The mixed methods approach includes, as well as a survey of and in-depth interviews with beneficiary firms, a survey of Scottish based exporting firms which had not received support. The intention of this was to provide a control group and to compare the make-up of assisted firms with general exporters. The approach also included econometric analysis of these survey results and analysis of SDI management information.

Table 1: Summary of approach

Sample stage	Sample size	Sample share
All firms supported between 2018 and 2021 (export and wider business development support)	3,053	100%
Firms that opted into the evaluation survey	2,329	76%
Post-survey adjustment of the evaluation survey	2,118	69%
Firms that responded to the survey	463	22%
In-depth interviews with firms	23	N/A
Non-beneficiary survey	2,231	
Non-beneficiary survey responses	135	6%

5. Profiles of beneficiaries and support provided

5.1 Supported firms were overwhelmingly (99.2%) small to medium-sized enterprises (SMEs). On average, they employed 21 staff, had a turnover of £3.1m and had been operating for 20 years. In terms of the classification of firms in ATN, 87 respondents were classified in this way, with the breakdowns as follows[4]:

- “Born global” (38%)
- ”Sleeping giants” (36%)
- “Solid performers” (23%)
- “Top performers” (2%)
- “Starting out” (1%)

5.2 Additionally, supported firms operated in a variety of sectors, most notably in manufacturing (see table 2 below).

Table 2: Sector breakdown of beneficiary survey respondents (sectors w/ >20 responses)

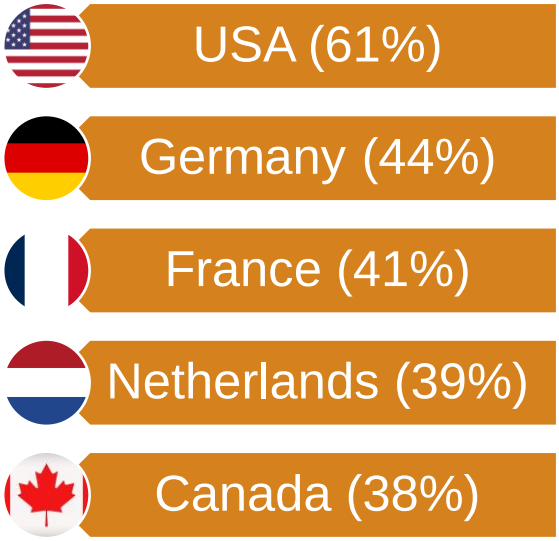
Business sector	% of firms
Manufacturing	33.7%
Professional, scientific, and technical activities	11.7%
Information and communication	8.7%
Wholesale and retail trade; repair of motor vehicles and motorcycles	8.7%
Electricity; gas, steam, and air conditioning supply	8%

[4] The ATN classification of firms was introduced mid-way through the evaluation period and as a result, some companies supported during this period pre-date the ATN classification. Also, the survey method focused on projects which were completed during the study period and did not include live projects (which would have demonstrated a higher level of activity around ATN classified firms).

All other sectors	29.2%

5.3 Analysis showed that 60% of beneficiary respondents were current exporters (had exported in the past 12 months). Of them, 49% exported goods, 30% exported services and 21% exported both. In 2021, firms' exports were valued, on average, at around £2.5m and the average firm had been exporting for 14 years. Nearly two-thirds (65%) of respondents exported to an ATN market. Figure 3 below shows the top 5 exporting partner countries that beneficiary respondents exported to.

Figure 3: Top 5 Export partner countries for beneficiary survey respondents



5.4 Of the 40% which had not exported in the previous 12 months, the majority, 73%, had never exported (or were yet to), and 27% had last exported in 2020-21. The majority of firms supported by HIE and SCC did not export. It is important to recognise that the support provided by HIE and SCC is intended to stimulate the pipeline of exporters who can then be offered more intensive support by SDI, so are likely to work with a greater percentage of early-stage and non-exporters.

5.5 Management information data shows that 79% of firms were supported by SE/SDI, 10% by HIE, 4% by SCC trade missions, and 7% by two partners. On average, firms accessed 3.6 support activities. In terms of the year of support, this was as below. This profile is important because firms supported more recently will have had less time for exporting and other impacts to be realised.

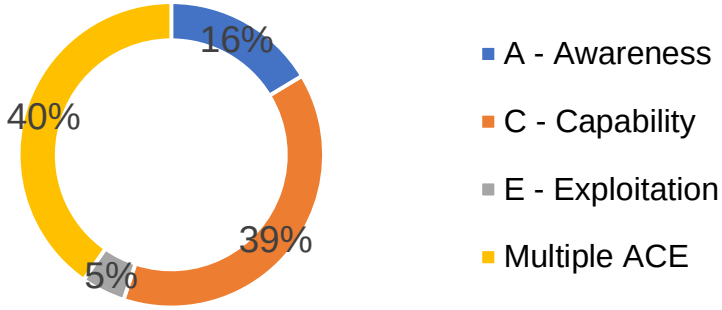
- 14% in 2018-19
- 26% in 2019-20
- 36% in 2020-21
- 24% in multiple years.

5.6 Given that other types of support, beyond international support, can also stimulate exporting (such as innovation support), firms receiving wider support were included in the sample. This is shown in figure 4 below.

Figure 4: Types of support

5.7 SDI have traditionally segmented their various types of support into three, broad categories, summarising the pipeline of support as the ACE model[5] (Awareness, Capability and Exploitation) with firms at different stages of their export journey offered different types of support within this framework. The breakdown of support against this framework is shown below.

Figure 5: Support types (ACE)



6. Impacts: Export, employment and innovation

6.1 Export impacts:

- 21% started/re-started exporting in the evaluation period: 47% attributed their entry/re-entry to the support
- 41% started to export more continuously
- 29% started to export new product categories
- 27% started to export to new countries

6.2 Employment impacts: 53% reported that they created or safeguarded jobs as a result of the support, while 40% reported that they did neither.

6.3 Innovation impacts and anticipated exports (all firms):

- 51% of firms reported that the support positively impacted their product development
- 41% of firms reported that the support positively impacted their process development
- Nearly 8 in 10 firms said that these developments contributed to making products sold to Scotland and the rest of UK
- 46% anticipate increasing export sales over the next three years (by on average 43%)

7. Impacts: additionality

7.1 The following impacts were found on average:

- 58% of exporters reported a positive impact of the support
- 39% attributed achieved export sales to the support
- Firms attribute c. 41% of their export sales value to the support
- 57% anticipate their export sales to increase over the next three years.

[5] Support is focused on three distinct phases of activity - Raising awareness and building ambition (A), Developing capacity and capability (C), and Supporting businesses to expand into new markets and to exploit new opportunities (E)

7.2 Bringing this all together and scaling up to the 2,118 firms that the survey can be said to be representative of, this yields the following estimated impact, with £1.6bn of exports achieved and a further £2.7bn anticipated. These figures would be higher if the findings were apportioned to the full cohort of 3,053 supported firms over the period – this is not possible due to statistical sampling and its reliance on respondents opting in to be surveyed.

Table 3: Estimations of the impact of support on export sales (range of estimates)

Total value of export sales	Achieved	Per supported firm
Achieved	**£1.6b** (£1.1b - £2.2b)	**£764k** (£534k - £1m)
Anticipated	**£2.7b** (£1.9b - £3.6b)	**£1.3m** (£896k - £1.7m)
Total over three years	**£4.3b** (£3.0b - £5.9b)	**£2.0m** (£1.4m - £2.8m)

7.3 A mixed method approach was adopted to allow for more robust and precise econometric analysis to be undertaken, based on self-reported export sales over time compared with non-beneficiaries. A variety of econometric techniques were applied, but the "staggered difference-in-differences" approach was considered the most suitable for this analysis. Analysis was conducted of 310 firms over eight years (2015-2022): 175 beneficiary and 135 non-beneficiary firms. Non-beneficiary firms are a suitable control group: they tend to be larger and older, but firm differences diminish when controlling for other characteristics and they are less evident prior to the support period.

7.4 Findings show that export support has led to an increase in firms' value of exports of 140%, so that, if a firm reported international sales of £2.4m, the evidence is that without support, only £1m would have been achieved. Positive impacts were found across all yearly cohorts, and this increased over time. Econometric analysis is also planned using administrative datasets to assess turnover and employment impacts – these do not rely on self-reported outcomes which rely on a degree of subjectivity. These estimations will be published in due course.

7.5 Given that 58% of exporting firms reported some impact of support and only 60% of surveyed firms exported, taken together this suggests that these impacts, which appear highly positive, were achieved with a minority of firms. It will be important for the Scottish Government and partners to better understand this, and, potentially, to improve the targeting of firms. However, as previously mentioned, it must be considered that the period included both EU exit and the pandemic – over 90% of respondents reported that these had caused them challenges in exporting and firms who are preparing to export may achieve internationalisation in future. Furthermore, business support, like some forms of private sector portfolio investment, is likely to achieve different outcomes with different firms, so realistically not all supported firms will successfully export.

8. What works

8.1 While overall impact is important, it is also important to understand what types of support and other factors have had a bigger impact. From the analysis of management information, the following relationships were found:

- An impact on export sales was identified for business in receipt of "international support only" and for business in receipt of "international and other wider business development". Moreover, anticipated export sales were higher for businesses that received a mix of "international and R&D / innovation support".

- Businesses receiving multiple ACE support types were more likely to achieves export sales, export new product categories and anticipate export sales in the future
- The higher the number of supports accessed by businesses, the higher the impacts
- A business in receipt of support from multiple business partners suggested higher impacts in terms of jobs created and/or safeguarded, and also process innovation
- In terms of timing, if support was received earlier in the evaluation period, the export sales impact was more likely to be realised (55% of firms in 2018/19 vs. 27% of firms in 2020/21).

8.2 Firms were also asked what support types they found most useful. A summary of these findings is shown below:

Table 4: Survey responses on the usefulness of different support types by outcome (Top 3 support types max)

Outcome	Support Type	Wider business development support	Most useful
Achieving export sales	All activities useful, especially 1. Travel / accommodation support to access international markets 2. Funding for international business development 3. IRP[6] grants.	Most activities useful, especially 1. R&D grants 2. Innovation grants 3. Capital grants	1. Travel / accommodation support (…) 2. Funding for international business development 3. 1-to-1 exporting advice
Product development	Most activities useful, esp. 1. IRP grants 2. Funding for international business development 3. Travel / accommodation support (…)	Most activities useful, especially 1. R&D grants 2. Innovation grants 3. Capital grants	R&D grants
Process development	Most activities useful, especially 1. IRP grants 2. 1-to-1 exporting advice 3. Other advisory support.	Half of the activities useful, especially 1. Capital grants 2. Innovation grants 3. R&D grants	Unclear
Exporting to new countries	Most activities useful, especially: 1. Travel / accommodation support (…) 2. Funding for international business development 3. GlobalScot.	None of the activities useful, but <10 responses.	
Exporting new categories of products	Most activities useful (most < 10 responses), especially: 1. Other advisory support 2. Funding for international business development.	Some activities useful (most <10 responses), esp. 1. Innovation grants 2. R&D grants	

[6] IRP stands for International Recovery Programme (IRP) or international scale-up grant as a response to Covid-19

Exporting on a permanent basis	Most activities useful, especially 1. Travel / accommodation support (…) 2. Funding for international business development.	Some activities useful, especially 1. Leadership development 2. Innovation grants	

9. Analysis of management information (MI) and interviews with delivery practitioners

9.1 The management information review and delivery practitioner interviews were commissioned by Scottish Enterprise through SDI, and in partnership with the Scottish Government, HIE and SCC. The principal objective of the review was to assess "what works" both through analysis of MI and by listening to those working on direct delivery with companies, via 67 one-to-one consultations and two focus groups – one focussing on support to early-stage exporters (ESE) and the other on support to more experienced exporters (ExE). The results are, therefore, not directly comparable to those above. The full report is published on the Scottish Enterprise Research and Evaluation website[7].

9.2 Over the evaluation period, MI data shows that the Scottish Government and its delivery partners undertook a broad range of activities of support to over 3,500 companies, who received over 10,000 interventions[8]. These international projects[9] resulted in £5.0bn worth of planned international sales.

9.3 The evidence from the review and interviews shows that over the period 2018/19-2020/21:

1. **In the overall export journey,** consultees highlighted that access to market know-how and expertise made a difference to increasing international sales.

2. Projects that received a **mix of advisory and financial support** had a significantly higher average planned international sales figure than those that received either support type exclusively.

3. **Resourcing/capacity** was identified as the top barrier across all exporters. This was followed by skills and market intelligence for ESE and funding/investment for ExE.

4. Projects lasting **less than a year** had the highest average planned international sales.

5. Planned **international sales were higher for non-SMEs** relative to SMEs.

6. There are clear links with inward investment as companies receiving support to invest in Scotland had **more than double** the average planned international sales compared to those that were not.

7. Over half of consultees believed that ATN was working well, noting the clear focus and structure. However, the segmentation by exporter characteristics (ESE vs. ExE) was viewed less favourably.

8. Consultees reported that an **effective trade support mechanism** included a collaborative approach across agencies with shared goals and objectives and common frameworks for data sharing.

9.4 Consultees highlighted a variety of factors and support types that were most influential in increasing export sales both in terms of international support and wider business support for ESE and ExE. These findings are based on analysis looking at the average planned international sales per project, for projects with the following intervention types.

[7] https://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=showPromoted&id=833
[8] Companies may have been supported by multiple delivery partners so this may include some double counting.
[9] A project is made up of one or more interventions all contributing to the same planned international sales figure.

Figure 6: Principal intervention types in planned international export sales projects

10. Depth interviews and process analysis (including satisfaction with delivery)

10.1 Depth interviews, to shed light on the "how" as well as the "why", were conducted with 23 Scottish beneficiary firms – a mix of exporting and non-exporting companies – to provide insight on how export support led to the outcomes and how satisfied respondents were with that support.

10.2 The majority of firms (87%) considered the support they received relevant to their business objectives. Primary reasons for seeking support related to product development and expanding into new markets, suggesting that respondents with established relationships felt able and comfortable in seeking the support for growth in exporting, more so than for early-stage exporting.

10.3 Beneficiaries on average rated their satisfaction with the way the support was delivered at 7 out of 10, with about half (53%) rating it above 8. In terms of quality of the support, more than half of interviewed firms were positive (61%) noting the quality was "good", "very good", "great", or "excellent", citing factors such as delivery partners' responsiveness, engagement and professionalism, consistency of quality, and contribution to achieving results. For those firms that evaluated the quality less positively, reasons included irrelevant exporting advice, delays in support decisions, and insufficient support provided.

10.4 Thinking on the "how" of the interventions, firms linked the increase in export sales to developing contacts and networks with potential buyers and stakeholders. Other reasons cited by individual respondents included identifying areas for marketing to be prioritised and early-stage financial assistance to help the firm set-up. For those that reported less positively, this included reasons around the insufficient support opportunities for their sector and ultimately not exporting the product.

10.5 Depth interviews asked firms to consider types of support that they would have liked to receive that would have been helpful in achieving more export sales. These were largely centred on missing out on potential export sales and market opportunities, such as financial support to establish offices abroad, R&D support to develop the product for exporting, marketing support to raise awareness of the product, and overseas business development to bring in more sales.

10.6 Looking to the future, beneficiary companies were typically optimistic about their exporting plans and cited a few ways in which delivery partners could support these plans with the top responses being to continue the current support offering; providing grants/funding for product development, marketing, staff, and business growth; and supporting specific markets of interest.

11. Conclusions

11.1 The evaluation shows that Scotland's approach to export support has a positive impact on export sales. This was not only born out in terms of additionality of the support, but also wider business benefits such as product and process development and job creation. The evaluation identified high levels of satisfaction with the support offered form the perspective of business, as well as delivery practitioners, the majority of which felt satisfied with the current level and targeting of support. This is not to say however that there weren't reservations across the ecosystem.

11.2 It is worth noting that the evaluation period covered considers data and projects which would have commenced prior to the policy change outlined in ATN. As such, there are lags which are evident in this analysis. There are clear implementation lags, lags in firms adjusting their operations to achieve exports, and then lags in the gathering and analysis of data. So, it is crucial to recognise that the export sales achieved to date will likely understate what will eventually be achieved. Estimates of anticipated sales back this up.

11.3 Moreover, this evaluation covered a period of significant economic headwinds which impacted global trade volumes and performance including the UKs exit from the EU and the Covid-19 pandemic. Both beneficiary and non-beneficiary companies reported experiencing difficulties and challenges to exporting as a result of these events, nevertheless firms were still able to see benefits materialise as a result of the support. Estimates of the additionality of support on export sales were provided across the research methods. Beneficiary (self-reported additionality) analysis showed that export sales grew by £1.6 billion over the evaluation period as a result of the support, while econometric analysis using the non-beneficiary sample as a comparison group showed that export sales grew by 140% as a result of the support provided.

11.4 Despite these positive outcomes, a large proportion of the surveyed companies receiving export support, in actual fact were not active exporters (40% had not exported in the 12 months prior to the survey being conducted), and nearly three quarters had never exported. While caution is required around the subjective assessments of respondents, these results require careful consideration and potential changes to the targeting of firms to support.

11.5 The evaluation identified a number of factors that contribute to the effectiveness of public sector support. These include the quality of the support, the targeting of support to businesses that are most likely to benefit from it, and the coordination of support between different government agencies. Areas where public sector support could be improved include providing more support to businesses that are exporting to high growth markets and providing more support to businesses to develop their export marketing capabilities. Overall, the evaluation found that public sector support is an effective way to support export growth in Scotland.

12. Policy reflections

- Review the A-C-E model of support and potentially expand the Exploitability offer
- Undertake more internal work to understand better the make-up of non-exporters and those reporting no additionality of support, and whether this requires any changes to targeting
- Raise awareness of SG export support to reach firms that have not engaged with the support before (a finding of the non-beneficiary survey)
- Indirect effects of export support: review the links between the export support and R&D/innovation support to enable or strengthen export performance gains from innovations
- Monitor export sales over a longer period to capture anticipated export sales.

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