



Alacrity Scheme Evaluation: 2016-2021

[Executive] Summary

1. Introduction

1.1 In September 2021, the Welsh Government commissioned Wavehill to undertake an evaluation of the Alacrity Programme over the 2016-2021 period. The programme (which launched in 2011) aims to provide participants with the knowledge necessary to set up and successfully manage a company. The programme consists of two elements:

- An initial programme of intense support to participants run by the Alacrity Foundation
- A seed fund for the creation of new Welsh-located technology companies (led by graduates of the initial programme of support), managed by Wesley Clover.

1.2 The evaluation has been commissioned with several aims, including:

- Reviewing the design management and implementation of the Alacrity Programme
- Assessing the impact of the programme
- Reviewing the extent of alignment with Welsh Government policy
- Making recommendations for future policy development based on lessons learnt from the evaluation.

Methodology

1.3 The evaluation was undertaken over two stages – the first focused on an initial value for money (VFM) assessment informed by:

- Scoping interviews (one-to-one) with 10 representatives who have had a close involvement in the design, implementation and management of Alacrity
- A desk review of various documentation associated with the Alacrity Programme and of evidence drawn from comparator schemes from across the UK
- The development of a theory of change to set out how the Alacrity intervention is intended to work
- A high level VFM assessment based on the evidence gathered through the preceding tasks.

- 1.4 The second stage has involved a more in-depth evaluation to assess the progress and impact of the programme and the likelihood that it will attract private investment in the future. The approach to the second stage involved:
- Semi-structured interviews with 10 stakeholders involved in the management and delivery of Alacrity or who sit on the Board of Alacrity
 - In-depth interviews with 33 current and former (since 2016) participants of the Alacrity Scheme who represent 66 per cent of participants who had consented to being contacted as part of the evaluation.

The Alacrity Programme

- 1.5 The Alacrity Programme seeks to support the creation of business opportunities in Wales in response to industry challenges/issues or opportunities that will lead to the incorporation of high growth, high value businesses – businesses which are less prevalent in Wales than elsewhere across the UK. The programme seeks to attract and retain some of the brightest, most capable graduates from across the UK but particularly from Wales and the West of England, enhancing their abilities through an intense programme of training, mentoring and wider support.
- 1.6 External investment is sought to facilitate the rapid growth of the businesses incorporated through the programme. Initial seed funding is provided by the Welsh Government, the Wesley Clover Foundation and the Waterloo Foundation with second round funding typically obtained through the Development Bank of Wales.
- 1.7 Welsh Government support for the initial programme (2011-2016) amounted to £2.83m, match funded by the private sector investors. A further five years of Welsh Government funding was agreed from 2016, with a total commitment of £3.45m – £440,000 per annum, towards an expanded boot camp alongside a £250,000 annual contribution to the seed fund. The maximum Welsh Government investment into each start-up company is £125,000.
- 1.8 There are no fees associated with participating in the programme with graduates receiving a monthly stipend of £1,500 over the 15-month period (equivalent to £22,500).
- 1.9 Once recruited onto the programme, participation in the Alacrity Scheme broadly involves the suite of stages outlined in table 1.1 below.

Table 1.1: Alacrity Programme Structure

Phase	Key Elements	Modules
“Pre-season” phase	<ul style="list-style-type: none"> • Technical boot camp • Business lead placements • Form teams & business boot camp • Project • Customer experience week 	
Phase 1 (ideation): 2 months (mentoring (tech, design & project and guest mentoring throughout)	<ul style="list-style-type: none"> • Presentation and personal presence • Negotiation skills • Company culture and values • Project and product ideation • Investor readiness 	<ul style="list-style-type: none"> • Ideation • Research skills & methods • Market analysis & designing the business • Future trends • The reflective entrepreneur

Phase	Key elements	Modules
Phase 2 (design and build): 4-5 months (mentoring tech, design & project and guest mentoring throughout)	<ul style="list-style-type: none"> • Monthly update panels • Rev engine • Investor readiness • Business practices • Incorporation • User testing Minimal Viable Product • Investor readiness 	<ul style="list-style-type: none"> • Market analysis & designing the business • Build & scale the business • Future trends • The reflective entrepreneur
Phase 3 (build and scale): 5-6 months (mentoring tech, design & project throughout) and additional ad hoc mentoring	<ul style="list-style-type: none"> • Monthly one-to-one updates • Recruitment • Sales process • Technical scrutiny • Product delivery • Business plans • Investor readiness 	<ul style="list-style-type: none"> • Build & scale the business
Incorporation and Seed Funding		

2. Summary of Findings and Recommendations

Overview

- 2.1 The Alacrity Programme is an ambitious, intensive programme of entrepreneurial support that has successfully led to the incorporation of innovative, digital businesses in and around Newport, several of which are scaling rapidly.
- 2.2 Whilst the programme has been in operation since 2011, the Alacrity team have, over the 2016-21 funding period, enhanced the delivery model with continual refinement and revision to create a more structured approach to generating innovation and entrepreneurial activity.

Programme Delivery

Recruitment

- 2.3 The marketing and promotion of a programme with the uniqueness of Alacrity is not straightforward, illustrated by feedback from participants who, before applying, were unable to benchmark the offer against similar provision. This highlights the importance of securing recognised brands/corporations as strategic partners to help endorse the offer.
- 2.4 The programme has been in operation for 11 years and therefore is increasingly able to draw on examples of success and an established brand for attracting participants to future rounds of the bootcamp. That said, securing sufficient numbers of quality applicants remains a challenge. The need to increase applicant numbers is linked to the fact that reportedly, an estimated 70-80 per cent of applicants secure a position on the programme. This may be the result of a highly effective initial screening process, however comparator schemes allude to higher rates of attrition at this early stage and promote the importance of a high volume of applicants that drives intensive competition from initial engagement.

Stipend

- 2.5 A considerable portion of financial investment through the programme is expended on the offer of a stipend for the 15-month period prior to incorporation. Feedback from programme participants illustrates the importance of this offer, in firstly attracting individuals to the programme but also in enabling their focus and sustaining their engagement throughout that period.

Alacrity Programme Team

- 2.6 The role of the leadership team in the Alacrity Programme cannot be understated. Their stature and passion for the programme have been critical in attracting strategic partners and mentors to Alacrity of a particularly high quality, generating considerable added value to the support offer associated with the delivery model.
- 2.7 The quality and relevance of support offered through the Alacrity Programme is also one of its key strengths. This is reflected in the fact that participants were widely positive about the support they had received with the main issues being limitations in the support (personnel) available. Concerns were particularly evident in relation to the levels of technical support available. Provision of this nature is particularly costly so perhaps a pool of technical support providers that can be drawn upon on an ad hoc basis is something that could be considered.

COVID-19

- 2.8 The COVID-19 pandemic emerged during March 2020 placing strain on programme delivery. Despite this, the programme support shifted rapidly to a remote offer with enhanced pastoral support provided to participants. As a result, the Alacrity team were able to minimise any impact arising from the pandemic on participants through what appears to have been a highly effective response to the situation.

Progress and Performance

- 2.9 The programme inevitably suffers from a degree of attrition with individuals dropping out of the programme during the initial phase and following completion of the bootcamp. Despite strong positive perceptions regarding the quality of support the number of businesses incorporating through Alacrity over the 2016-21 period has been lower than anticipated. That said, the latest (2022) cohort resulted in four incorporated businesses. This in part reflects the injection of resource associated with Alacrity Cyber but also possibly reflects the impacts of the recent refinements to the delivery model.

Retention

- 2.10 For incorporated businesses there is a contractual requirement for their operations to remain in Wales (whilst the funding partners remain majority shareholders) however there is no such requirement for those individuals completing the programme but who did not incorporate an Alacrity company. However, leakage of impact through individuals relocating out of Wales is lower than expected with most of those who either lived or studied in Wales prior to enrolling on Alacrity remaining in Wales after participating in the programme.
- 2.11 Amongst those Alacrity participants who also participated in the evaluation, a greater proportion of those employed by an Alacrity business lived outside Wales than those who were not employed by an Alacrity business. This risk of relocation and therefore, 'leakage' from the Welsh economy is perhaps heightened following the pandemic as individuals are increasingly likely to work remotely.

Impact of Provision

- 2.12 Amongst the small number of participants who responded to the evaluation, had completed Alacrity, and therefore benefitted from the intensive support but did not incorporate a business, the majority attributed the Alacrity experience to securing their existing job role. Furthermore, salary data suggests these individuals were in receipt of higher earnings and therefore appear on a steeper career trajectory when compared to graduates of a

postgraduate degree in computer sciences. Capturing additional information from these 'early leavers' would likely prove valuable to Alacrity in quantifying the range of added value of the Alacrity Programme to participants, regardless of outcomes.

Recommendation

Gaining consent to engage participants for several years after their participation with Alacrity will help build on the evidence base of added value from the programme for individual participants.

Post Incorporation Support

- 2.13 For those who incorporated a business, they were particularly positive about the support they had received, utilising the considerable seed funding and extensive networks to help test and refine the offer and to establish their marketplace.
- 2.14 Once again, the senior leadership team within Alacrity and Wesley Clover have played a crucial role in securing prospective customers with whom the newly incorporated businesses can test their product.

Alumni

- 2.15 As additional cohorts pass through the Alacrity Scheme the alumni grows. Interaction between various cohorts aids the development of an ecosystem of highly skilled, innovative entrepreneurs. This leads to opportunities for Alacrity participants to be employed in other Alacrity companies further cementing that ecosystem.
- 2.16 Establishing this ecosystem presents opportunities for collaboration. It also helps develop a critical mass of organisations attractive to external investors. Sustaining the Alacrity model will help to further this agenda.

Welsh Government Investment

Governance and Monitoring Requirements

- 2.17 The funding provided by the Welsh Government to the Alacrity Programme for the 2016-2021 period has been invested to secure incorporated businesses of high growth potential. There is an inconsistency in this target measure between the funding agreement and those being reported by the Welsh Government. Were Welsh Government to continue funding the programme, consideration should be given to enhancing the performance metrics for monitoring the progress of Alacrity.
- 2.18 Alongside the number of business incorporations, performance indicators could include the number of Alacrity participants transitioning into incorporated businesses and the retention rates of Alacrity graduates within those businesses. Additional performance indicators associated with incorporated business could also be monitored (including profit margins, employee numbers and 12–24-month projections on employment and turnover).
- 2.19 Since 2016, the Welsh Government has contributed 50 per cent (rising to 55 per cent when in-kind contributions are removed) of total investment in the Alacrity Programme. As the primary source of funding in the programme, consideration should be given to the role and remit of Welsh Government (Welsh Government representatives) on the Board of Alacrity and how progress is monitored on the programme.

Recommendation

Were Welsh Government to continue investing in the programme, this should be linked to clearer, more tangible performance criteria and clarity over the role and remit of Welsh Government representatives in the governance of the programme.

Seed Funding

- 2.20 Currently all incorporated businesses are eligible for seed funding, but if the Alacrity Programme is successful in its continued expansion there will be insufficient seed funding to meet the demands of all businesses. Consideration will need to be given as to whether this seed fund becomes competitive or whether the scale of seed funding (per incorporated company) is reduced to enable its distribution more widely.
- 2.21 The Alacrity paper on continuation funding proposes that the Welsh Government does not contribute to a new seed fund. The evaluators concur with this proposal. Welsh Government funding is not typically structured as an investment from which to potentially gain a return whilst the Development Bank of Wales (DBW) holds the Technology Seed Fund which appears ideally suited to the Alacrity Programme. The fund provides equity investments of £50,000-£250,000 to support tech businesses in Wales and indeed is the route through which several of the incorporated businesses have already secured funding (through a round of investment following the initial seed round as round 1 funding). Furthermore, it is understood that the removal of Welsh Government seed investment would make seed investment through DBW a more straightforward process as there are less complications to address around state aid. In this regard, it would be beneficial to the DBW were the Welsh Government to step back from seed investment. Furthermore, it would encourage incorporated businesses at round 1 investment to look for and attract other sources of investment into Wales to support scaling. It is therefore our view that bringing DBW funding forward to act as seed rather than round 1 funding would be the most appropriate route forward for investment at incorporation for the Alacrity Programme.

Recommendation

Welsh Government withdraws from seed funding Alacrity companies with DBW instead playing a lead role in driving that seed funding investment.

Programme Funding

- 2.22 The Alacrity Programme has now entered its 11th year of operation with Welsh Government providing funding throughout. The programme has progressed at a slower rate than anticipated, however feedback and evidence on performance illustrated that the programme is becoming well-established with supplementary funding from multiple sources being pursued and (often) secured, and company incorporations increasing. Against this background the Alacrity team anticipate several portfolio companies will achieve exit events in the next five years which, anecdotally (from several stakeholders interviewed during the evaluation) would align the timeframe to exit (company sale) to other initiatives (across the UK) of a broadly similar nature. It would therefore seem reasonable to consider the tapering of Welsh Government investment over a similar timeframe in anticipation of these exits. Tapering funding provides further impetus to secure exits and achieve an evergreen funding model whilst providing clarity of forward funding over several years (thereby enabling Alacrity to plan and seek out other resource as necessary).

Recommendation

That Welsh Government consider the implementation of a tapered funding model for the Alacrity Programme over the next five years.

- 2.23 Whilst the approach to the tapering of funding is very much a matter for negotiation, something along the lines set out below would appear a reasonable balance in terms of providing sufficient foresight of a reduction in funding whilst placing a clear emphasis on the need to secure exits within the available timeframe. By way of comparison, total investment over the five-year period would equate to 29 per cent of the investment made over the 2016-21 period, or a reduction of £2.46m of investment by the Welsh Government.

Table 2.1. Future Funding Proposal

	Year 1	Year 2	Year 3	Year 4	Year 5	Total Investment
Operational Programme	£370,000	£315,000	£205,000	£95,000	£0	£985,000

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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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