Impacts and Benefits of Consortium Working

Final Report for

Co-operative Development Scotland

September 2013

Contents

1 Introduction and Context

1.1 This report presents the findings of the 2013 survey of consortia and is designed to identify the impacts and benefits of consortium working. The review follows some initial developmental and pilot work carried out in 2012 for assessing impacts and benefits. The work for the 2013 review was carried out over the spring and early summer of 2013, drawing on the views of both consortium leads and consortium members.

Purpose of the Review

1.2 The over-arching aim of the study is to identify, and where possible quantify, the range of economic, social and environmental benefits and impacts arising for businesses as a result of working as part of consortium. Co-operative Development Scotland (CDS) believes a wide range of benefits and impacts arise from consortium working, and the study seeks to provide the evidence to substantiate this (or not).

1.3 The research has been designed to be objective and credible, carried out with input from and to the standards required by Scottish Enterprise, to provide as robust an evidence base as possible within the timeframes and resources available. Where the evidence allows, CDS will wish to use the findings to help promote the benefits of consortium working more widely, including helping to inform partners in the public and private sectors of the value placed on consortium working by member businesses.

Approach

1.4 This review involved the survey of CDS-supported consortia over the period 2011/12 and 2012/13. In all, the report draws on the views from 20 consortia (including two not supported by CDS) from a variety of sectors and backgrounds. Consultations were undertaken with the 16 lead members and an additional 30 interviews with consortium members. The report therefore draws on the views of 46 businesses involved in consortium working. One additional consultation was secured with a large consortium member.

1.5 The research has been undertaken by ekosgen and Research Resource. ekosgen consulted the consortium leads, while Research Resource consulted the members cohort. The survey questionnaires developed as part of the 2012 work were used as the primary tool for gathering the data contained within this report.

1.6 The overall approach follows the one developed as part of the 2012 work which developed a methodology to monitor and measure the benefit and impact of consortium business models, structured around a logic model approach. CDS have significantly improved the breadth and depth of its monitoring and management information in the past year, and this made the process for carrying out the research far more straightforward.

Building on the 2012 Development Work

1.7 The 2012 work developed a Monitoring and Evaluation (M&E) framework to guide the assessment of impacts and benefits. The M&E framework seeks to:

- allow CDS to identify the value to members of working as part of a consortium;
- to promote the benefits more widely to the sector; and
- help to inform CDS where interventions are most usefully directed in supporting consortia.

1.8 The M&E framework is structured around the logic chain approach, which traces resource inputs, through to activities, outputs, results and impacts, and covers economic, social and environmental resources/activities through to impacts. The framework is also designed to cover both tangible and intangible benefits of consortium working i.e. to go beyond tangible benefits such as new sales generated, the reduced costs of purchasing, to softer and less tangible benefits such as increased confidence to trade and increased awareness of other consortium member products.

1.9 The development of the framework involved consultation and discussion with the CDS team and colleagues from appraisal and evaluation in Scottish Enterprise, and pilot primary research with both selected consortium leads and individual consortium members. The M&E framework incorporated:

- A summary list of indicators framed within the logic chain;
- Commentary on the development of the survey tool for use with members (which is appended);
- Feedback on the data gathered through the member survey – and importantly, commentary on the usefulness of the feedback and its coverage i.e. comments on the utility and collectability of the data; and
- Conclusions and the recommended set of indicators to be used in future research along with definitions (the what), with suggestions on the form of data collection (the how), the lead for data collection (the who), timing (the when) and its purpose (the why).

New areas of focus in 2013

1.10 The 2013 study incorporates some additional research compared to the 2012. For the first time, the review captures consortium member views on the quality of CDS advisor support. It also specifically looks at the differences in impacts and benefits of consortia supported in 2011/2012 compared to those supported in 2012/13. The review also quantifies the net additional impacts of CDS supported consortium members.

1.11 In addition to the further two consortia, the report draws on the views of 18 consortia assisted by CDS over 2011/2012 and 2012/2013, at an average of 2.5 members views gained per consortium. The survey sample is therefore sufficiently representative of the range of consortia CDS has worked with. At 2.5 members per consortia surveyed this provides 90% confidence in the results at a 11% margin of error (assuming an average of 10 members per consortium, which is the average number of members per consortium - excluding tourism businesses – identified by this research). This provides good confidence in the robustness of the findings.

Report Structure

1.12 The report is structured as below:

- Chapter 2 – Profile of CDS Business Supported;
- Chapter 3 – Consortia Activities;
- Chapter 4 – Outcomes and Impacts; and
- Chapter 5 – Lesson and Recommendations.

2 Profile of Surveyed Businesses

Introduction

2.1 This chapter provides a profile of CDS-supported consortia leads and members. The one large, non-CDS supported consortium was excluded from the analysis. The profile covers their industry sector, number of members, nature of the business, age of business, and whether the member business or organisation pays a membership fee.

2.2 The section analyses 16 consortia leads and 31 consortia member responses. The 47 responses are drawn from 20 separate consortia. The list of consortia is at Appendix A.

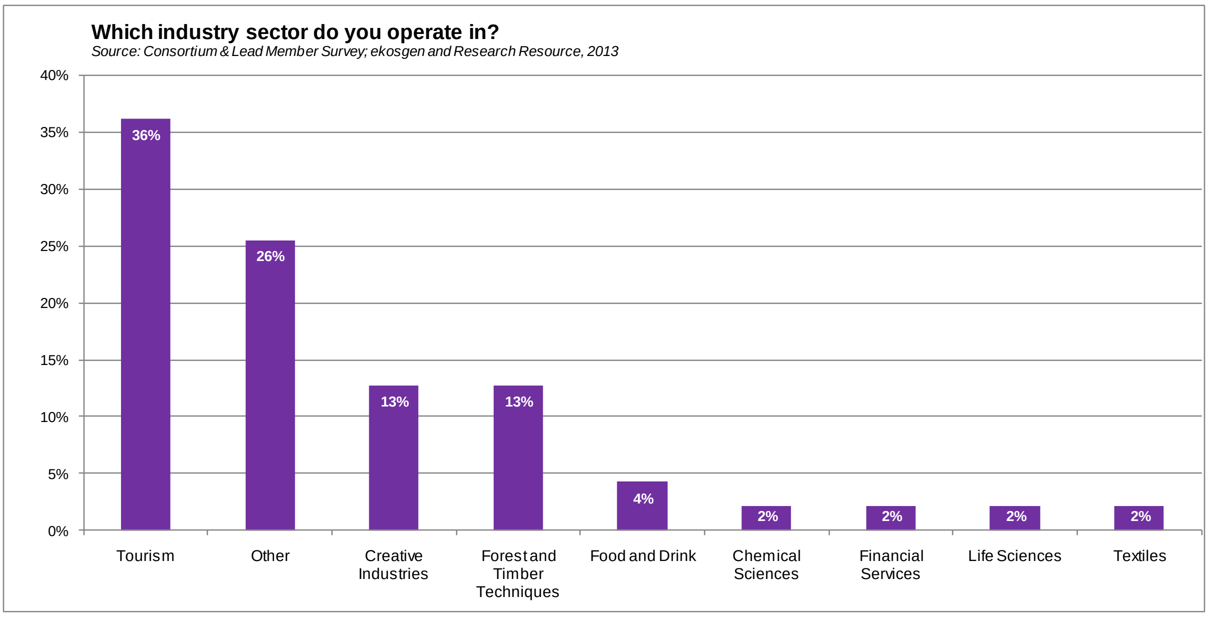
Industry Sector

2.3 As per Figure 2.1, the largest proportion of respondents (36%) was from the tourism sector. This reflects that consortium working is attractive to businesses in the sector, given the benefits of coming together to promote/market an area. The large proportion of respondents also reflects that CDS is active in supporting consortium working in the sector, and that where tourism consortia exist, there are typically a large number of members.

2.4 Other sectors well represented in the responses are Creative Industries and Forest and Timber Techniques (both 13%). Consortia in the creative industries typically see businesses coming together to provide a more rounded offer (with complementary skill-sets) or to increase marketing and sales opportunities. The forestry sector representation reflects that many consortia bring a number of businesses together in rural areas.

2.5 The 26% classed as 'other' includes businesses from training, education, transport, healthcare and business and professional services. Business and professional services is another sector with which CDS is active.

Figure 2.1: Profile of surveyed companies by industrial sector



Tourism, Creative and Food and Drink

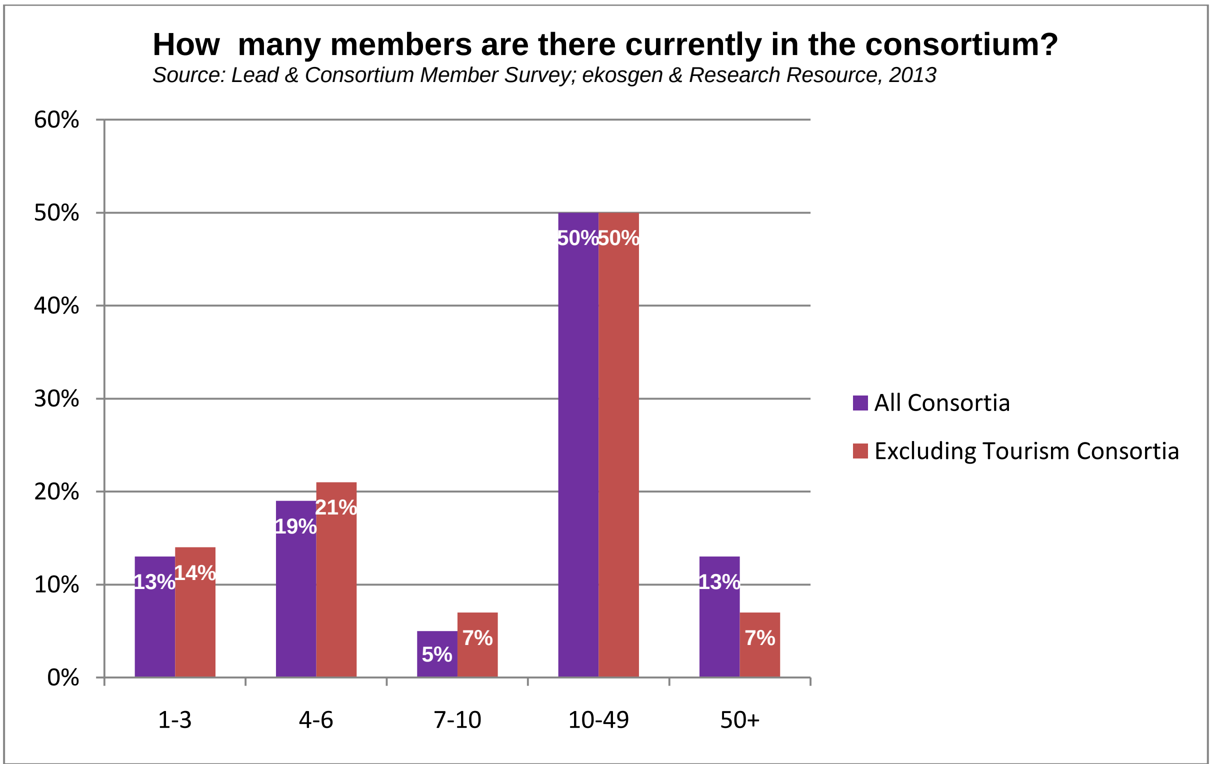
2.6 Overall, more than half of those surveyed were from the tourism, creative industries and food and drink sectors, the three main sectors with which CDS typically works. The specific consortia represented in the research are given below.

Creative Industries	Tourism	Food and Drink
• Music Co-operative • Too Much Fun Club • Screen Facilities Scotland • Emerging Paths	• Breadalbane • Argyll & the Islands Strategic Tourism Partnership • Heart of Argyll Tourism Alliance	• Burns Community Larder
Source: Consortia Lead and Members Survey; ekosgen and Research Resource, 2013		

Size of Consortia (by number of members)

2.7 The majority of consortia surveyed have between 10 and 49 members. More than a third (37%) have fewer than 10 members and almost a third have 6 or fewer members (32%). A smaller proportion (13%) was large consortia with more than 50 members. Removing the tourism businesses from the sample changes the size distribution of consortia slightly. Without tourism businesses, as the red shaded columns to the right indicate, just 7% have more than 50 members.

Figure 2.2: Size of Consortia (by number of members)



Size of Consortia (by employees and turnover)

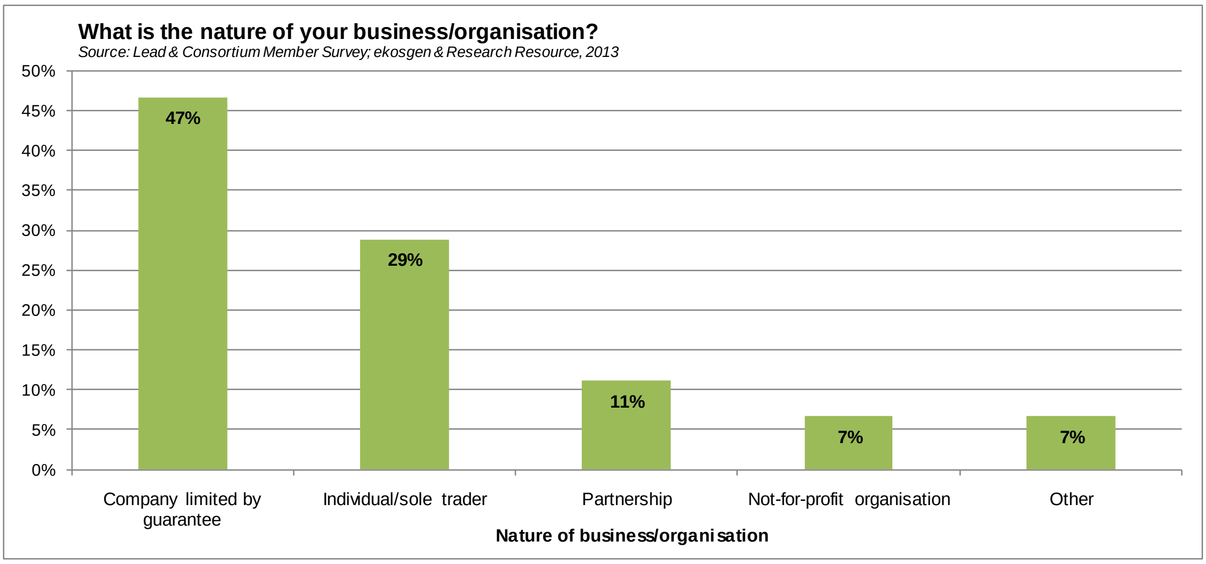
2.8 Excluding the large consortia not supported by CDS, the average size of businesses surveyed was 6.8 employees in 2012. This rises to 7.5 when the tourism businesses are excluded (with the tourism businesses typically employing fewer staff). In all, 13% employed more than 20 persons, however more than half (54%) employed 2 or less. The average turnover in the businesses providing turnover data was £161,000 per annum. This remains broadly the same excluding the tourism sector businesses.

Nature of Consortia Members

2.9 Almost half of all respondents surveyed (47%) categorised themselves as being a limited company, while nearly one third (29%) were individual or sole traders. Fewer respondents (18%) were either part of a partnership (11%) or a not-for-profit or voluntary organisation (7%).

2.10 The 'other' category (7%) included those consortium members who identified themselves as independent consultants, co-operatives or orchestra members.

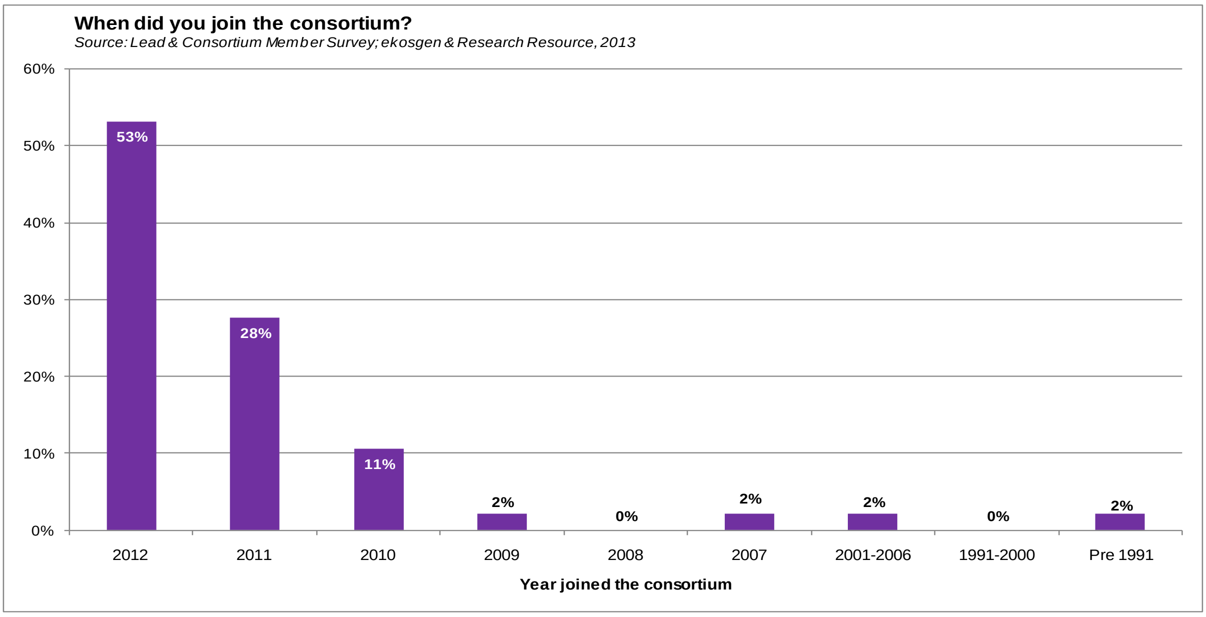
Figure 2.3: Nature of Consortia Members (by company/organisation type)



Length of time as Consortium Member

2.11 More than half of those lead and consortium members surveyed (53%) joined their consortium in 2012, with a further one in four (28%) joining in 2011. Just over one in ten respondents (11%) joined in 2010. Overall, therefore, some 92% of those surveyed have joined their consortium within the last 3 years. Just 8% had joined their consortium prior to 2009.

Figure 2.4: Length of Time as a Consortium Member



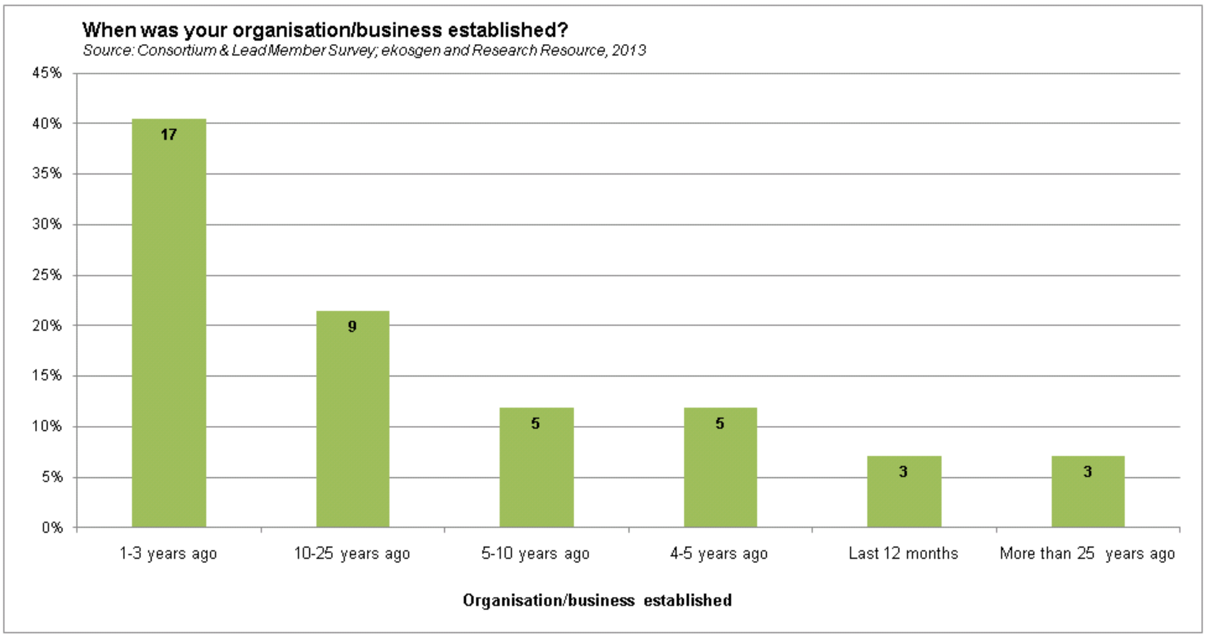
2.12 This profile is not surprising given that most respondents were drawn from consortia supported by CDS in 2011/2012 and 2012/2013, and where much of CDS support relates to helping consortia to get established. At the same time, the fact that most consortia have been established in the last couple of years will mean that many impacts and benefits of consortium working for businesses are yet to be realised. Further, the economic climate since the 'Great Recession' from 2008 is also likely to have an effect on the scale of impacts and benefits generated.

Age of Business or Organisation

2.13 Businesses who are members of consortia are typically young businesses. In all, four in 10 members (40%) established their business/organisation between 1 and 3 years ago, and a further 7% were less than 12 months old.

2.14 At the same time, more than one in five members (21%) have been in business between 10 and 25 years, with a further 7% more than 25 years old and 12% between five and 10 years old. This suggests that many more mature businesses also value consortia membership.

Figure 2.5: Age of Business



Membership Fee

2.15 Almost six in 10 (59%) pay a membership fee to be a member of their consortium. Of these, the amount they paid per annum varied significantly across the profile of consortia, reflecting their distinct differences in size, scale and characteristics.

2.16 In some instances, the membership fees were nominal (and as low as £1 per annum) up to £1,200 per annum, plus VAT. However, two respondents pay annual membership fees based on a proportion of annual sales generated by the consortium (in one case 2% of the total sales value and in the other case, 5%).

2.17 In one case (2%), there are current proposals to introduce a membership fee in future, at an annual cost of £1,000. For the remaining proportion, 39%, no membership fee is paid.

3 Consortia Activities

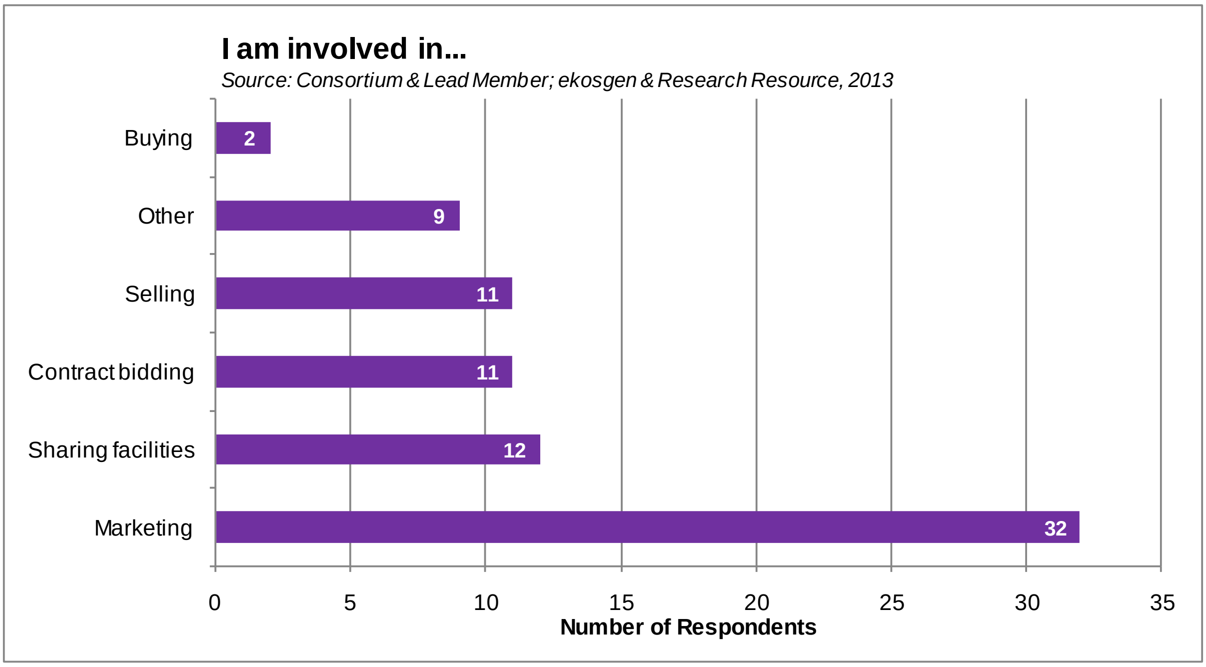
3.1 This chapter provides an overview of the broad range of consortia activities that surveyed businesses engage in as a consortium. These activities vary from buying, contract bidding, selling, marketing, to sharing facilities. This chapter looks at how individual consortium leads and member respondents rate levels of engagement. The section also reviews the range of support provided to consortia by CDS.

Consortia Activity

3.2 A significant number of survey respondents (32, 68%) are involved in marketing, with 12, (25%) involved in sharing facilities, and an equal number (11, 23%) involved in selling or contract bidding. Activities to market goods, products and services and to generate new sales are therefore the main focus of consortia activity.

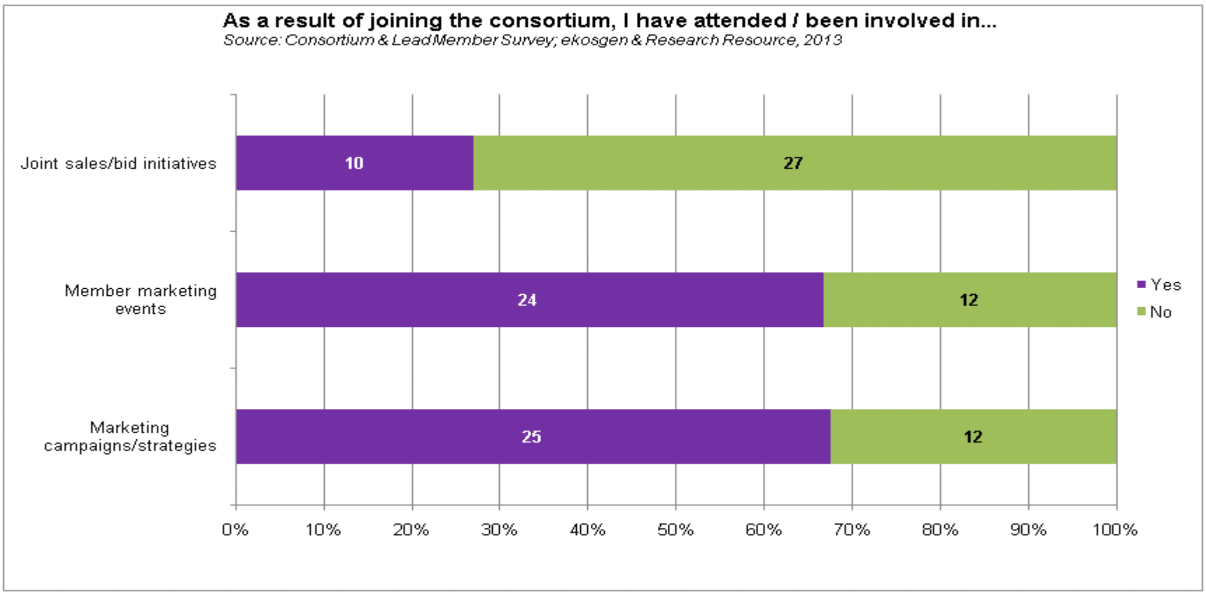
3.3 It is interesting that only two respondents (4%) were involved in buying as a key activity of their consortia. Other responses were cited by nine respondents (19%), relating to: training, transport, political lobbying, social and community-based events, renting land and sub-letting, providing support infrastructure and receiving, and responding to, specific work commissions.

Figure 3.1: Nature of Consortia Activities (respondents could identify more than category)



3.4 Of the 37 separate respondents who stated they were involved in marketing/selling activities as part of the consortium, a large proportion (25, 67%) have been involved in marketing campaigns and strategies, and 24 of 36 respondents (66%) has been involved in marketing events. A smaller proportion, (10, 27%) have been involved in joint sales initiatives.

Figure 3.2: Nature of Marketing/Selling Activities

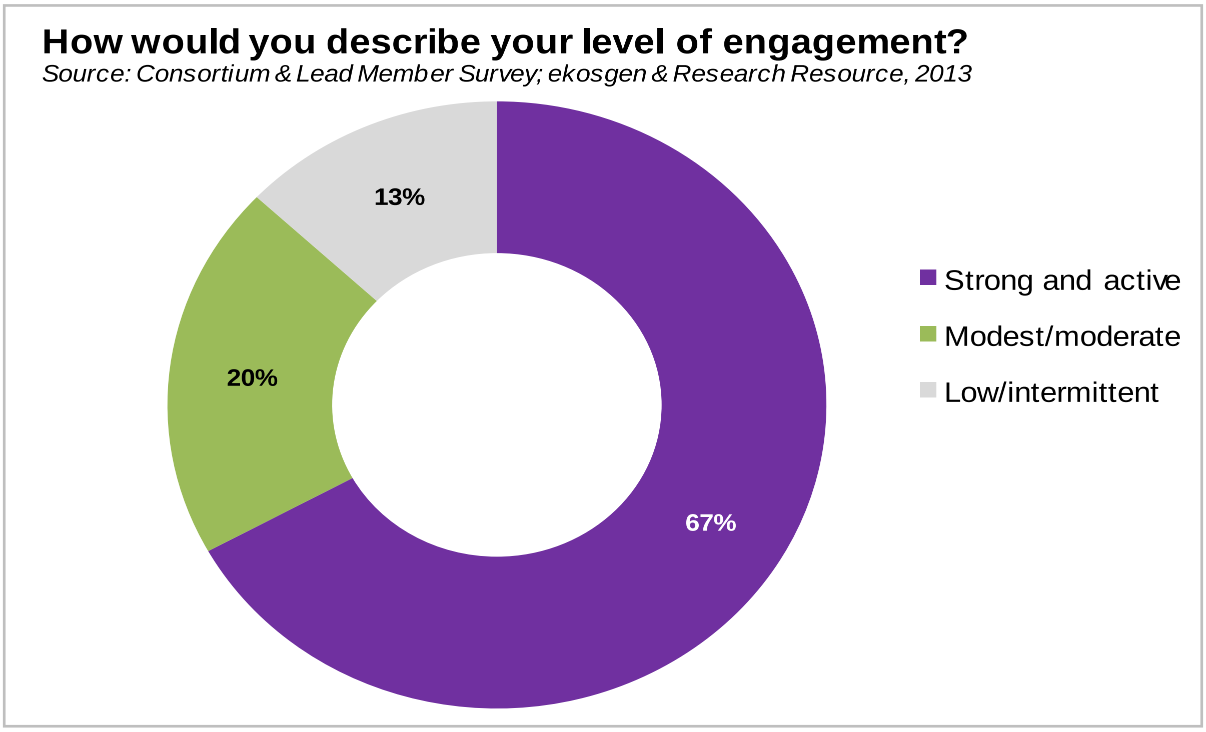


Levels of Engagement

3.5 The vast majority of respondents felt that their own individual level of engagement in the consortium was strong and active, with two thirds (67%) citing this response. This partly reflects that almost one third of respondents were consortium leads, where one would expect the level of engagement to be high. However, the responses indicate that a similar proportion of members who are not the lead for the consortium also regard their level of engagement to be high.

3.6 Of The remaining third, 20%, largely felt that they had a modest/moderate level of engagement. A smaller proportion, 13% of respondents, considered that they had a low/intermittent engagement in the consortium.

Figure 3.3: Levels of engagement



CDS Supporting for Consortia

3.7 CDS has supported a wide range of consortia, and also been involved in a wide range of activities to support consortia. Examples of CDS support are identified below

Advice provided by Co-operative Development Scotland to Consortia:

- Legal structure and governance;
- Consideration of potential consortium models;
- Operational structure;
- Registration matters;
- Members agreements structure, purpose, and drafting provision;
- Signposting (including to funding sources);
- Potential public relations (PR), including promotional materials; and
- Facilitation and assistance, including co-op advisory (e.g. assistance with business planning from agencies such as Business Gateway).

4 Outcomes and Impacts

4.1 This chapter reviews the outcomes and impacts of consortia working identified by consortia leads and member. This covers economic, social and environmental impacts. The chapter also reviews feedback from respondents on what they regard as the critical success factors for effective consortium and the overall (top 3) benefits of consortium working.

4.2 With respect to the economic impacts, both impacts to date and future forecast benefits are considered. The net impacts of the benefits of consortium working are also considered i.e. the extent to which the impacts identified could have been achieved without participation in the consortium. Other data was collected and analysed which help to inform likely levels of displacement (primarily the effects of consortium working support on non-supported companies), which also affects the overall net effects of support.

Top Three Benefits of Consortia Working

4.3 A wide range of benefits were identified when respondents were asked to identify their top three benefits of being part of the consortium. Those most frequently cited were:

- Marketing;
- Networking – with a range of benefits identified from an ability to attend larger events, to exchanging of views, to knowledge transfer, to being “a good community of people” (consortia member). Awareness of each other and their business was also highlighted under this umbrella;
- Working together, including the benefits of combined skills, collaborative and mutual support and *“Strength in numbers”* (Lead Member respondent);
- Better tender opportunities – the ability to bid for bigger contract; and
- Scale (e.g. more members, more custom and increased profile).

4.4 These benefits largely relate to an economic rationale for consortia participation, including core consortia activities such as marketing and ability to access better (and larger) tender opportunities. However, there is clearly a strong recognition of less immediately tangible benefits, notably networking (which has commercial and more social benefits) and working together.

4.5 Many see the benefits of operating at a larger scale, in terms of the ability of the consortium in helping to raise profile (and ultimately custom), from operating as part of a larger entity. Almost three in 10 describe themselves as sole traders, and these businesses will certainly see benefits of working with others, although the benefits of working at a greater scale is by no means restricted to this group.

Economic Outcomes

Outcomes as a result of joining the consortium

4.6 A high proportion of consortium leads and members have already achieved a considerable range of outcomes. An enhanced profile, or image, for the businesses was cited by eight in 10 businesses (80%). Other outcomes are also highly prevalent, notably improved knowledge sharing and improved business connections (78%). Some 76% have an increased confidence to trade. These are positive findings in terms of the benefits of working in a consortium: businesses are better informed, better connected and more confident in their business.

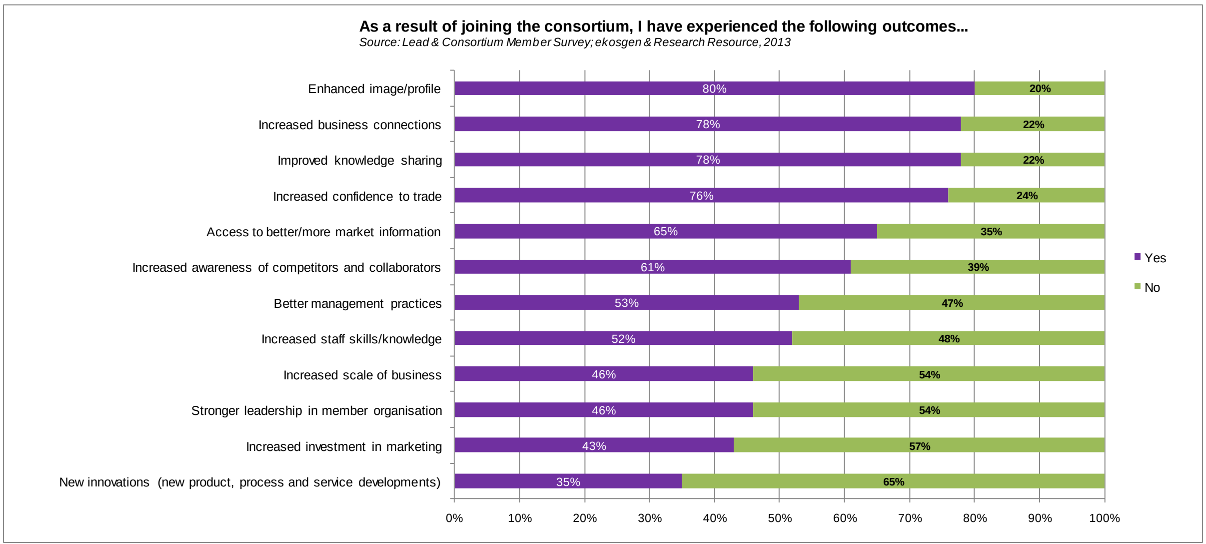
4.7 More than six in 10 are benefiting from greater market intelligence, either in the form of access to more/better market information (63%) and increased awareness of competitors and collaborators (61%). There are considerable human resource outcomes too, with more than half citing better management practices (54%) and increased staff/skills knowledge (52%).

4.8 Almost half the businesses surveyed (46%) have already achieved an increase in scale. This is a significant proportion given that the majority have been part of their consortium for less than 3 years. More than a third (35%) have also developed new products, processes and services as a result of joining the consortium, also an encouraging level of outcomes given the time often taken to develop new products, processes and services.

Table 4.1: Outcomes as a result of joining the consortium

Outcome	Proportion of respondents
Enhanced image/profile	80%
Improved knowledge sharing	78%
Increased business connections	78%
Increased confidence to trade	76%
Access to better/more market information	65%
Increased awareness of competitors/collaborators	61%
Better management practices	53%
Increased staff skills/knowledge	52%
Stronger leadership in member organisation	46%
Increased scale of business	46%
Increased investment in marketing	43%
New innovations (new product, process and service developments)	35%

4.9 The following figure presents the same information in chart format.



Outcomes from Marketing/Selling

4.10 Consortia leads and members were asked whether their involvement in marketing/sales initiatives, events or strategies had resulted in an exposure to new customer groups/products or entering new geographic markets.

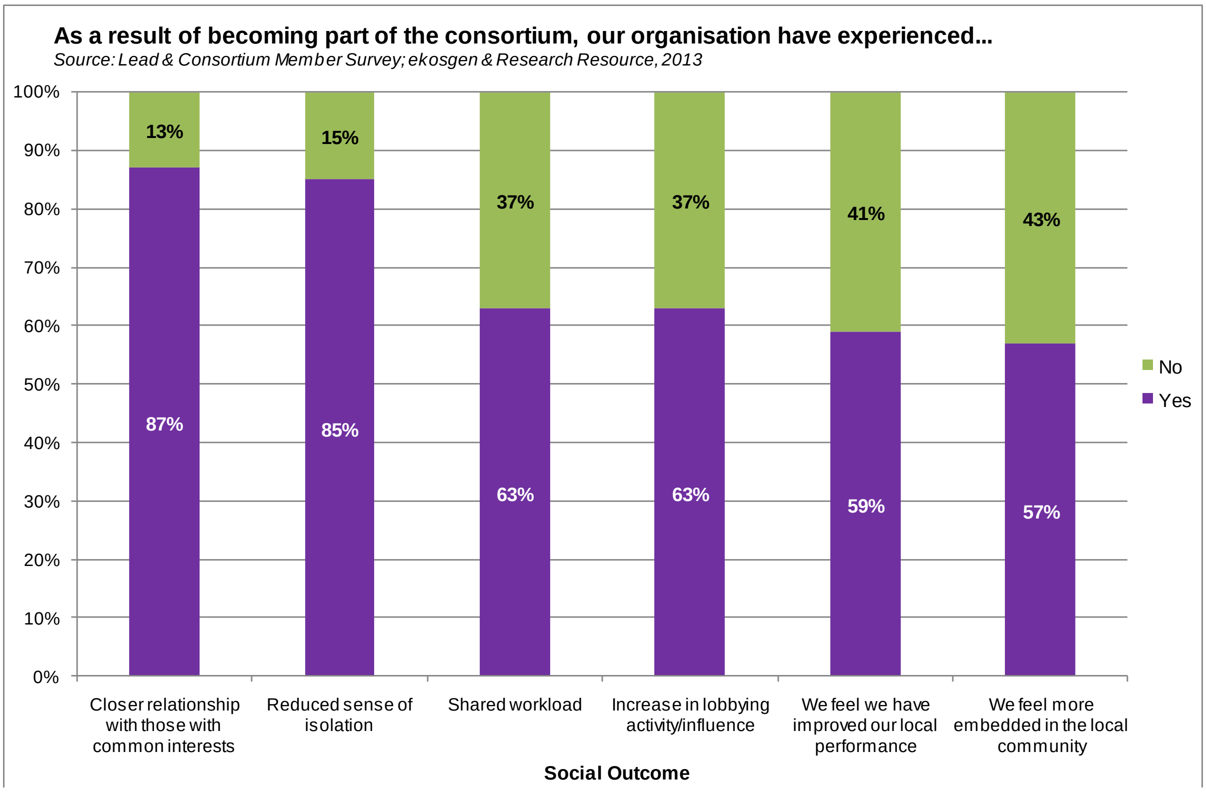
4.11 Of the 25 respondents stating they had taken part in marketing campaigns and activities, 13 (52%) had accessed new customer groups and 12 (48%) had accessed new geographic markets. This is a positive finding given how young the majority of consortia were at the time of survey. Of the 24 involved in marketing events, 12 (50%) had accessed new geographic markets and 11 (46%) new geographic markets. Joint sales activities, had resulted in 30% accessing new customers and 20% new geographic markets, amongst the 10 respondents involved in this type of activity.

Social Outcomes

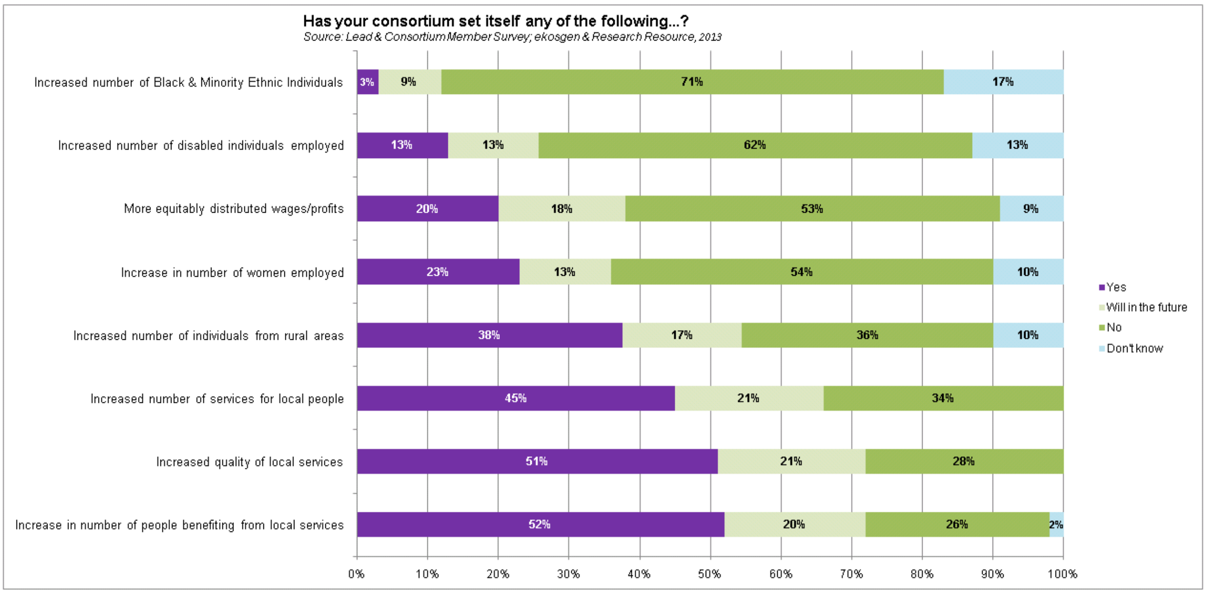
4.12 The vast majority of those surveyed cited social outcomes as a result of joining the consortium. Almost nine out of 10 respondents (87%) have experienced closer relationships with those with common interests, one of the key principles of being part of a consortium. In all, 85% have experienced a reduced sense of isolation – and the positive effects of consortia in overcoming the often lonely experiences of running a business is clearly demonstrated.

4.13 Nearly two thirds (63%) of all respondents cited that they have experienced a shared workload. A similar proportion (63%) has been involved in increased lobbying activity and influence.

4.14 There are positive effects of consortium working for the local community. Almost six in 10 have either improved their local performance (59%) or are more embedded within their local community (57%). This indicates the positive role consortia often play in their locality.



4.15 More than eight in 10 (82%) have, or expect, consortium working to result in more local people benefiting from local services. A similar proportion (82%) expect there to be an increase in the quality of local services. Half of those surveyed (55%) expect to increase the number of individuals from rural areas. More than a third (36%) expect consortium working to increase the number of women involved.



4.16 There were a number of other social benefits cited by respondents. These social benefits related to consortium working include:

- Creating new relationships, including working with others;

- The benefits of new members joining the consortium;
- The social benefits associated with events and networking; and
- An ability to provide an increased quality of service.

4.17 Some examples of the social benefits of consortium membership to date, as well as those that respondents expect to experience in future, are highlighted below.

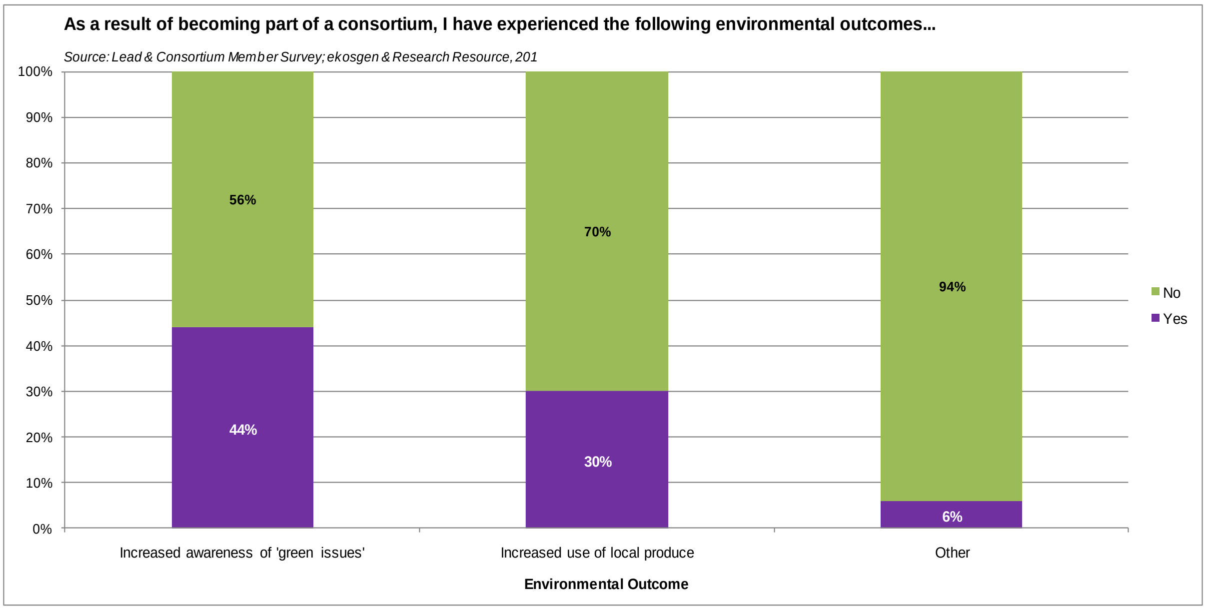
Social Benefits from Consortium Membership

- *"Offering a wide range of services for local people that's not currently offered"*
- *"Going along to events as a visitor is a great day out and as an individual. It is as much as it is being a member"*
- *"It's good on a personal level. It's good to meet people and strike up friendships"*
- *"Getting further afield and getting awards and exhibitions, which raises awareness of Argyll"*
- *"Recognition of skills within the local community"*
- *"Yes – the members in the consortium, although they are competitors, they all share each others' problems. They are all happy to sit around a table and talk collectively"*

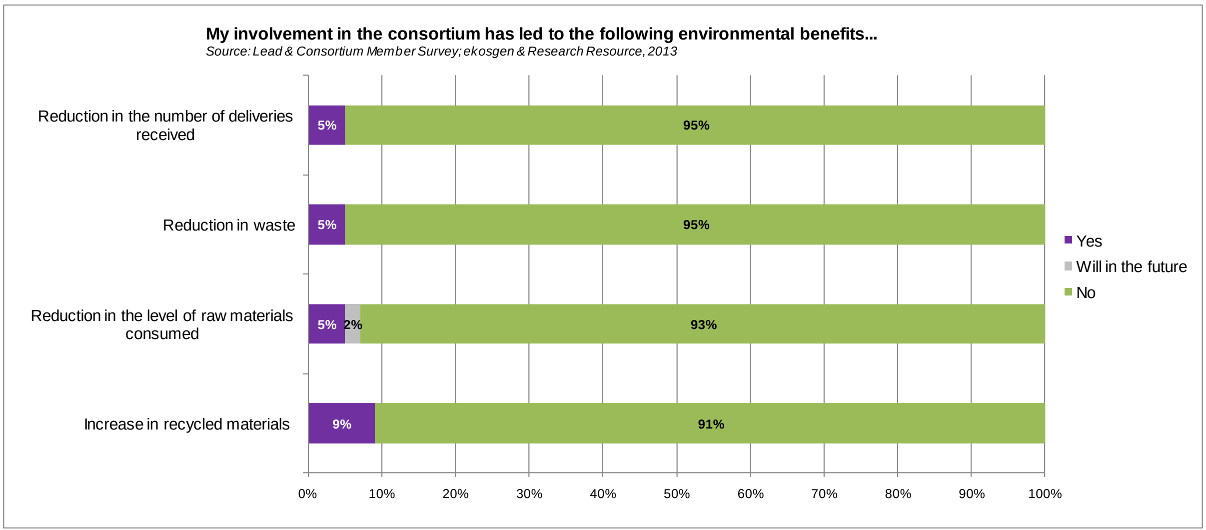
Quoted by CDS-Supported Consortia Lead and Members, 2013

Environmental Benefits and Impacts

4.18 Greater than two in five (44%) respondents have experienced increased awareness of 'green issues', while a further almost one third (30%) cited that their involvement in the consortium has led them to experiencing increased use of local produce. These are positive environmental benefits, and consortium working clearly helps to raise levels of understanding across a wide range of issues as part of the benefits from knowledge-sharing.



4.19 Specific environmental benefits and impacts were more difficult to identify. However, almost one in 10 (9%) of the surveyed cohort have increased the volume of recycled materials as a result of their involvement in the consortium.



4.20 There were a small percentage (6%) of other environmental outcomes cited, including increased public transport within the local area putting less pressure on private cars, and enhanced environmental management/resources for a range of socio-economic and environmental benefits.

Critical Success Factors

4.21 All respondents were asked to consider three critical factors which are required in order for a consortium to be successful. A wide range of different answers were cited across the surveyed cohort, however, some key emerging themes were identified. These recurring critical successful factors include:

- Clear and transparent overall vision, focus, objectives, strategy and plan (cited by *circa* 23 respondents);
- Commitment and willingness from members (*circa* 22 respondents);
- Strong communication, team working and drive to work with other organisations (*circa* 17 respondents);
- Trust and loyalty from all those involved in the consortia (*circa* 11 respondents);
- Dynamic leadership (*circa* nine respondents);
- Innovation – good ideas, processes and services; establishing a strong brand to ensure buy-in (*circa* three respondents)

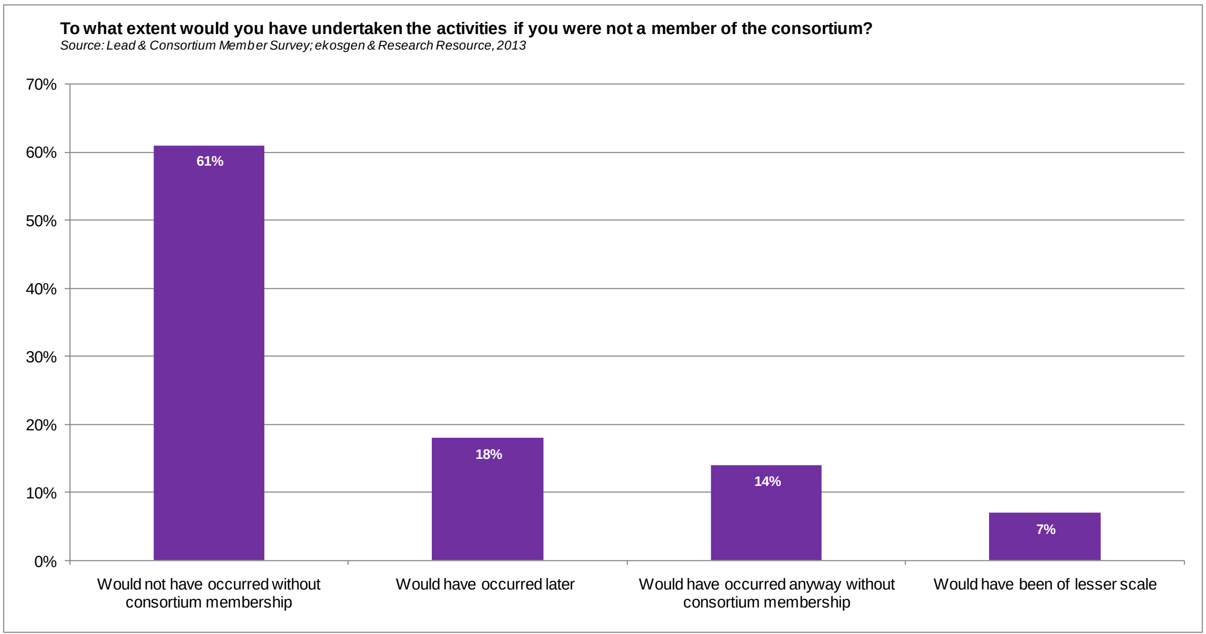
4.22 The views incorporate factors that can be seen to be the core values of consortium working. Commitment, trust, loyalty, willingness, leadership, communication are what can make consortium working very effective.

Additionality

4.23 Additionality associated with consortium working is high. The activities undertaken as part of the consortium would not have been carried out by members if they were not part of the consortium. More than three in five (61%) respondents would not have undertaken the activities they are currently involved in, had they not participated in the consortium, while only 14% believed that the activities would have been undertaken anyway. These findings suggest high levels of additionality in the consortia model

4.24 Almost one in five (18%) would have undertaken the activities, but at a later time (time additionality). The vast majority believed that this would have taken 12 months longer, however there were respondents who also felt that it may have taken up to as long as 42 months. From those who cited that the activities would have been undertaken but to a lesser scale (scale additionality), they felt that this would have been in the range between 8.5% - 20% less.

4.25 The composite level of activity additionality is therefore 74%[1]. Activity deadweight is therefore 26% - this is a low level of deadweight when compared to mainstream business support programmes, reflecting that being part of a consortium allows activities to be undertaken that could not easily be undertaken through other means.



Employment Impacts

4.26 The research specifically explored employment effects as a result of participating in the consortium, both to date and expected in the future.

Employment Impacts to Date

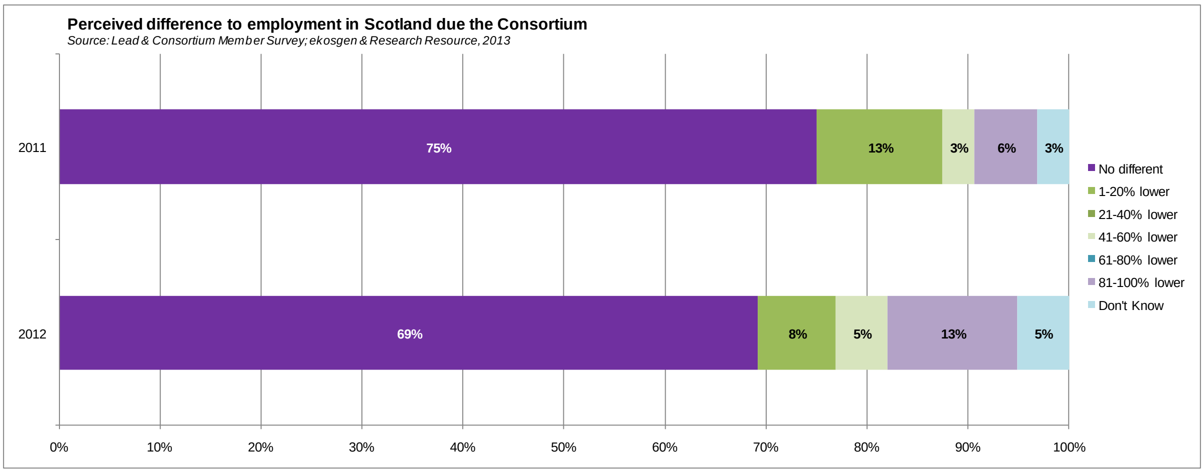
4.27 Consortium working is generating important employment impacts. Some 22% of respondents think that their 2011 employment levels would have been lower than they are now without their

[1] This is based on 61% stating 100% additionality + 50% of the 18% stating time additionality + 50% of the 7% stating scale additionality

participation in the consortium. Whilst 75% stated employment levels in their businesses remained the same in 2011 (the top bar in the graph below), for some of these businesses this will have pre-dated their participation in the consortium.

4.28 One in four of reporting employment effects in 2011 considers this to be significant. In all, 13% of respondents thought 2011 employment in the business would have been 1-20% lower than it was without the consortium, 5% thought it would have been 41-60% lower and 6% thought it would have been 81-100% lower. Taking the mid-point of these ranges, employment levels would have been 8% lower than was the case in 2011, if businesses had not taken part in the consortium.

4.29 The second bar of the graph repeats the analysis for changes in employment levels in 2012. **In all, 26% stated their employment levels would have been lower had they not participated in 2012**. For 13% of businesses, their employment levels would have been 81-100% lower in 2012. Taking the mid-point of these ranges, employment levels would have been 16% lower than was the case in 2012, if businesses had not taken part in the consortium.

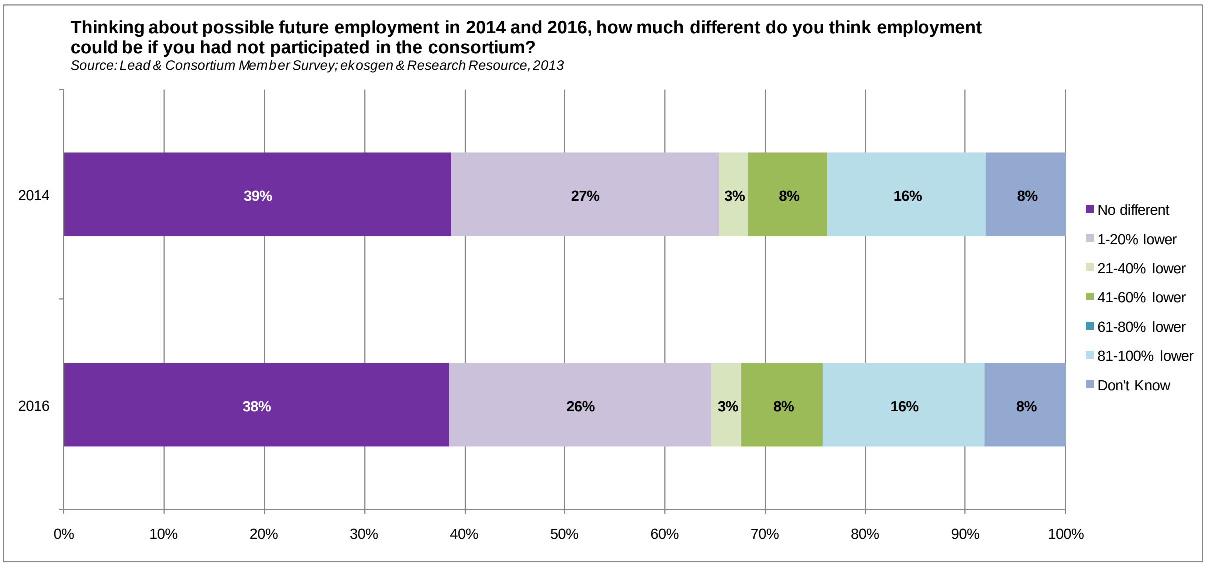


Forecast Employment Impacts

4.30 The majority of surveyed businesses consider that their employment levels will rise as a result of participating in the consortium over the next year (to 2014) and over the next three years (to 2016). **In all, 53% of businesses think their employment levels will rise over the next one and three years as a result of consortium working**.

4.31 Some of the forecast employment increases are considerable. More than one in four (27%) consider that their employment forecast in a year's time would be up to 20% lower than they are now predicting had they not been part of the consortium. A further 3% consider it would be 21-40% lower than they are now predicting, 8% 41-60% lower and 16% that it would be 81-100% lower. Taking the mid-point of these ranges, then overall employment is expected to be 23% lower than is now forecast without business participation in the consortium.

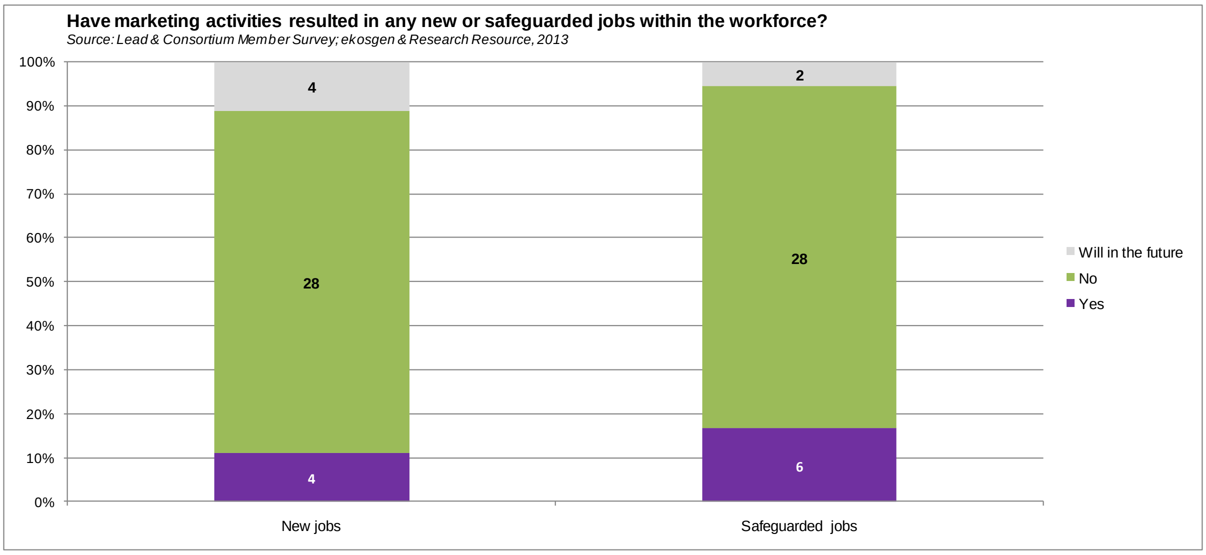
4.32 The picture over the next 3 years is very similar to the one forecast over the next year.



Specific Employment Effects of Marketing Activity

4.33 The review further looked specifically at the jobs created as a result of marketing activity. Four respondents to the survey stated that the marketing activity they have been involved in through the consortium has specifically led to new jobs being created, with six businesses identifying that jobs have been safeguarded.

4.34 It is also encouraging to note that four respondents anticipate the creation of new jobs in the future, as a result of their marketing activity through the consortium model; while a further two expect jobs to be safeguarded.



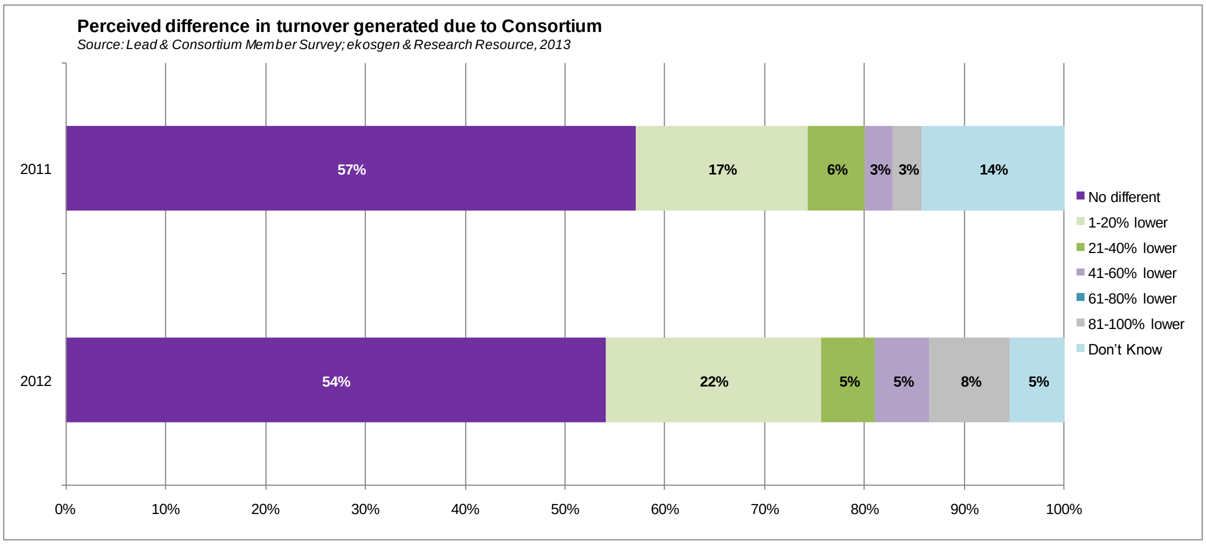
Turnover Impacts

Turnover to Date

4.35 Surveyed businesses have identified increases in turnover to date as a result of consortium working. In all, 29% of respondents thought their 2011 turnover levels would have been lower without their participation in the consortium.

4.36 Again, some of the turnover increases to date have been significant. Almost one in five (17%) state that their turnover would have been up to 20% lower without their participation in the consortium, 6% say turnover would have been 21-40% lower, 3% 61-80% lower and 3% 81-100% lower. Taking the mid-point of these ranges, then overall turnover to date would have been 9% lower without business participation in the consortium.

4.37 **Some four in 10 businesses say that turnover would have been lower in 2012 without their participation in the consortium**. Almost one in five businesses (18%) say that their 2012 turnover levels would have been at least 20% lower if they were not part of the consortium. Taking the mid-point of the ranges, then 2012 turnover would have been 15% lower in 2012 without their participation in the consortium.

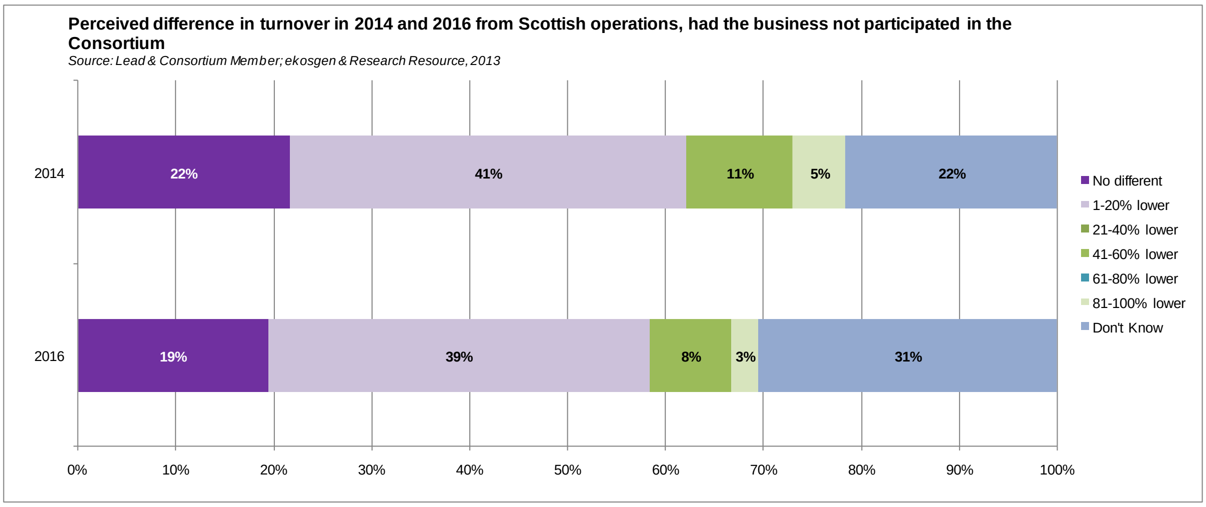


Note, some figures may not = 100% due to rounding

Future Turnover Impacts

4.38 **Some 57% of businesses expect their turnover to increase in 2014 as a result of their participation in the consortium**, with just one in five (22%) stating they expect to see no difference in turnover levels. A further 22% were unable to say. This is very positive feedback on the expected benefits of consortium working. In all, 41% say they would expect turnover to be up to 20% lower if they had not taken part in the consortium, with 11% stating turnover would be 21%-40% lower and 5% that turnover in 2014 would be expected to be 81%-100% lower without the consortium. Taking the mid-point of these ranges, then overall turnover is expected to have been 18% lower without business participation in the consortium.

4.39 Whilst almost a third (31%) are not able to say what their turnover levels will be in three years time, half of those surveyed expected turnover levels to be higher in 2016 as a result of their involvement in the consortium.



Note, some figures may not = 100% due to rounding

Competition, Market Conditions and Suppliers

4.40 The research has sought to understand the nature of the markets in which consortium leads and members have been operating, in line with SE guidance in 2012 when the monitoring and evaluation framework was developed.

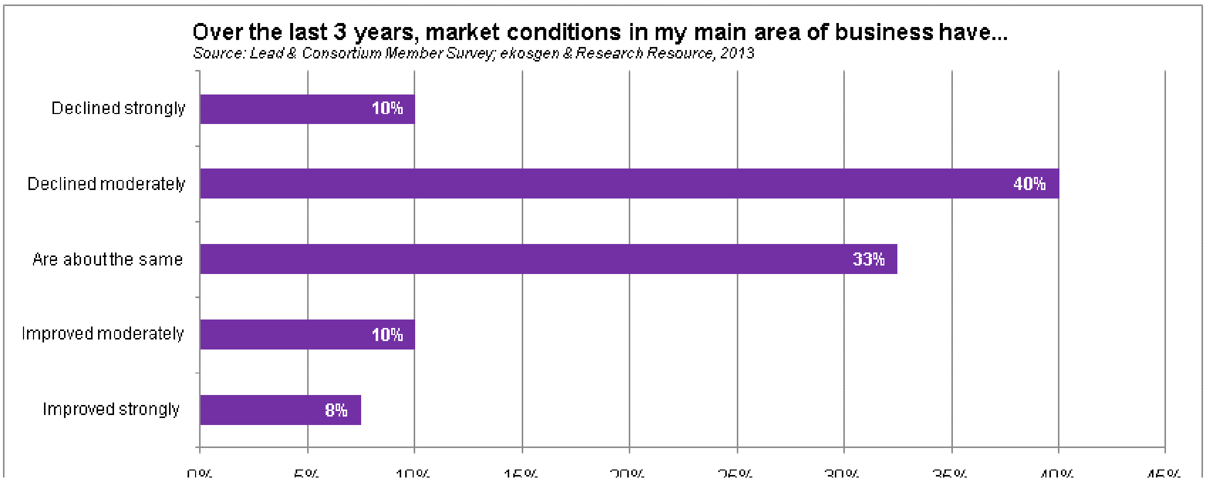
Competition

4.41 The nature of market competition is one of the key determinants of displacement – the effects of supporting one business at the expense of another. For the majority (43%) of survey respondents, their competition within their main area of business are all based in Scotland. One third have the majority of their competition in their main business area based in Scotland, while one in 10 (10%) compete with businesses outside of Scotland. This reflects that the majority of consortium members are operating in local markets. This suggests displacement is likely to be relatively high – however, no more than the case with any other programme with this profile of beneficiaries. Consortium working is likely to be giving many participating businesses a competitive edge.

Market Conditions

4.42 For the largest proportion of consortia leads and their members (40%), market conditions have declined moderately over the last three years. For one in 10 (10%), market conditions have declined strongly. This reflects the challenging environment in which surveyed businesses are operating.

4.43 Conditions in the market over the last years were considered as about the same for around one third (33%) of all survey respondents. Less than one in five (18%) consider that market conditions have improved.



Supplier base

4.44 In common with the local markets in which the majority of consortia are working, the vast majority of suppliers are Scottish-based. In net impact terms, this indicates that the benefits accruing to consortia members are largely retained within Scotland through the supply chain. Around 15% of respondents identified that none, or a minority of, their suppliers are Scottish-based.

Net Impacts

4.45 The survey data gathered is designed to help inform an assessment of the net benefits associated with being part of a consortium. A full net impact assessment is not made, however the key factors informing a net impact assessment have been considered, notably deadweight and displacement.

Net Employment Impacts

To date

4.46 In 2012, the number of jobs in 39 surveyed businesses providing data was 265.75 jobs (an average of 6.8 per business). Employment levels would have been 16% lower than was the case in 2011 if businesses had not taken part in the consortium (42.52 jobs), an average of 1.09 per business.

4.47 In 2011, the number of jobs in the surveyed businesses providing data was 188.75 (at an average of 5.4 per businesses). Taking the mid-point of these ranges, employment levels would have been 8% lower was the case in 2011, if businesses had not taken part in the consortium, equivalent to 15.1 jobs.

4.48 The total number of additional jobs as a result of being part of the consortium was therefore 57.62 over 2011 and 2012, based on 39 business responses, an average of 1.48 per business.

Forecast in the future

4.49 Future employment in surveyed businesses in 2016 is forecast to be 23% lower without business participation in the consortium. Applying this to the (2012) baseline of 265.75 jobs, then forecast future employment is forecast to be 61.25.

4.50 **Total additional jobs (to date and forecast)** as a result of consortium working is therefore estimated to be 118.75.

Net Turnover Impacts

4.51 Applying the same process to turnover results in an additional turnover of £1.012m in 2011 and 2012[2] (at an average of £26,000 per business from 39 businesses) and an additional £0.73m[3] (£18,460 per business) in 2014.

4.52 **Total additional turnover (to date and forecast)** as a result of consortium working is therefore estimated to be £1.731m.

Leakage and Displacement

Of these, a proportion of the benefits would have been created at the expense of competitors not part of a consortium. **Displacement** (at the Scotland level), where this is based on the location of competitors, is 73%. This is a wide definition of displacement, and whilst many businesses are operating in local markets, it is unlikely all the benefits of being part of a consortium are fully displaced from competitors in Scotland. A certain proportion of benefits will also not accrue to businesses in Scotland, however there is insufficient data to estimate this **leakage**, although values are likely to be small.

Income and Supplier Multipliers

4.53 There will be additional benefits as a result of increased expenditure on suppliers and by the increase in expenditure as a result of additional jobs created. These vary depending on the sector of business operation.

[2] Based on 15% of the £4.035m gross turnover reported by the 39 businesses providing data
[3] Based on 18% uplift in future gross turnover

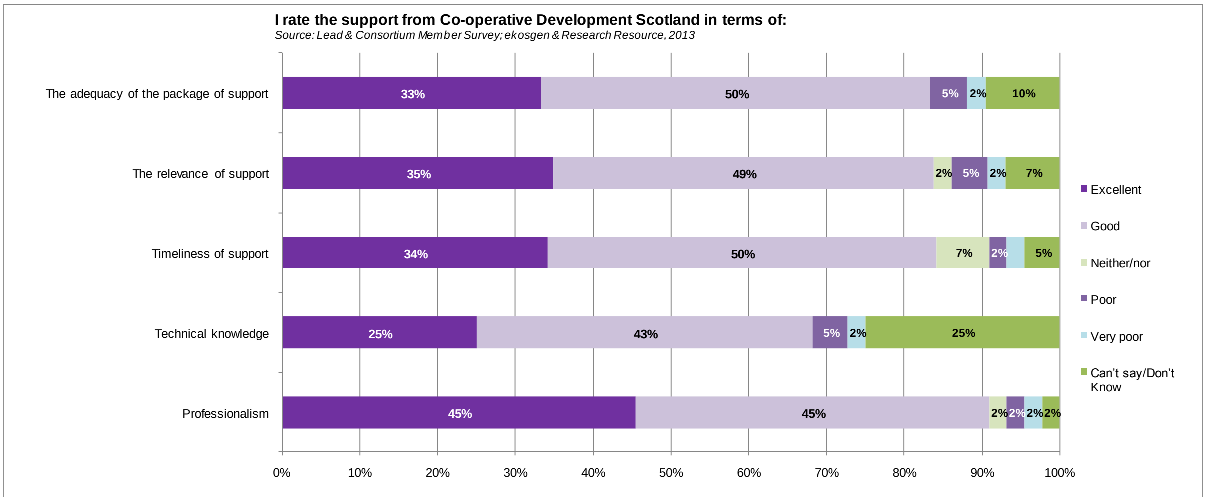
5 Feedback on CDS Support

5.1 This chapter reports on the feedback to CDS on the quality of advice provided to consortium leads and members, whether they would be willing to pay for support in future, whether they would recommend CDS and further support requirements.

Feedback CDS Adviser Support

5.2 The vast majority of businesses (above 80%, excluding those who did not know) rated CDS advisors as either excellent or good for its overall package of support, relevance, timeliness of support, technical knowledge and professionalism. Even where satisfaction levels appear lower, this is because more are unable to comment. More than 90% of survey respondents felt that the level of **professionalism** from CDS staff was either excellent (45%) or good (45%), an extremely positive finding from this study.

5.3 In no areas were there significant levels of dissatisfaction, with no more than 7% rating the services as poor or very poor. The higher proportion of businesses not able to say whether the CDS had good technical knowledge is likely to reflect that businesses do not know or understand what is involved in the CDS support they receive (and CDS endeavour to make the process of establishing a consortium as painless and hidden from the client as possible).

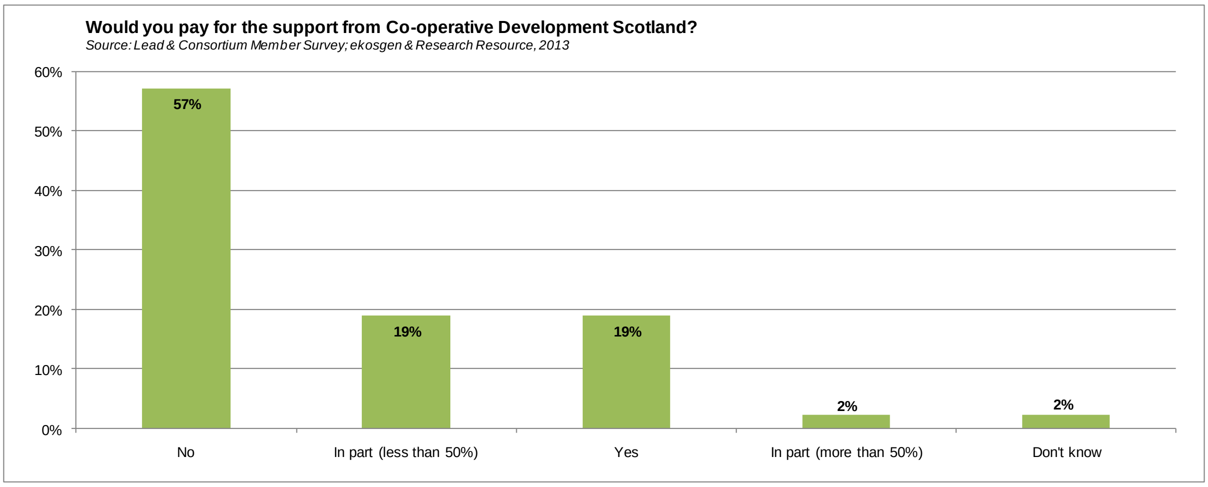


Willingness to Pay for Support

5.4 All survey respondents were asked to consider whether they would be willing to pay for the support provided to them by CDS in future. The results are displayed in the bar chart below.

5.5 The vast majority (57%) of all respondents stated that they would not be willing to pay for support from CDS. Around one in five (21%) would be willing to pay for the support in part, either less than 50% (19%) or more than 50% (2%).

5.6 It is interesting that almost one in five (19%) of respondents cited that they would be willing to pay for the support. The qualitative evidence suggests that many more would pay now – with the hindsight of the benefits they have since received as a result of consortium membership – whereas at the time of receiving support they may well have been reluctant to pay for the support, not knowing what the future benefits may be. Many stated that they would also not have been *able* to pay for CDS support at the time of the support (often at the start of the consortium set-up and development process).



Recommending CDS to others

5.7 It is excellent and encouraging feedback for CDS that 96% of respondents would recommend the service and support provided to others. Some examples of the **positive** feedback cited by respondents, is captured below.

Recommending CDS to Others: Examples of Positive Feedback

- *"They give good sound business advice"*
- *"We have already done so. Support and process are excellent"*
- *"We found it very helpful and I'm sure others doing the same would also have found it helpful"*
- *"Very good service at the start and gave us good confidence to help us through the appropriate hurdles, such as co-operative ethos, memorandum of articles, and the legal matters"*
- *"I think it enables you to set something up, and when you are a new business, it has its own impetus. CDS have done a great job and it is great to have that support available on your doorstep"*
- *"Yes – I have done and it would never have occurred to me to put ourselves forward to form a consortium otherwise"*

Quoted by CDS-Supported Consortia Lead and Members, 2013

5.8 Just 4% (n = 2 respondents) cited dissatisfaction. These are outlined below.

Recommending CDS to Others: Less Positive Feedback

- *"I would recommend it, but we didn't get much support or communication after setting up"*
- *"Because we did everything ourselves. The only helpful thing was they gave us the name of an accountant"*

Quoted by CDS-Supported Consortia Lead and Members, 2013

Further Support Requirements

5.9 Each respondent was asked to consider what types of support they felt they required in order to succeed as a consortium. A broad range of answers were cited across the surveyed cohort, however there were a number of reccuring themes which emerged. The key types of support were funding and financial; administrative; and more frequent reviews. These are summarised below:

- **Funding**, including help to complete applications (cited by *circa* 11 respondents)*;*
- **Administrative** (three respondents);
- **Regular reviews**, to track and monitor progress, benefits and impacts (three respondents);
- **Marketing**, including social media and website development (three respondents);
- **Training**, on matters such as accountancy, book-keeping, marketing and capacity building (two respondents); and
- **More knowledge and information** on things such as employment issues, bureacracy, co-operative and the "red tape" (two respondents).

5.10 Some examples of the survey responses cited by respondents, regarding the types of support they require to be a successful consortium, are shown below.

Support required for being successful: some examples

- *"Funding – for marketing and property; Training – accountancy, book-keeping and marketing"*
- *"Yes – several areas including capacity building and marketing"*
- *"I spoke to CDS regarding employment issues, as I feel there is a current gap in the market to have the skills and knowledge base"*
- *"Needs admin support - no paid person yet - next stage; eg to hold it to together, arrange meetings, marshal market research, look at business sales projections"*
- *"Looking at other models - what is the next stage - what are successful consortia - what are they doing (particularly financial stability - how do they fund admin support for example)"*
- *"Support to take on an employee to help with administration of the consortium/cooperative paper work"*

Quoted by CDS-Supported Consortia Leads and Members, 2013

5.11 The types of support that respondents would welcome from CDS in future are largely similar. The key emerging theme, which is also reflected in the point above, is access to funding and financial support. In addition, business development support and access to extra human resource/labour were also commonly cited across the surveyed cohort. A full list of these types of support are listed below:

- **Funding or financial** support (cited by *circa* eight respondents);
- **Business development** (four respondents);
- Extra **Human resource/labour** (four respondents);
- **Marketing**, including **social media** (three respondents);
- General **business process** matters: Legal, corporation tax and HR (two respondents);
- **Training/Workshops** (one respondent); and
- **Technical advice** (one respondent).

5.12 Some examples of the survey responses cited by respondents, regarding the types of support they would welcome from CDS in future, are presented below.

Support welcomed from CDS in Future: some examples

- *"More financial support is always needed"*
- *"Marketing support and ongoing support with guidance and direction"*
- *"Sitting down to help us with Business Development Plans"*
- *"Workshops on training and financial matters"*
- *"Well-informed and competent technical advice"*
- *"Maybe something around an apprenticeship or University graduate to do the support role"*
- *"Support to access more funding – it's a big issue"*
- *"Occasional contact on an ongoing, biannual basis"*
- *"Have a follow-up with the group to keep people engaged throughout"*
- *"It would be really good to have more support in the setup stage, in light of the business case, including HR, taxation and legal matters etc"*
- *"More business development support – business processes side of things, accounts, corporation tax and so on"*
- *"Support to employ a secretary/administration to do all the paper work regarding the running of the cooperative"*

Quoted by CDS-Supported Consortia Leads and Members, 2013

6 Summary and Conclusions

6.1 The review identifies a wide range of benefits and impacts arising from consortium working. These are both tangible and quantified benefits, and softer, less tangible benefits that are clearly of considerable value to members. The research has used a framework developed in 2011 designed to capture activity, outputs, outcomes and impacts. The review has drawn from a survey of 47 consortia member businesses, including 16 lead members, drawn from 19 consortia overall. This provides 90% confidence in the results, with 11% margin of error.

Consortia Characteristics

6.2 Consortia surveyed vary in terms of their characteristics. Whilst more than a third have fewer than 10 members, 13% have more than 50 members, although this falls to 7% with more than 50 members when tourism businesses are excluded. Businesses are typically relatively small, with an average of 7 employees per member business, and with an average annual turnover in the region of £150,000 per annum. Some nine in ten businesses have joined their consortia recently, either in 2011 and 2012. Member businesses were typically young – 40% were established less than three years ago – although one in five were more than 10 years old. More than a third of businesses were in the tourism sector, with the next largest proportions in the creative industries, forestry/timber and food and drink sectors?

Consortia Activities

6.3 Consortia are involved in a wide range of activities. More than two thirds are involved in marketing and a quarter in selling or contract bidding. In all, a quarter of consortia are also involved in sharing facilities. Few of the consortia were involved in buying activity. Marketing activity comprised marketing campaigns and strategies, and marketing events.

6.4 Two thirds of businesses consider their level of involvement to be strong and active, with a third a more modest or moderate involvement. CDS has provided support in a variety of ways, from legal structures and governance support, to different potential models, operational structure, registration and member agreements. CDS has also provided support for signposting and some forms of advisory support, for example in advance of support provided by agencies including Business Gateway.

Commercial Benefits

6.5 The benefits are economic, social and environmental. More than a quarter of surveyed businesses have already reported increases in employment as a result of their participation in the consortium, despite the fact many joined their consortium in 2012 or 2011. Some four in 10 businesses have already increased their turnover. Many more are anticipating future positive turnover and employment impacts – almost 6 in 10 are expecting to increase their employement levels in 2014 as a result of their consortium membership.

6.6 Wider benefits are also reported by many. Eight out of 10 businesses now have an enhanced profile or image and similar proportions are better connected and have greater knowledge, whether this is better market information, skills or awareness of collaborators and competitors. Almost half of the respondents have already increased their scale of business operation.

Social and Environmental Benefits

6.7 Some 85% feel less isolated as part of consortium membership, demonstrating the social value of the model. The vast majority feel close to those with common interests. Some six in 10 are now more actively influencing and lobbying with respect to their shared agenda.

6.8 Increased knowledge sharing is pervading a wide range of issues, including environmental concerns. Approaching half of the businesses are now better aware of green issues.

Economic Impacts

6.9 Additionality levels are good, and only around 23% of the activities undertaken since consortium membership would have happened anyway. Additionality of impact is good in terms of additional employment and turnover – in the 39 businesses providing data, an additional 188.75 jobs have been created or are forecast (of 3 years) and an additional £1.7m in turnover has already occurred since 2011 and expected by 2014. Whilst many businesses are operating in local markets, which is likely to increase displacement, this is in line with other business support programmes working with this profile of businesse i.e. largely smaller businesses participating in consortia.

The Role of Co-operative Development Scotland

6.10 The analysis relates to businesses supported by CDS, largely in helping consortia to become established. Feedback on the role of the CDS is extremely positive, with the majority finding advisers professional, relevant to them, timely in their support and with requisite technical knowledge. Nonetheless, only a minority would pay for the support, linked in the main to the timing (most consortia are not established at the time of support from CDS) and the lack of full appreciation of the work required by CDS to help formalise the consortium arrangements.

Closing Remark

6.11 The core values of consortium working are the willingness of members, leadership, communication, a sound vision and trust amongst members. Where these exist, the commercial and wider benefits can be considerable, in return for a relatively modest CDS input. Communicating these benefits, and working with more potential consortia, should be priorities for CDS going forward.

Appendix A: List of Consortia Participating in the Research

List of Consortia Surveyed	Lead Member Consulted
ADME Pharma	Yes
Argyll & the Islands Strategic Tourism Partnership	Yes
Argyll Fencers	Yes
Artem/Screen Facilities Scotland	Yes
Belti Ltd	
Breadalbane	Yes
Burns Country Larder	
Commercial in Confidence	Yes
Developing Health Associates	
Emerging Paths Ltd	Yes
Heart of Argyll Tourism Alliance	Yes
Highland Loop	Yes
Luxury Scotland*	
Music Co-operative Scotland	Yes
Scottish Native Woods	Yes
Scottish Woodlots	Yes
Stuart Webster Associates*	Yes
The Family Therapy Project	Yes
The Too Much Fun Club	Yes
Work4Me	Yes

* not supported by CDS