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# Mid-term Evaluation of Business Support Services in Wales

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## Executive Summary

### 1. Introduction

- 1.1 This is the mid-term evaluation of the Business Wales and Superfast Broadband Exploitation (SFBE) programmes. The study examines the implementation of the programmes and emerging outcomes and impacts, to inform the future delivery of the programme. The research was commissioned by the Welsh Government and was undertaken by ICF Consulting between May 2017 and September 2018.
- 1.2 Overall the programmes are working well. A one-stop-shop for businesses and start-ups under the Business Wales banner has been established as intended, and the delivery model is working well. It is aligning itself effectively with other business support in Wales. This is reflected in the programmes performing well against their outcome targets: jobs created and increased exports. While there were some delays in starting the Core and Growth service, which has affected its performance against output targets, such as the number of businesses supported, steps have been taken to address these. The Youth Entrepreneurship programme has achieved almost all its targets.

#### **The Business Wales and SFBE programme**

- 1.3 The Welsh Government has invested its allocation of the European Regional Development Fund (ERDF) from the 2014-2020 funding round to support business growth and entrepreneurship in Wales. Six ERDF projects (SME Support, Entrepreneurship Support and Superfast Broadband Exploitation (SFBE) in East Wales and the same three projects in West Wales and the Valleys) delivered a range of activities for businesses and entrepreneurs through a single Business Wales brand. These activities include:
  - **A Business Wales Core and Growth service**, which provides a 'one-stop-shop' to support businesses and entrepreneurs, including a dedicated online

portal and helpline, online factsheets, courses and tutorials, face to face workshops, a diagnostic needs assessment and one-to-one business advice. The programme is a differentiated service, with the level of support dependent on the beneficiary's growth potential. Support levels range from Level 1 (micro businesses and those in self-employment) to Level 4 (larger organisations with high growth potential). The support levels apply to both existing businesses and those that have not yet started up.

- An **Accelerated Growth Programme (AGP)** for businesses and entrepreneurs with the potential for high growth (defined as a 20% increase in turnover year on year for five years). The programme provides face-to-face general and specialist business advice for up to three years, to a maximum of 60 hours of support.
- A programme on **Youth Entrepreneurship (YE)** which provides information sessions and intensive support for individuals aged 14–25 on the benefits of starting a business and support for doing so. It includes four strands: Engage, which runs entrepreneurship awareness raising training in schools, FE and HE through a network of role models; Empower, which offers a series of skills competitions run in schools; Equip, which includes one-to-one business advice for young people and business 'boot camps'; and Entrepreneurship Exchange, which builds a network of organisations providing entrepreneurship education.
- A programme that funded research and investigation with Massachusetts Institute of Technology to identify ways to create a more entrepreneurial landscape in Wales (the **Regional Entrepreneurship Acceleration Programme – REAP**). This included a series of four workshops after which attendees were expected to develop a strategy to improve the conditions for entrepreneurship in Wales.
- The **SFBE** programme, which aims to support businesses to make better use of technology and broadband to improve business performance. Businesses and entrepreneurs can access online information and advice through the Business Wales website, attend online and face-to-face workshops on topics related to ICT exploitation, and one-to-one advice and guidance from a business advisor to develop an action plan.

1.4 All the programmes are managed by staff in the Welsh Government, with quarterly funding claims submitted to the Welsh European Funding Organisation (WEFO). The delivery of most services is contracted out to independent contractors appointed through open and competitive tendering. The projects commenced in 2016 and will finish in December 2020.

1.5 There are other business support programmes delivered by the Welsh Government that are not in scope for the evaluation, such as Development Bank of Wales, Social Business Wales and Farming Connect. However, the evaluation explores the

complementarity of Business Wales and SFBE with these other programmes delivering business support and financing and finds that overall, there are well-established and effective links in place.

### **Research methodology**

- 1.6 The study was undertaken in three stages. The first stage (inception stage) took place between May 2017 and September 2017. In this stage:
  - Semi-structured interviews were conducted with Welsh Government staff responsible for managing the five Business Wales programmes.
  - Programme documentation was reviewed to gather further information on the rationale and structure of the programmes.
  - A literature review was completed to examine academic and grey literature evaluating the outcomes of programmes delivering business and entrepreneurship support.
- 1.7 The findings from this research were used to develop logic models for each of the programmes and an evaluation framework for conducting the mid-term evaluation.
- 1.8 The second stage (interim evaluation stage) took place between October 2017 and January 2018 and the final stage (mid-term evaluation stage) took place between February and July 2018. Across both stages the following research tasks were undertaken:
  - **Interviews with the seven contractors** delivering Business Wales and SFBE services.
  - **Semi-structured interviews with 24 delivery partners**, including 12 Business Wales and SFBE business advisors, six YE role models and three REAP partners.
  - **Interviews with 90 programme beneficiaries**, including 12 beneficiaries that received Level 1-2 support; 20 beneficiaries that received Level 3-4 support; 20 beneficiaries that received support from the AGP programme; 18 beneficiaries that received SFBE support; 13 schools or colleges whose students benefited from YE sessions; and seven young people that attended YE Boot Camps.
  - **Interviews with 10 stakeholders**, including the Development Bank of Wales, local banks, local authorities and staff delivering the Social Business Wales programme.
  - **Follow-up interviews with Welsh Government staff** responsible for managing the five Business Wales programmes.
  - **Analysis of performance data**, including Welsh Government monitoring information, quarterly returns submitted to WEFO, Business Account System

(BAS) data on the characteristics of beneficiaries and the type of support they received, and post-workshop feedback forms.

- **Review of data and research**, including data from the Business Wales Customer Satisfaction Survey Wave Three, a survey of YE Engage participants, a review of Welsh Government economic policy and Wales labour market data, and secondary analysis of case studies and research by Cardiff University on the impact of SFBE initiatives and the digital maturity of businesses in Wales.

## **2. Key findings**

### **Performance against plan**

- 2.1 The SME Support and Entrepreneurship support projects have performed well against their outcome targets, such as increasing jobs and exports in supported enterprises. However, they have performed less well against their targets for the cross-cutting themes (environmental sustainability and equality and diversity) and in output targets on the number of enterprises and individuals receiving non-financial support. Some of the underperformance can be attributed to a slow start because of the extended time it took to transfer staff from the previous contractor, and limited demand for support on cross-cutting themes until the Business Wales team developed a process for beneficiaries to pledge support for sustainable development and equality and diversity.
- 2.2 The YE and REAP programmes have performed well against nearly all their performance targets. YE has overachieved against its targets for young people engaged in entrepreneurship and for the number of workshop sessions delivered at pre- and post-16 providers. Boot Camp participants are below target but this was largely due to the unforeseen cancellation of one key event. The REAP programme is performing in line with stakeholder expectations, with a Community Interest Company (Be The Spark) established in November 2017 and an action plan developed in January 2018. The programme has also maintained support from the workshop attendees.
- 2.3 The SFBE projects have performed in line with expectations for businesses receiving non-financial support but are considerably behind their target for enterprises introducing new to firm products or services. This can be attributed to various operational difficulties in collecting the evidence requirements from beneficiaries. This is being actively addressed.

### **Beneficiaries engaged**

- 2.4 Across all programmes the business beneficiaries covered a wide range of sectors. However, there is some variation. The Core and Growth programme recruited a relatively high proportion of manufacturing and ICT businesses whereas the SFBE

programme recruited a relatively high proportion of hospitality businesses. Both programmes recruited relatively few construction and health sector businesses.

- 2.5 The SFBE, AGP and Core and Growth programmes all had a fairly equitable distribution of beneficiaries across Wales. South/South East Wales was slightly over-represented among Core and Growth programme businesses and North Wales among SFBE businesses.
- 2.6 The programmes were very successful in recruiting women business owners. They comprised 46% of programme beneficiaries despite comprising only 20% of all business owners in the UK. There was however some variation between programmes.
- 2.7 Very few beneficiaries wished to receive business advice through the medium of Welsh albeit that some choose to interact informally with business advisors in Welsh. This was attributed to beneficiaries, even some of those who speak Welsh, stating a preference to communicate formally in English. All contractors reported having provision to deliver all support in Welsh.

### **Quality of delivery and management**

- 2.8 There was generally high beneficiary satisfaction with Business Wales activities. In the Customer Satisfaction Survey, 88% of respondents were satisfied with the support they received. There was particularly positive feedback from survey respondents and interviewees about the helpline as well as the workshops and the one-to-one business advice sessions delivered through the Core and Growth and SFBE programmes. The only common issue that was raised by a few interviewees was about long delays between accessing the helpline and being contacted by a business advisor.
- 2.9 A considerable proportion (40%) of survey respondents said they would be willing to pay for aspects of the business services they received from Business Wales (and 25% 'maybe' willing to pay) – particularly for specialist advice/support, followed by the workshops.
- 2.10 The AGP support received more mixed feedback. Some interviewees reported the support was very helpful and praised the enthusiasm and knowledge of the advisor. However, others reported that the level of support they received did not match their expectations and the contact was too infrequent.
- 2.11 There were also mixed views about the Business Wales website. Around three-quarters of respondents stated they were able to find the information they needed. However, some respondents and interviewees reported wanting information more tailored to their local area and business. The web analytics found that there was a relatively high bounce rate on the website.
- 2.12 With business support for equality and diversity and environmental sustainability, most interviewees acknowledged that they had been offered advice. Some had benefited from this, through for example reducing their energy consumption or

improving their recruitment practices. However, most did not take up the offer of advice as they were more concerned about taking forward other action arising from the business advice.

- 2.13 Business advisors interviewed as part of the evaluation sample did little promotion of how businesses could better support the use of the Welsh language, unless it was specifically requested by beneficiaries. As a consequence, there were few examples of beneficiaries making proactive changes to their business in order to exploit opportunities arising from using the Welsh language.
- 2.14 Schools and young people were mostly positive about the YE engage activities. Just under two thirds of pupils aged under 16 and three quarters of FE students responding to a survey said that it had a lot/huge impact on their knowledge of starting a business. In the qualitative interviews the business advice and Boot Camps also received positive feedback from beneficiaries.
- 2.15 The programmes were generally believed to be well-managed and delivered by contractors and the Welsh Government. The main issue was that it took a long time to receive final approval for changes to contractors' contracts, such as the amended delivery plan and allowing the use of digital signatures.
- 2.16 After relatively limited engagement up to mid-2017, there is evidence of Business Wales contractors working more extensively with local authorities and the Development Bank of Wales to improve take up and referrals. There are some well-established referral mechanisms between business advisors and private sector organisations and local organisations. These are based on established local networks and personal contacts.
- 2.17 Contractors reported that there were many referrals between the Core and Growth and AGP and YE teams, but it had taken longer to establish referrals between SFBE and the Core and Growth programmes, largely due to ambiguity over the process for supporting individuals that require support from both services.

### **Reasons for business access and their outcomes**

- 2.18 Many Core and Growth business respondents to the Customer Satisfaction Survey said they have received support around starting up a business and general business management with higher proportions of Level 3 and Level 4 businesses obtaining advice and support on specific topics. Interviewees indicated that this covers a wide range of subjects and that these become more specialised for Level 3 and 4 businesses. AGP respondents were more often supported on trading internationally which is in-line with the focus on supporting businesses to grow by trading outside of Wales.
- 2.19 The majority of survey respondents felt that the advice and support had a positive effect on their business (78%) with 47% saying it was very positive. Most Level 1 and 2 business beneficiaries reported that the support had increased their confidence in

surviving and growing their business and enabling them to compete effectively, which was broadly similar to Level 3, 4, AGP and SFBE businesses.

- 2.20 Businesses and entrepreneurs supported at all levels reported that they had made improvements to their business activities as result of the advice and support they received. Most could point to positive effects on their efficiency or turnover. For Level 3 and 4 businesses, this included changes to their financial and HR systems, marketing and compliance. In AGP the intensity of support provided to businesses depended on the scale of change they were making to their organisation. Those making major changes (such as relocating their manufacturing operations in Wales) reported higher impacts from the support they received.
- 2.21 YE Engage activities have raised young people's awareness and knowledge about starting a business by increasing their motivation and confidence. YE Equip activities are believed by the delivery contractor and stakeholders to have helped young people who have participated to make progress towards starting a business. A few participants have reported that the Boot Camps have assisted them to start up a business though this was not the catalyst.

### **Impacts**

- 2.22 The programmes have enabled most businesses to access advice and support they would not otherwise have used. Only 16% of Level 1 businesses and half of AGP businesses responding to the survey had accessed private support, suggesting the programme is addressing a market failure. Businesses interviewed explained that was because the programmes were impartial, trusted and free as well as being accessible/providing the advice they needed.
- 2.23 The programmes have created business growth. Level 4 and especially AGP businesses have increased exports by £66 million (£183,000 per business supported) and created over 8,200 jobs (ranging from an average of 0.6 FTE for Level 1 businesses to 2.8 FTE for Level 4 and 8.4 FTE for AGP).
- 2.24 The programmes have made a positive contribution to creating a more entrepreneurial landscape and supporting start-ups. The Core and Growth programme has already engaged over 4,000 entrepreneurs with around a third going on to start a business. The YE programme has improved young people's aspirations, with two-thirds stating it helped them realise what they could achieve and 40% stating it made them think about starting a business.
- 2.25 The qualitative interviews and case studies found that SFBE has also resulted in businesses implementing changes which have generated efficiencies. This included the use of CRM systems that allowed better management of data and cloud computing so staff could work more flexibly. A few employers also reported growing their customer base as a result of using social media and digital marketing.

## **Complementarity and added value**

- 2.26 There is a general agreement among business support providers that Business Wales's programmes complements other business support offered and fills a large gap in what is available for most of the entrepreneurs and businesses. They corroborate businesses that reported the Core and Growth and AGP programmes have provided advice and support that enabled them to successfully access finance. Without the support applications would be less likely to have been successful.
- 2.27 YE has enabled schools and colleges to meet the needs of young people to learn about entrepreneurship though these are expected as part of the curriculum. YE has complemented the work of groups supporting young people to help their transition to employment.
- 2.28 The programmes continue to fit Government policy priorities in the Economic Action Plan for Wales, including action on exports, trade, entrepreneurship and responsible business practice as outlined in the Welsh Government's principle of investment with a social purpose and the economic contract with businesses.

## **3. Conclusions and recommendations**

- 3.1 The Business Wales service has largely become established as a 'one-stop shop' for business and start-ups to access support. Positive steps have been taken by the programme to promote the Business Wales brand and website/helpline services and its links to other services. Alignment of the Core and Growth and AGP programme to other business support already available in Wales is also taking place. Linked to this, the Business Wales brand has built a strong reputation among beneficiaries who believe that the support and advice offered is impartial, trusted and accessible.
- 3.2 The service models are operating well. The programmes are delivered to a high standard by contractors and experiences have been positive. An overall focus on improving partner engagement over the last two years has helped to improve the integration of Business Wales with other support. The relationship between the Development Bank of Wales and Business Wales could be further built upon to streamline referrals between the two organisations.
- 3.3 This is broadly reflected in the performance of the programmes. The AGP has performed well against its contracted targets for new enterprises supported, increased exports and jobs created and has made positive steps to support businesses where they can create jobs above the average wage in Wales. The Core and Growth programme has met its contracted target for jobs created and its quarterly target for increased exports since early 2017. The YE has achieved or overachieved nearly all its performance outputs. The SFBE has met its targets for engaging individuals and providing them with intensive support.
- 3.4 It is evident that the lengthy delays in contracting and then establishing the new programmes' service providers account for most of the underperformance by the



Core and Growth programme in engaging enterprises and individuals. The other operational issues that have arisen are not on such a significant scale in terms of impact. Some aspects of the Business Wales service could be more responsive to beneficiary need/demand. For example:

- Though referrals between each of the programmes are taking place, these have taken more time than expected to become well-established;
- There are delays reported by some service users between seeking advice and advisors providing support;
- In a few cases, demand has not materialised, such as for the sustainable development plans and the SFBE workshops, though both are being addressed.

3.5 While it is not possible to accurately measure or isolate the influence of Business Wales support on national progress, it is evident the programmes have made some difference by:

- **Increasing access to business support:** by providing services that are not available across Wales for enterprises, entrepreneurs and young people interested in entrepreneurship; and by providing support to a large number of businesses which have not previously used support.
- **Creating business growth:** with the business support provided increasing exports, investment in business and creating jobs, with particularly high growth achieved in retail, wholesale, manufacturing and professional and scientific services.
- **Creating a more entrepreneurial landscape:** particularly by broadening young people's aspirations and engaging them in motivating classes and Boot Camps.
- **Supporting business start-ups:** by providing support to potential entrepreneurs which is not widely available across Wales, the Core and Growth programme is working to increase the proportions who go on to start a business.

3.6 The Business Wales programmes continue to possess a strong rationale for government funding. There remains a strong fit with the Welsh Government's economic ambitions: to increase GVA and exports with sustainable development, and increase successful entrepreneurship – and with more support for business activities with growth potential. There is some fit with the ambitions for higher quality employment, though not with apprenticeships.

## Recommendations

- 3.7 In managing the current programme, the Welsh Government should consider:
- Ensuring the Core and Growth contract consortium has more consistent engagement with local authorities, high street banks and other business lenders.
  - Aligning programme application forms (for the Core and Growth, AGP and SFBE programmes) with Development Bank of Wales forms to ensure sufficient data is captured for each programme – including permission to contact.
  - Ensuring role models are aware of, and promote, the systems in place to follow up and track young people that express a strong interest in starting a business.
  - Incorporating in the Business Wales programmes follow-ups of beneficiaries within three months of initial engagement.
  - Maintaining a face-to-face and online training offer to beneficiaries, with face-to-face sessions delivered in conjunction with LAs and local business groups to delivery sessions tailored to local needs.
  - Requiring business advisors to promote the benefits of apprenticeships to beneficiaries, and provide information on local apprenticeship providers.
  - Introduce a requirement for business advisors to encourage beneficiaries to sign a 'pledge' for promoting the Welsh Language and provide guidance for business advisors on how they can support businesses to promote the Welsh Language.
- 3.8 In shaping the future of business support and the development of Business Wales, the Welsh Government should consider:
- Expanding entrepreneurship support to young people in higher and further education that have business ideas with growth potential.
  - Mainstreaming entrepreneurship engagement in the school curriculum by focusing on capacity building.
  - Supporting start-ups and business growth by: Providing more one-to-one support for Level 2 businesses; Increasing Business Wales brand awareness among self-employed and sole-traders; providing more on-going proactive engagement with Level 3-5 businesses; continue to invest in support for businesses to implement ICT solutions; and having technical specialists in ICT solutions within the Core and Growth contractor service.
  - Requiring contractors to undertake Sustainable Development and E&D 'audits' as an integrated part of the business support they are provided.

- Identifying business support services which businesses might be prepared to pay for if funding for the service is reduced since many businesses may be prepared to pay for some of them.
- Setting programme performance targets to encourage contractors to support businesses to generate efficiency savings, which provide a long-term boost to competitiveness and exports.

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

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