
A Legacy Handbook for Business Support

A report prepared by *emda*

September 2011

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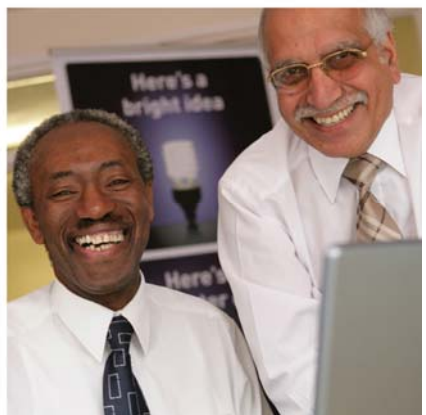
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A Legacy Handbook for Business Support



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Foreword

Improving business competitiveness has been recognised by successive governments as a key driver of economic competitiveness, and has been a strategic priority in each of the East Midlands Regional Economic Strategies (RES) published by *emda* since 1999.

emda has identified Business Support as a priority for strategic investment for a number of reasons:

- Business competitiveness is one of the key drivers of the East Midlands economy.
- Business performance is key to our national and international competitiveness.
- A range of market failures have been identified through successive RESs, suggesting that targeted public intervention will substantially improve competitiveness.
- Since 2005, RDAs have been the primary funders of this type of support for the Government.

The region's priorities and plans for Business Support have, since 2005, been promulgated through two Business Support Strategies, the first covering 2005-2008 entitled '*Supporting Business: A Strategy for Business Support in the East Midlands*', and the second covering 2008-2011 entitled '*Encouraging Business Success*'.

The importance of Business Support has been reflected in the level of investment that *emda* has put into programmes and projects in this area over the years. In order to give a sense of scale of *emda*'s Business Support agenda, from 1st April 2006 to 31st March 2011, *emda* invested £165.5m in the delivery of regional Business Support, creating/safeguarding 39,385 jobs, creating 11,011 new businesses, assisting a further 112,173 businesses and supporting 25,268 individuals with their skills development.

emda has done a good job over this period, improving the service, removing duplication and increasing efficiency, all of which has had a positive response from the business community.

So that our successors will be able to learn from the knowledge and experience *emda* has accumulated over the past decade, this comprehensive handbook will be made available on the *emda* website and in the subsequent legacy archive. Copies will also be distributed to key partners, including Local Enterprise Partnerships and Government departments.



Michael Seals

Lead Board member for
Intensive Business Support



Parvin Ali

Lead Board member for
Universal Business Support



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Lead Board member for
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Executive Summary

Introduction

Improving business competitiveness has been recognised by successive Governments as a key driver of economic competitiveness, and has been a strategic priority in each of the Regional Economic Strategies (RES) published since 1999.

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Business Support

Business Support is defined as:

"Any publicly funded activity that benefits a business or a person considering creating a business such as through grant, loan, subsidy, advice or service" with:

- A specific purpose of assisting a business or a person considering creating a business
- An environmental, cultural or social primary purpose and which has the incidental but material effect of improving national, regional or local economic growth

emda has identified Business Support as a priority for strategic investment for a number of reasons:

▪ Business competitiveness is one of the key drivers of the East Midlands economy
▪ Business performance is key to our national and international competitiveness
▪ A range of market failures have been identified through successive RESs, suggesting that targeted public intervention will substantially improve competitiveness.
▪ Since 2005, RDAs have been the primary funders of this type of support for Government.

Regional economic context

There are some 307,000 registered businesses in the region, with a significant predominance of small to medium-sized enterprises (SMEs). The region hosts a variety of industries and sectors, with manufacturing representing 23% of output and 19% of employment. Key sectors include transport equipment, food and drink, healthcare, and construction, whilst the service industry is a small but growing sector. Gross Value Added (GVA) in the region is relatively low at 91.5% of the UK average, although significant disparities exist within the region.

Separately, improving business performance is a particular challenge for the UK and in particular the East Midlands, as the region has been dominated by sectors that involve a high percentage of low-skilled jobs. For example, of the 25% of the workforce employed in the distribution, hotels and restaurants sector, as well as some of those employed in manufacturing, relatively few are employed in graduate level jobs.

This context, coupled with the evidenced market failure in the adoption of private sector business support by SMEs, has provided the backdrop to the RES and the subsequent Business Support Strategies and Business Support programmes provided by *emda*.

emda takes its latest objectives for business support from the Business Support Strategy 2008-2011, 'Encouraging Business Success'. These objectives include:

- | |
|--|
| ▪ Making the East Midlands the place with the best approach and infrastructure to do business. |
| ▪ Creating more sustainable and growing businesses. |
| ▪ Raising awareness of new business opportunities and encouraging take up of public, private and third sector business support. |
| ▪ Encouraging businesses to plan for success and adapt to a rapidly changing global economy through the development of a skilled workforce, new products, processes and markets. |



The Business Support Legacy Handbook

The Board agreed in December that, as part of the Agency's closure plan, a series of handbooks on *emda's* 'knowledge legacy' would be produced in the first half of 2011.

So that our successors will be able to learn from the knowledge and experience *emda* has accumulated over the past decade, this Legacy Handbook on Business Support is aimed primarily at: the Department for Business, Innovation and Skills (BIS); Her Majesty's Treasury (HMT); Capital for Enterprise Limited (CfEL); business fora; Local Enterprise Partnerships (LEPs); local authorities (LAs); and businesses. It is a comprehensive document which is structured in the following format:

Introduction – the purpose of the handbook.
The Economic Context – including the importance of business support to competitive economies.
Chapter 1: Delivering a Strategy for Simplified Support for Regional Businesses – describes <i>emda's</i> journey to develop a simplified portfolio of business support and national lead role in guiding the implementation of the Government's Solutions for Business (SfB) portfolio.
Chapter 2: Regional Business Link – describes <i>emda's</i> move to a single regional provider of Business Link services, as well as the impact of the Business Transformation Grant (BTG) and the Regional Business Support Information System (RBSIS).
Chapter 3: Start Up Service – highlights <i>emda's</i> transition from a complex and inefficient model of start up support, through to the delivery of relevant SfB products.
Chapter 4: Manufacturing Advisory Service – demonstrates the key role played by <i>emda</i> in the developing and delivery of the national and regional Manufacturing Advisory Service.
Chapter 5: High Growth – demonstrates <i>emda's</i> leadership in developing a national framework for coaching, and the evolution of its own High Growth company support programmes.
Chapter 6: Access to Finance – illustrates <i>emda's</i> programmes developed to support the RES priority action of improving Access to Finance.
Chapter 7: Engaging with Diverse Communities – focuses on how <i>emda</i> embedded its statutory public sector duties into the delivery of its business support portfolio and widened participation from under represented communities.
Chapter 8: Responding to Economic Shocks – demonstrates <i>emda's</i> approach to responding quickly to economic shocks and to supporting businesses with tailored and timely support.

In many ways, due to the breadth and depth of interventions *emda* has made in this agenda, the Business Support Legacy Handbook represents a series of "mini handbooks" on each of the specific topics listed above.

Evaluated Impact

In March 2009, *emda* published an independent report highlighting the impact that the Agency's activities have had on the region's economy between 1999 and March 2007.

This report, 'Evaluating the Impact of *emda*' shows that between 1999 and 2007, for every £1 spent by *emda*, over £9 of GVA was generated. The individual project impacts highlighted below demonstrate that the outcomes generated from our Business Support activity represented a significant contribution to the overall Agency's achievements. Examples of this include the Manufacturing Advisory Service East Midlands and High Growth Coaching Programmes which have returned £10 and £15 GVA respectively for every £1 of *emda* investment. Further, Ecotec reported that over the period 1999 to 2007, *emda* created or safeguarded 24,775 jobs. Over a similar length of time, between 2006 and 2011, *emda*'s Business Support activity created or safeguarded 39,385 jobs, again demonstrating the significant contribution that our Business Support activity has made.

Due to the scale of some of the programmes delivered by *emda* on this agenda, the economic impact of the Agency's investment has been evaluated on a project level throughout their lifetime. This has ensured that we can evolve the support offered to businesses in line with their changing needs as well as in response to changes in the economic climate and government policy.

Some of the highlights from individual project evaluations include:

- The Business Transformation Grant (BTG) delivered by Business Link between 2007 and 2010 created or safeguarded 2,290 jobs and generated £361m in GVA.
- The Business Link Start-Up Service, between 2007 and 2010, created or safeguarded 9,381 jobs and created 7,586 businesses that survived 12 months or more.
- Manufacturing Advisory Service East Midlands (MAS-EM), between 2005 and 2011, has supported 3,500 manufacturers in the region, generating £95m in GVA.
- *emda*'s High Growth Company Support programmes have supported more than 300 companies since 2005, generating more than £80m in regional GVA.
- *emda* created a number of successful venture capital funds in the region. For example, the Regional Venture Capital Fund invested £19m in 44 businesses between 2002 and 2008 and the Lachesis Fund has invested £7.4m in 52 enterprises or projects seeking to commercialise research activity since 2002.
- The SfB Understanding Finance for Business product delivered by Connect Midlands has helped 141 East Midlands SMEs raise £108m since 2002.

- *emda's* management of two national grants schemes has resulted in Grant for Business Investment creating or safeguarding 7,450 jobs since 2002, generating £315m of private sector leverage, and the Grant for Research and Development.
- Achieving a cumulative net GVA impact of £308m.
- Part of *emda's* recession response included the creation of a Transition Loan Fund (TLF). Between February and November 2009 TLF approved 59 loans to a value of £6.7m to businesses employing 2,890 staff.
- Also as part of our response to the recession, in 2008, 2,000 businesses attended our Survive and Thrive events with a further 19,000 people accessing information from a dedicated website.



Other achievements

The impact of project related activity is supported through our work in developing and evolving regional policy, strategy and frameworks to ensure that the SMEs of the region receive the most appropriate support and that *emda* delivers value for money for the public purse. The draft handbook identifies a number of these achievements, including:

- Improvements in project design, procurement methods and contractor performance management have delivered significant efficiencies in our cost per output ratios. For example, between 2006 and 2010 the cost per output for businesses assisted and new business creation has been reduced by 46% and 29% respectively.
- Developing and implementing a regional Simplification Action Plan in order to reduce the number of *emda* funded business support products to 29 (plus three pilots) by March 2010. This work included representing the RDA family on the national Transition Management Board, creating and integrating a Simplification Toolkit into *emda*'s appraisal process and aligning to Government's SfB portfolio.
- Being the first RDA to directly manage the Business Link service on a regional basis that eventually led to the wholesale transfer of the Business Link programme to the RDAs. This work involved moving from five county based Business Link operators to one regionally-based provider, providing significantly improved client facing capacity. This led to an increase from 50% to 70% of the number of Business Link staff who are client facing from the total number employed within the Business Link delivery as a whole.
- Developing an independent regional IT platform (RBSIS) to support the Business Link service and all of the other programmes of business support funded by *emda* and other partners. Providing improved access to information for business advisers, better partnership working and improved management information systems.
- Building the capacity of advisors, mentors and coaches funded by the programmes. For example, social enterprise take up of Business Link services increased by 107% following a capacity building programme for Business Link advisers.
- Integrating an Equality Impact Assessment as part of all *emda* funded business support projects. This led to a significant increase in take up of business support programmes from disadvantaged and/or under represented communities. For example, between 2007 and 2011, the percentage of BME and women owned businesses accessing our Business Link service increased from 1.9% to 6.8% and 9.15% to 17.2% respectively.

Key Learning Points

The handbook draws out the following key learning points for the next generation of business support policy-makers and practitioners, based on *emda*'s experience.

1. Simplification

Firstly, it is easy to proliferate business support type activities if no overall framework of intervention exists. Pre-simplification, even for *emda* as a funder, there were multiple contracts in existence with the same deliverers indicating confusion to business and potentially wasteful working. The historic model for delivering start-up support was often fragmented and inconsistent across the region. Future support must continue to bring together providers to offer consistent support and enable the development of the delivery organisations themselves.

emda had notable successes in influencing smaller public funders of business support to pool their funding into one procurement process, particularly in the start-up area. When smaller initiatives contributed to the potential proliferation of business support, *emda* developed a 'braided approach' where the best of targeted support is available through the mainstream business support system or alternatively formally linked with the core regional contracts. This offered focused client engagement and reduced confusion, but did not always optimise the value for money.

2. Integration of independent advice

Providing impartial and independent diagnosis of business need, before referral to further business support was seen as crucial to improving the competitiveness of a client business. Although in the main this was offered through the Business Link service, in time other specialist support programmes followed suit. The need to integrate business engagement and the diagnostic, brokerage, referral processes across the business support portfolio became imperative in order to reduce the potential costs and gain efficiencies of scale.

The development of a RBSIS type system is key to making this integrated engagement model work. To ensure its effectiveness, a clear and detailed set of measurable user acceptance criteria were necessary.

3. Targeted approach

There was further scope to focus some of our support programmes on businesses that could be expected to contribute to the economy more quickly, sometimes called "growth businesses", particularly in the light of reducing budgets. However, over prescription should be prevented where possible. For example, the original defined target market for High Growth Coaching was overly prescriptive and prevented engagement with potential high growth companies.

There is a role for specific diversity based enterprise and business support activities. However, *emda* has shown that mainstreaming the diversity agenda into the core business support programmes is crucial to making rapid improvements in engagement with underrepresented communities.

Effective management of economic shocks can provide access to a relatively high proportion of beneficiaries who would not necessarily have accessed mainstream support. Responses need to be agreed quickly and, ideally, a flexible source of investment support should be available if needed. The value of a sub-national body with the ability to lead and bring together local and national partners, as well as securing adequate funding, when responding to economic shocks should not be underestimated.

4. Metrics

Finally, a major issue for all policy makers is to identify appropriate and objective methods for measuring the performance of publicly funded business support activities. Problems arise as methods often lack local detail, use economic indicators that can be difficult to relate to specific input activities, and / or depend on data that is typically quite old when reported.



Future Delivery Arrangements

With the imminent closure of *emda*, the management and delivery landscape for publicly funded business support will change. It was announced in last year's Local Growth White Paper that BIS would take responsibility from RDAs for the delivery of key national business improvement products in the future. In practice, however, BIS is having to 'cut its cloth' in line with budget availability and we expect future business improvement activities to be provided by the private sector, volunteers and supported by a few central, public sector funded activities. These latter business improvement products are likely to be provided online or to a much smaller group of growth businesses.

We are continuing to work with the RDA family to help BIS transition relevant elements of the previous delivery to a new business support delivery landscape via the BIS Business Improvement Programme (BIP). The new landscape will comprise the following components: a national contact centre, an enhanced Business Link.Gov website (incorporating a national Start Up hub), a Mentoring pilot and a national Business Coaching for Growth service (incorporating elements of the current SfB portfolio covering Understanding Finance for Business and Coaching for High Growth).

Known future arrangements include:

<ul style="list-style-type: none"> ▪ BIS have issued an Official Journal of European Union (OJEU) notice for the procurement of a National Contact Centre with expected procurement to be completed by July 2011.
<ul style="list-style-type: none"> ▪ BIS have issued an OJEU notice for the procurement of a national MAS delivery agent, with procurement expected to be completed by January 2012.
<ul style="list-style-type: none"> ▪ BIS have issued an OJEU notice for the procurement of a national Business Coaching for Growth delivery agent, with procurement expected to be completed by January 2012.
<ul style="list-style-type: none"> ▪ RDA interests in venture capital and loan funds (VCLFs) will transfer to Capital for Enterprise Limited (CfEL are the Government's Access to Finance arm) by September 2011, with legacy bodies set-up to receive returns from these funds.
<ul style="list-style-type: none"> ▪ GBI legacy projects to be managed by BIS from September 2011.
<ul style="list-style-type: none"> ▪ The Technology Strategy Board (TSB) launched a 'new' Grant for Research and Development programme on 4th April 2011, with the RDAs' legacy projects to be managed by TSB from September 2011.

Locally the LEPs that cover the East Midlands region have demonstrated an appetite to deliver a business support agenda. However, there is currently no suggestion that LEPs will receive additional government funding to generate significant economic impacts.

In 2010 Government launched its three year, £1.4bn Regional Growth Fund (RGF). The results of the initial bidding round have been recently published with only two private sector bids from East Midlands companies receiving any funding. Generally bids for business support type activity were not approved.

This demonstrates a significant post-*emda* challenge for the region in the pursuit of further economic competitiveness, with only a small proportion of public funding finding its way to supporting regional businesses in comparison to the £35m per year that *emda* has previously invested.



Introduction

This handbook has been developed by the East Midlands Development Agency (*emda*) to inform the next generation of organisations that will have responsibility for promoting and supporting businesses across the cities and counties of the East Midlands. The handbook provides a record of the programmes that have been developed over the life of *emda* to encourage business growth as well as the structures that have been developed to support these activities. The handbook also reflects the work *emda* has led to bring **coherence, coordination and consistency** to business support interventions in order to maximise the opportunities that businesses have to contribute to the region's growth.

The handbook summarises the journey that *emda* has taken in using publicly funded Business Support in pursuit of economic growth and sustainability. The reader will get a sense of the considered risks that *emda* has taken in order to put strong building blocks in place to raise the productivity of the region's businesses. These range from securing the first Regional Venture Capital Fund for investment under £2m (outside London) to delivering the first regional business support pilot to coordinate and deliver the Business Link service. The handbook will articulate the leadership roles that *emda* has assumed (including on responding to economic shocks and on Business Support Simplification) to ensure that the region remained resilient to change.

The handbook aims to pass on this experience and knowledge so that others can ensure the East Midlands thrives as an economy based on sustainable, productive and growing businesses and provides opportunities for all people and places. It should allow future economic policy makers to recognise the contribution that businesses have made to the original regional vision of making the East Midlands one of the fastest growing regions in Europe.



Divided into eight main chapters, this handbook showcases some of the investments that have had the greatest impact in supporting businesses to grow and in so doing making a wider contribution to the regional economy:

<p>Chapter 1: Delivering a Strategy for Simplified Support for Regional Businesses – describes <i>emda</i>'s journey to develop a simplified portfolio of business support and national lead role in guiding the implementation of the Government's Solutions for Business (SfB) portfolio.</p>
<p>Chapter 2: Regional Business Link – describes <i>emda</i>'s move to a single regional provider of Business Link services, as well as the impact of the Business Transformation Grant (BTG) and the Regional Business Support Information System (RBSIS).</p>
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<p>Chapter 8: Responding to Economic Shocks – demonstrates <i>emda</i>'s approach to responding quickly to economic shocks and to supporting businesses with tailored and timely support.</p>

The handbook is not intended to be prescriptive or to represent the complete picture of business support activity in the East Midlands. It is a collection of learning and experience based on more than a decade of working with and supporting business at local and regional levels. The case studies and key learnings may assist in the planning of activity in the future to maximise returns.

Not all of *emda*'s support to business is covered in this handbook. In order to get a more complete picture, this handbook should be read in conjunction with *emda*'s handbooks on: Innovation, International and Tourism as well as the three handbooks covering the following cross cutting themes Enterprise, Low Carbon, Manufacturing.

The Economic Context

The economic environment in which *emda* has delivered its Business Support activities has changed significantly during the last 12 years as steady growth gave way to the deepest recession in the UK since the Second World War. After contracting by -4.9% in 2009, the UK began to recover in 2010, though there was a loss of momentum at the end of the year when the economy shrank in the final quarter after a year of growth. Further modest growth, of around 1.5% to 1.75% is expected in 2011.

The East Midlands has closely followed these recent trends, with survey evidence indicating that the region recovered a little more quickly than the UK during the first half of 2010. This has, so far, been driven by recovery in the manufacturing sector, although it has also been reported that export demand has been stronger than domestic demand. Recovery in the service sector has been muted in comparison, a function of declining consumer expenditure and uncertainty of employment prospects as the Government's deficit reduction programme takes hold.

Levels of output per head in the region remain below the UK average (at 88% in 2009)¹. Conditions in the labour market remain difficult, both for the region and the UK. The employment rate in the region remains above the national average (71.5% compared to 70.7%) and the unemployment rate in line with the national average, at just under 8.0%. Both figures are similar to those of a year ago².



¹ Regional, Sub-regional and Local Gross Value Added, Office for National Statistics, December 2010

² Labour Market Statistics, Office for National Statistics, April 2011

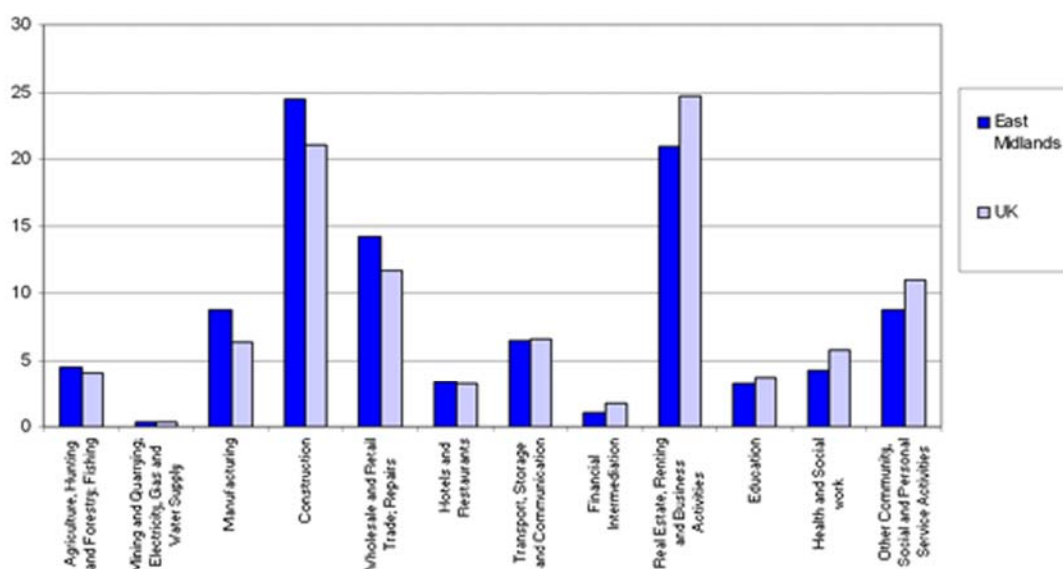
Business Structure in the East Midlands

In 2009 there were just over 307,000 enterprises in the East Midlands³. Of these 220,000 (71.6%) were sole proprietorships and partnerships that comprised the self-employed or the owner-manager(s). A further 28.2% were SMEs and just 0.2% had 250+ employees. This structure is similar to that found nationally.

However, it is the bigger businesses that account for the largest share of employment. Those businesses in the region that have 250+ employees account for a similar proportion of employment in the region as SMEs (around 43%). Again this structure is similar to the average for the UK.

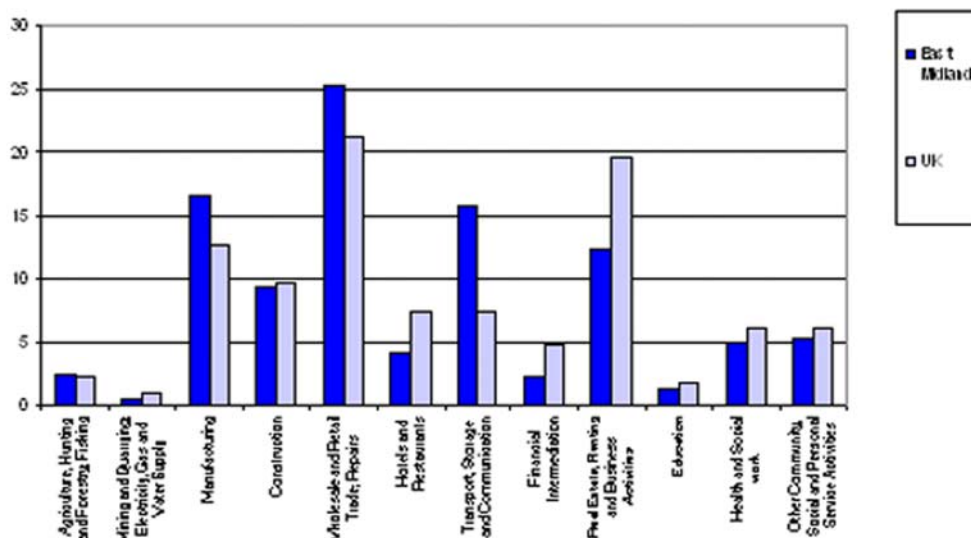
Charts 1 and 2 show the industrial structure of the business population and employment by industry in the East Midlands and the UK.

Chart 1: Businesses by industry in the East Midlands and UK 2009 (%)



Source: *SME Statistics for the UK and Regions 2009*, Department for Business, Innovation & Skills, 2010

³ The data in this section is taken from *SME Statistics for the UK and Regions 2009*, Department for Business, Innovation & Skills, 2010

Chart 2: Employment by industry in the East Midlands and UK 2009 (%)

Source: *SME Statistics for the UK and Regions 2009*, Department for Business, Innovation & Skills, 2010

It is clear from these charts that:

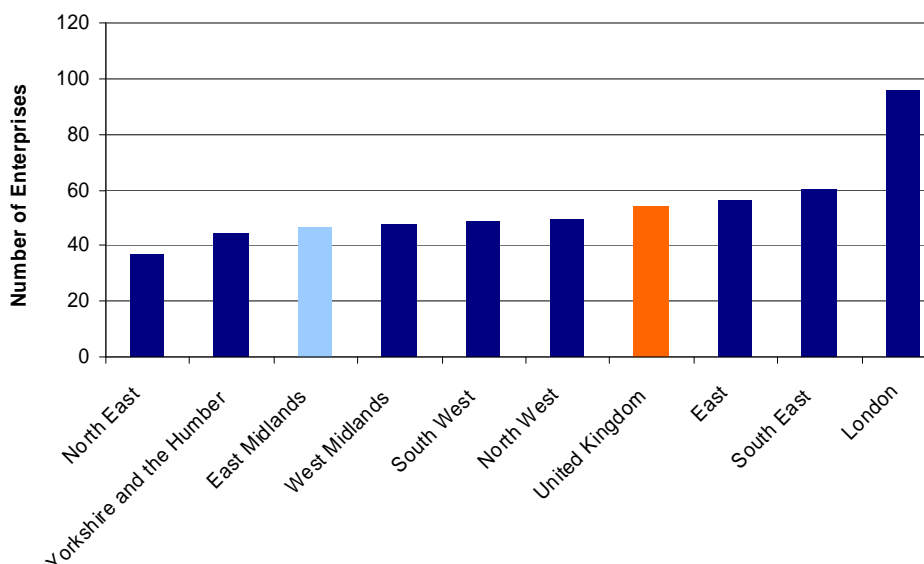
- The manufacturing sector accounts for a larger share of economic activity in the East Midlands than in the UK;
- Although construction accounts for over one fifth of all businesses, it accounts for less than 10% of employment. This is a reflection of the structure of that industry with a very high proportion of sole traders; and,
- The proportion of economic activity in the East Midlands accounted for by the service sector is smaller than in the UK.



Business Start Up in the East Midlands

Chart 3 shows business births⁴ as measured by the Office for National Statistics⁵ per 10,000 resident adults in the UK in 2008.

Chart 3: Businesses births per 10,000 resident adults by region, 2008



Source: ONS, *Business Demography 2008*, Accessed January 2010 and ONS, *Mid Year Population Estimates, Broad Age Bands, Numbers*, August 2009, Accessed January 2010.

Business births are a proxy for the level of entrepreneurial activity in the region, with the difference between births and deaths giving an indication of the strength of entrepreneurial activity in the region.

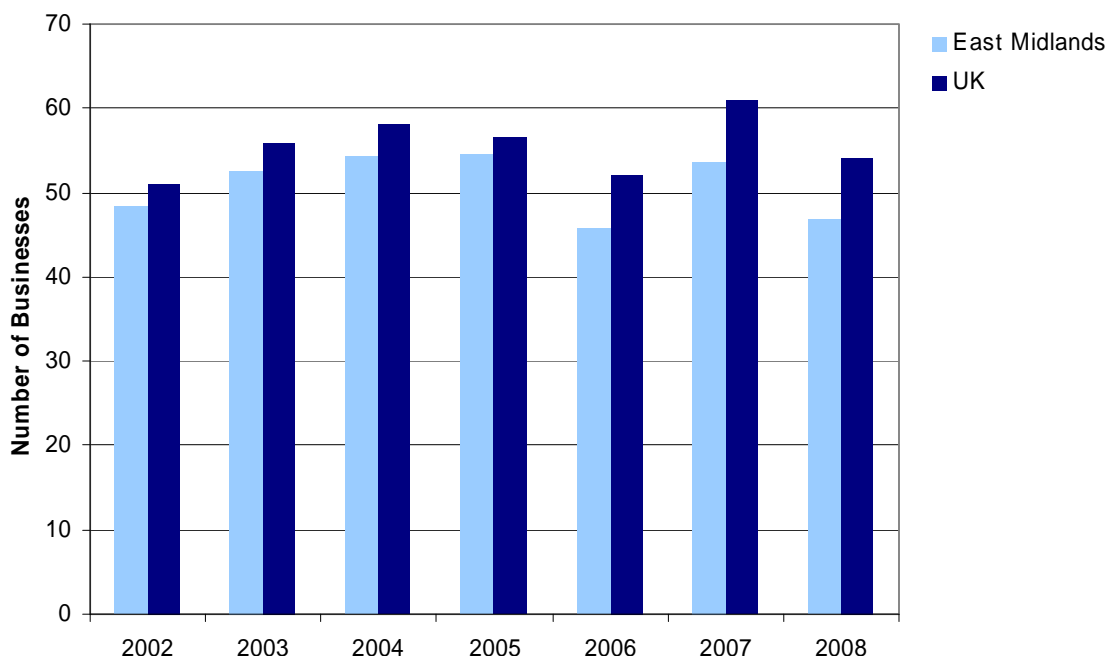
- In the East Midlands there were 47 business births per 10,000 resident adults in 2008, below the UK average of 54.
- Business births are significantly lower in the East Midlands than in the leading region in the country, London, where there were 96 births per 10,000 resident adults in 2008.
- In the North East there were 37 business births per 10,000 resident adults in 2008, 68% of the UK average.
- In the East Midlands there were 41 business deaths per 10,000 resident adults over the same period, below the UK average of 44. This data indicates a below average level of 'churn' in the East Midlands.

⁴ A birth is identified as a business that was present in year t, but did not exist in year t-1 or t-2. Births are identified by making comparison of annual active population files and identifying those present in the latest file, but not the two previous ones.

⁵ The starting point for demography is the concept of a population of active businesses in a reference year (t). These are defined as businesses that had either turnover or employment at any time during the reference period.

Chart 4 below, shows the changes in business births in the East Midlands between 2002 and 2008 compared to the UK average.

Chart 4: Change in business births per 10,000 resident adults 2002-2008



Source: *Business Demography: Enterprise Births, Deaths and Survival*, Office for National Statistics, 2009 and ONS, *Mid Year Population Estimates, Broad age bands, numbers, August 2009*, accessed January 2010.

The number of business births in the East Midlands has fluctuated over time but has displayed no clear trend as illustrated by Chart 4 above:

- The number of business births per 10,000 resident adults has fluctuated between a low of 46 in 2006 and a high of 54 in 2005.
- The same broad trend has occurred nationally where business start-ups have fluctuated between a low of 51 in 2002 and a high of 61 in 2007.
- No one region has experienced significant improvements in the number of business start-ups relative to the UK average.
- Chart 4 shows that business births fell in both the East Midlands and United Kingdom between 2007 and 2008. This may have been brought about by a worsening of economic conditions as the economy entered recession. It is likely that business births fell further in 2009.

Access to Finance

Access to finance has been highlighted by HM Treasury as an enabler of enterprise. The availability and ease of obtaining finance can be crucial in the creation, survival and growth of a business⁶. Access to finance affects small businesses to a greater extent than larger businesses as they generally have less equity and capital, and are assessed as a higher risk to lenders. This both limits the finance available and increases its cost for smaller firms. Key sources of finance (as well as expertise) include venture capital and business angels⁷, as well as banks. Survey evidence suggests that the recession has had a significant, negative impact on the ability of firms and individuals in the UK to access finance. Banks ability and willingness to lend has been substantially reduced and the cost of many types of new finance has increased⁸. It should, however, be noted that access to finance remains a far larger concern to businesses than the actual cost.

Innovation

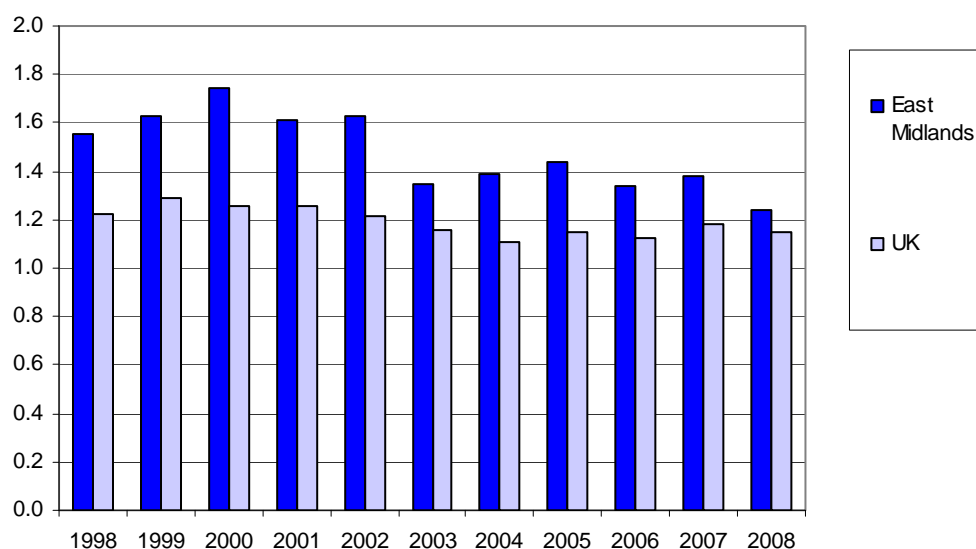
Business enterprise research and development (BERD) measured as a percentage of GVA gives an indication of the level of innovation activity that is generated from within firms operating in the UK. BERD has been consistently higher in the East Midlands than the UK average between 1997 and 2007. Placing this data alongside more anecdotal evidence suggests that, whilst the East Midlands has a higher than average level of BERD, this is concentrated in a relatively few large multinational firms with many smaller firms in the region spending very little on R&D. The latest available data is for 2008 and it is unclear how the recession will impact on R&D expenditure. For some businesses it will be viewed as an item of expenditure that can be cut back, while for others it will be viewed as an essential means of competing in their market.



⁶ Growing pains: What is holding SMEs back, British Chamber of Commerce, March 2008.

⁷ 'Business angels' are usually wealthy individuals looking for a medium to long term investment in start-up or developing firms and are not necessarily put off by the high risk nature of the investment. They often have a history of success in industry and look to use this knowledge to develop the business into a successful enterprise.

⁸ FSB National Snapshot Poll on Small Business Credit and Cash Flow: East Midlands comparison to UK average, Federation of Small Businesses, February 2009.

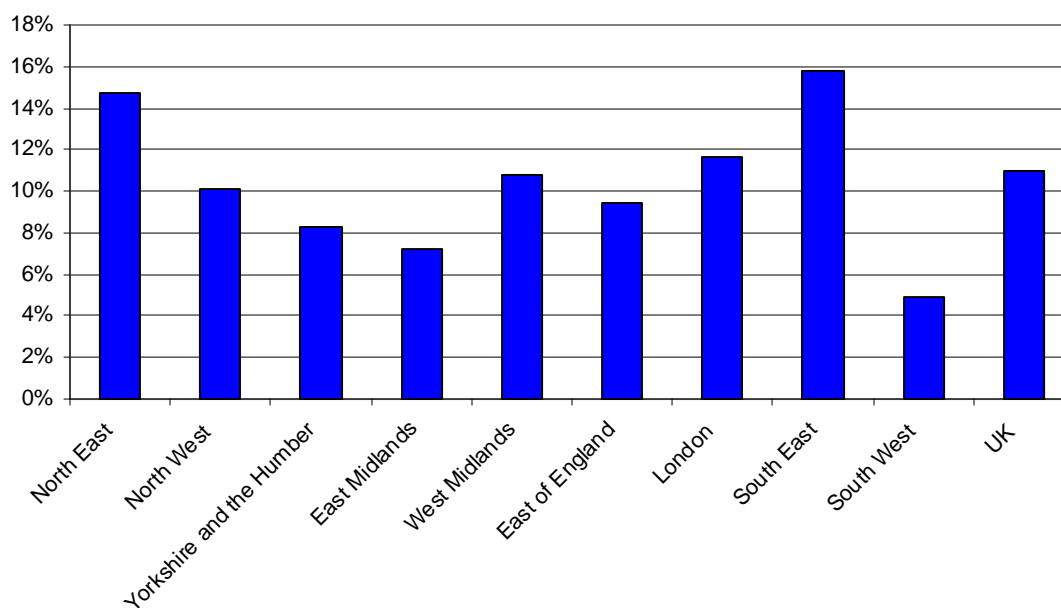
Chart 5: Business Enterprise R&D as % of GVA 1998-2008

Source: *Regional Economic Performance Indicators, Department for Business, Innovation & Skills, 2010*

As Chart 5 shows, in 2008 BERD in the East Midlands was equal to 1.2% of GVA and is currently in line with the national average. However, in contrast to the national average which has remained relatively stable, the East Midlands has experienced a decline in the level of BERD falling from 1.7% of GVA in 2000 to just over 1.2% in 2008.

Gross Domestic Expenditure on R&D, which also includes R&D expenditure by the public sector and higher education, follows a similar pattern to BERD. In 2008 Gross Domestic Expenditure on R&D was 1.9% in the East Midlands compared to 2.0% for the UK.

R&D is one of the (measurable) inputs to the process of innovation. The output of the innovation is a new or improved product or process. It is this stage of the innovation cycle that creates the benefits both within the firm and the region as a whole, and enables the process of innovation to be sustained in the long term. Chart 6 shows that in 2008 the percentage of turnover that was attributable to new and improved products in the East Midlands was 7%, below the UK average of 11%

Chart 6: Proportion of turnover attributable to new/improved products 2008 (%)

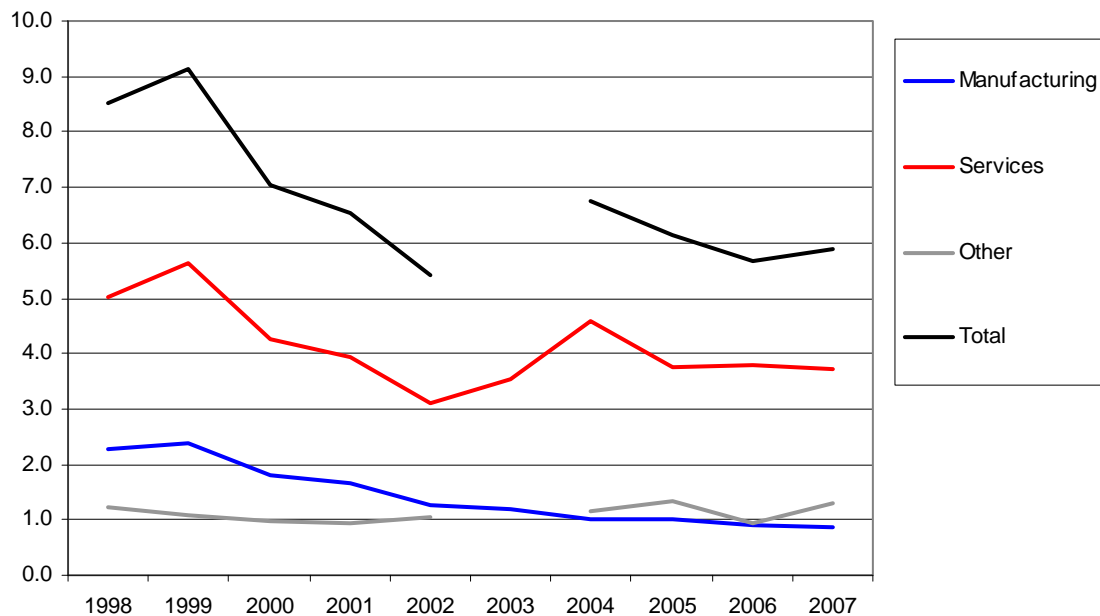
Source: *Regional Economic Performance Indicators, Department for Business, Innovation & Skills, 2010*

Investment

Investment is a key driver of productivity as increasing the quality and use of capital allows a greater level of output to be produced from the same level of inputs, e.g. investment in training for a single worker increases the capital that the worker can utilise, enabling them to produce a higher level of output. In this section the term 'investment' is used to describe all business investment by UK and foreign owned companies. The recession will have had an impact on investment, through tighter credit conditions, that will not be captured by the data for another 2-3 years.



Chart 7: Investment by UK owned companies in the East Midlands as a percentage of regional GVA 1998-2007 (%) Note – data for some years not available

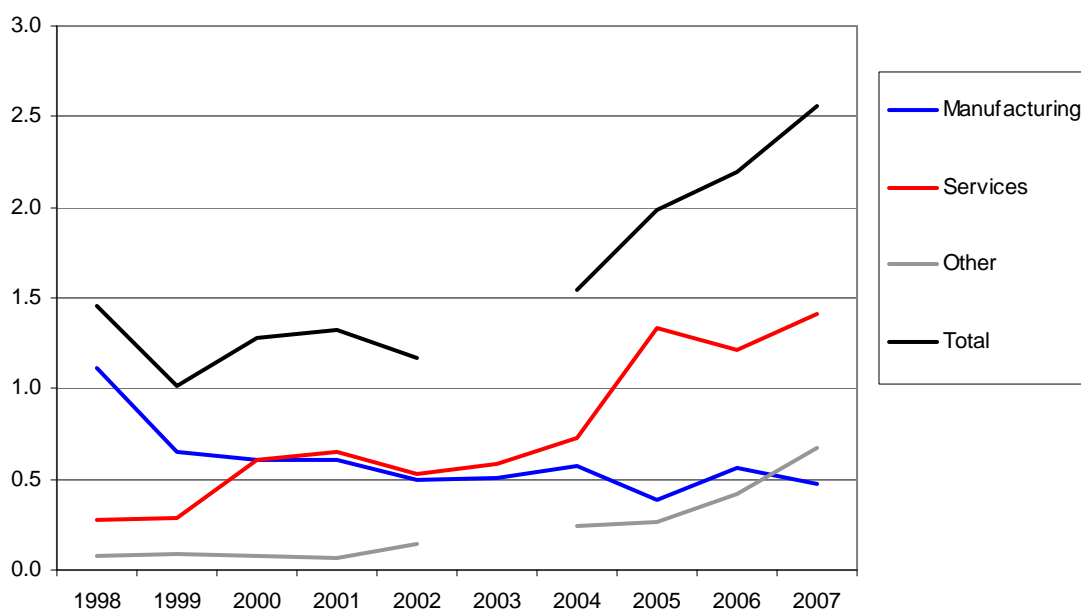


Source: *Regional Economic Performance Indicators, Department for Business, Innovation & Skills, 2010*

The latest data, for 2007, shows that (see Charts 7 and 8):

- In the 10 years prior to the recession, investment by UK owned businesses in the region fell. Investment fell among manufacturers and service sector businesses, but the 'other' category remained stable. In total, investment by UK owned companies in the region was equivalent to 5.9% of GVA in 2007;
- On the other hand, investment by foreign owned businesses increased during this period. However, within this overall increase there was a decline in investment among manufacturers; and,
- Investment by foreign owned businesses in the region was equivalent to 2.6% of GVA in 2007.

Chart 8: Investment by foreign owned companies in the East Midlands as a percentage of regional GVA 1998-2007 (%) Note – data for some years not available



Source: *Regional Economic Performance Indicators, Department for Business, Innovation & Skills, 2010*

It is quite likely that the downward trend in investment by UK owned companies continued through the recession and that the upward trend of investment by foreign owned companies will have been reversed.

Summary

The East Midlands has a relatively large manufacturing sector that is leading the recovery in the region. Pre-recession data indicate that, as a share of GVA, investment by manufacturing businesses in the region was above the national average. Levels of business expenditure on research and development in the East Midlands have also been consistently above the average, though the outcomes of this in terms of business turnover attributable to new products and processes is not so strong. The rate of new business start ups in the region has been below the UK average and this needs to increase to ensure that the region is able to exploit opportunities offered by the economic recovery.

Chapter 1

Delivering a Strategy for Simplified Support for Regional Businesses

Introduction

Public sector support to businesses has always been at the heart of Government's economic plans to create a more productive economy whether at national, regional or local level. Nationally, micro-economic interventions in supporting businesses under the previous Government aligned to wider government objectives, called Public Sector Agreements (PSAs) to:

PSA 1:	<ul style="list-style-type: none"> • Raise the productivity of the UK economy
PSA 2:	<ul style="list-style-type: none"> • Improve the skills of the population, on the way to ensuring a world-class skills base by 2020
PSA 4:	<ul style="list-style-type: none"> • Promote world-class science and innovation in the UK
PSA 6:	<ul style="list-style-type: none"> • Deliver the conditions for business success in the UK

It has been appreciated for some time that enterprise is one of the basic drivers of productivity. Enterprises (in this sense we mean businesses) take risks to develop new products, services and business processes, adding economic value and increasing productivity. New companies that are formed are often more flexible and willing to experiment in order to develop new products. New companies increase competitive pressures in markets, by displacing old products and practices with better, more efficient ones and requiring existing firms to improve. As such, enterprise policy (and by definition supporting businesses to be more productive) can be considered to be a significant contributor to over-arching PSA 1 objective to raise productivity.

Business Support has been defined by *emda* as:

Any publicly funded activity that benefits a business or a person considering creating a business such as through grant, loan, subsidy, advice or service. Including grants, loans, subsidies or service with:

- A **specific** purpose of assisting a business or a person considering creating a business
- An environmental, cultural or social primary purpose and which has the **incidental but material effect** of improving national, regional or local economic growth.

emda identified Business Support as a strategic investment priority because:

- Business competitiveness is one of the key drivers of the East Midlands economy;
- Business performance is key to our national and international competitiveness;
- Market failures identified that public intervention is required to improve competitiveness;
- Since 2005, the Government has positioned RDAs as the primary funders of this support.

Context

In 2005, Government estimated that it spent over £2.5bn⁹ on business support of various kinds across the public sector, to help people start a business and help existing businesses to continue to grow. This equated to more than 3,000¹⁰ schemes being delivered across England by a range of organisations including central government departments and their agencies, Regional Development Agencies and local authorities.

The 2005 Annual Business Survey, undertaken on behalf of the then Small Business Service, found that around half of the businesses surveyed agreed or strongly agreed with the following statements: *'There are too many government agencies offering similar services'* (51%) *'There is inconsistency in the quality of services delivered to businesses'* (50%) and *'I would like government support to develop my business, but struggle to find out what is available'* (51%).

BSSP would result in a reduction from around 3,000 business support schemes to less than 100 by March 2010.

In 2006, after transferring the responsibility for the delivery of the Business Link service to RDAs in 2005, Government challenged the whole of the public sector to simplify business support by reducing the number of schemes nationally from 3,000 to less than 100. The aims were to make it easier for business to access business support; use public money more efficiently by reducing the amount spent on administration; and ensure value for money by measuring the effect of business support on the economy and on public policy goals. RDAs were central to the development and coordination of this agenda.

These findings, together with the formal devolution of the Business Link service to the RDAs, formed the backdrop against which the first East Midlands Business Support Strategy **'Supporting business: A Strategy for Business Support in the East Midlands'** (2005) was written.

The primary focus of this strategy was on Business Link Transformation (more detail on which can be found in Chapter 2), rationalising business start-up support by coordinating a universal business start-up offer (see Chapter 3) and nurturing high growth potential businesses (see Chapter 5).

⁹ Mapping of Government Services for Small Business (PACEC, 2005)

¹⁰ The Grants & Support Directory, www.businesslink.gov.uk

Even whilst delivering this strategy *emda* had been keen to move towards larger, more strategic programme delivery, deployed through a managed range of channels that were responsive to customer needs. As such **the Business Services team in *emda* had already started to map the number of initiatives within the region and to produce detailed plans to integrate various business support interventions** into a range of simply accessible products that would be valued by customers and underpinned by ‘no wrong door’ principles. This approach, to bring a better sense of coordination and cost effectiveness to the delivery of all forms of business support, placed the Agency in a good position to embrace the Business Support Simplification Programme (BSSP) launched the following year by Government.



The challenge for the RDA network

By 2006, RDAs were in the forefront of government policy thinking and had assumed greater responsibilities for the delivery of its business support agenda, including the management and delivery of the Business Link Service and the wider innovation, skills, environmental and rural agendas. This was in addition to the mix of functions and delivery responsibilities RDAs were already tasked with, based on the priorities in their Regional Economic Strategies (RESs).

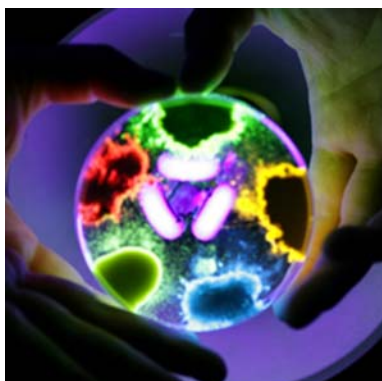
This led to a complex landscape for each RDA to simplify and co-ordinate which involved a detailed review with other funding partners including local authorities, higher education institutions, learning and skills councils and sub-regional strategic partnerships.

Based on some of the early work by the RDAs, particularly *emda*, the DTI formally set a programme to simplify the national policy portfolio of Business Support. This took the form of the Business Support Simplification Programme (BSSP).

By 2006 RDAs were in the forefront of government policy thinking and had assumed greater responsibilities for the delivery of the Government's business support agenda.

The work to implement this new programme took place on two levels:

- **A top down process**, which, through cross-agency and departmental working groups, mapped existing national government policy drivers and formed them into nine product groups.
- **A bottom up approach**, using an evaluation tool on a product-by-product basis to determine whether it should be consolidated, discarded or maintained. *emda* and the Government Office for the East Midlands (GOEM) worked with local authorities and Sub-regional Strategic Partnerships (SSPs) to trial this toolkit in the region.



Actively leading the Simplification agenda in the East Midlands

At the time of the launch of the BSSP, *emda* had already begun to simplify the business support landscape in the East Midlands. Initial work had been undertaken in 2005 to map and co-ordinate the regional offer as part of the development of the first dedicated regional Business Support Strategy and work to help shape the structure of the national Business Support Simplification Programme.

Building on the Business Support Strategy, *emda*'s work on simplification took place in two stages:

- **Moving to a regional provider of Business Link (BL) services** in order to reduce back office costs and improve the consistency of front line delivery.
- **Developing a Simplification Action Plan** to rationalise the wider business support offering.

KEY LEARNING

Rationalising the provision of business support through the consolidation of the Business Link service and the Start-up agenda created a momentum for change. Building on this *emda* then sought to bring together a more tightly defined and coherent portfolio of regional business support at a time when there were already a number of changes happening at the regional level.

emda, working with its partners, developed a Simplification Action Plan. This involved:

- **Consolidating all information, diagnostic and brokerage (or 'market making') services** under the Business Link brand as the main gateway to business support;
- **Coordinating and consolidating the publicly funded business support infrastructure**, which the Business Link service referred to, into 18 main activity groups. These groups would align and simplify similar activities, so enabling more efficient delivery mechanisms to ensure that support met the needs of business effectively.

To help build on this work across the region, the existing Employment, Skills and Productivity (esp) Executive took on the role of the Regional Simplification Board and set up a Task and Finish Group to lead the regional work on simplification from 2007. This Task and Finish Group worked with regional and local partners to:

	<ul style="list-style-type: none"> ▪ Complete the mapping of the existing business support offer in the region;
	<ul style="list-style-type: none"> ▪ Understand the extent of any gaps and overlaps;
	<ul style="list-style-type: none"> ▪ Develop and implement an agreed model for funding and providing business support in the region;
	<ul style="list-style-type: none"> ▪ Continue to monitor the impact of Business Support programmes and refine the portfolio.

The findings from our initial mapping showed that there were over 400 *emda* and sub-regional business support projects (and over 800 if we include other regional and local partners), being delivered to the value of over £167m.

KEY LEARNINGS

- Prior to 2005, many projects were very small scale. Poor planning, as well as time and spend pressures, encouraged funders to sponsor locally driven projects through the system, often below procurement thresholds.
- Specialist advice (communities, sectors, business issues) were a major driver of proliferation.
- Start-up activity was also another main area of proliferation.
- ERDF activity generated further proliferation with limited alignment with the funding structures and protocols of other funders.
- There were multiple contracts in existence with the same deliverers resulting in wasteful administration and monitoring costs.



Because *emda* was advanced in this thinking, the DTI saw the Agency as the leading RDA in this area, championing the Simplification process in the regions and taking on the lead role to provide support and guidance to other RDAs and government departments. As a consequence *emda* represented the RDAs in a number of national meetings with specific policy owners to appraise them of the difficulties caused in delivery due to the lack of coordination centrally.

The Simplification process also allowed for a new set of principles to be embedded across *emda* establishing how business support would be commissioned, delivered and managed within the region. The development of these principles was particularly important in underpinning discussions with local authorities so that there was a clear shared understanding of regional objectives. These principles eventually formed the basis of a Memorandum of Understanding between *emda*, local authorities and Business Link on the delivery of local business support.

These principles also allowed for better quality products to be delivered more efficiently and are summarised on the next page.



- A reduced number of larger, longer term, higher impact business support products.
- A common gateway through Business Link, which provided an Information, Diagnostic and Brokerage (IDB) service, brokering to a limited number of providers. This approach included developing an information system, part of which was a quality assured supplier database.
- That Specialist IDB would be Business Link branded, with specialist needs met by customising mainstream programmes. The mainstream IDB offer would be topped up to reach certain target communities or sectors such as in Innovation, Tourism and Social Enterprise.
- All project solutions had to relate to an identified market failure (e.g. no duplication of private provision).
- New business engagement through Business Link had to align with ‘no wrong door’ principles. Where possible all awareness raising, network facilitation and customer engagement was to be delivered through the Business Link brand.
- The introduction of a single central information system. One part of this system would be used by all providers, namely the Customer Relationship Management (CRM) system, thus reducing duplication and improving referrals.
- The percentage of company contribution would rise with the depth of intervention and company size. Most intensive support would require a 50% contribution from the company.
- All publicly funded business support and skills advisers should be able to demonstrate evidence of the appropriate qualifications and professional development standards.
- That business impact should be distributed as evenly as possible and representative of the community at large, even if this meant investing in additional outreach to improve access.

KEY LEARNINGS

- When coordinating a variety of interventions from a number of policy and funding sources, it is imperative that a framework is developed with underlying principles for policy and delivery to aid stakeholder understanding and gain “buy in”.
- Acceptance of these principles is necessary to allow coordination improvement to be undertaken. This was achieved at regional and local levels but less success was observed at the national level (due to the “silo” nature of the activity of the various policy teams even within the departments) and this hampered the progress of the implementation of the early stages of the programme.

The Transition Journey

The introduction of Simplification processes took place at both national and regional level. National work included:

- Setting up the national Transition Management Board (TMB), a steering group composed of relevant government departments
- National programme mapping
- Proposing a products and services structure
- Creating a Simplification tool-kit to integrate into appraisal processes.

At a regional level, work included the following:

- A review of the relevance of the RES evidence base in relation to business support
- Mapping of all current projects that deliver business support, including at the sub-regional level
- A review of the policy drivers and principles
- Setting up of working groups to review projects and checking for any gaps.

Also at the regional level, the Simplification Task and Finish Group developed a regional transition plan. This was developed in consultation with the business community and their representatives. This consultation exercise involved:

- **Regional Consultation event** (September 2007)
- **Five county based Partnership/Awareness raising events**
- **Three consultation workshops with businesses**, providers and local partners that engaged a total of 185 representatives from businesses, business support agencies and public bodies
- **A regional Consultation survey**
- **A dedicated consultation** with the East Midlands Business Forum (that included representatives from the regional Chambers of Commerce, the Confederation of British Industries (CBI), the Institute of Directors (IOD), the Federation of Small Businesses (FSB) and the Engineering Employers Federation (EEF)).

The plan that evolved from this consultation included the following work:

- **Developing *emda*'s model** into an agreed regional framework for business support
- **Developing the principles for joining up activity** including embedding the simplification principles in spending plans for the European Social Fund (ESF) and European Regional Development Fund (ERDF).
- **Establishing a Memorandum of Understanding** with local authorities, Business Link and *emda*
- **Facilitating the implementation of RBSIS** to other partners including funders and deliverers of business support
- **Joining up business support marketing**, including planning to hold a joint annual showcase of business support services.

KEY LEARNINGS

Setting up appropriate arrangements – and the early engagement of the relevant funders, stakeholders and beneficiaries of business support – was critical. Very early on in the process *emda* brought together key parties (including crucially local authorities, universities, business fora) to consider and agree a shared vision as well as to establish a mechanism to exert influence over the funding of regional business support. Although it took time, this process was extremely effective in helping to bring together project sponsors to, in some cases, merge business support activity to align to the new portfolio.

European Regional Development Funding (ERDF)

When the new ERDF programme for 2007-2013 was launched in the region, it was decided that *emda* would ensure all ERDF applications aligned with the developing Solutions for Business (SfB) portfolio. This task involved assessing nearly 200 ERDF Expressions of Interest (EOIs) and over 100 full ERDF applications. This was to prevent re-proliferation of support programmes that had been prevalent under the previous ERDF programme.



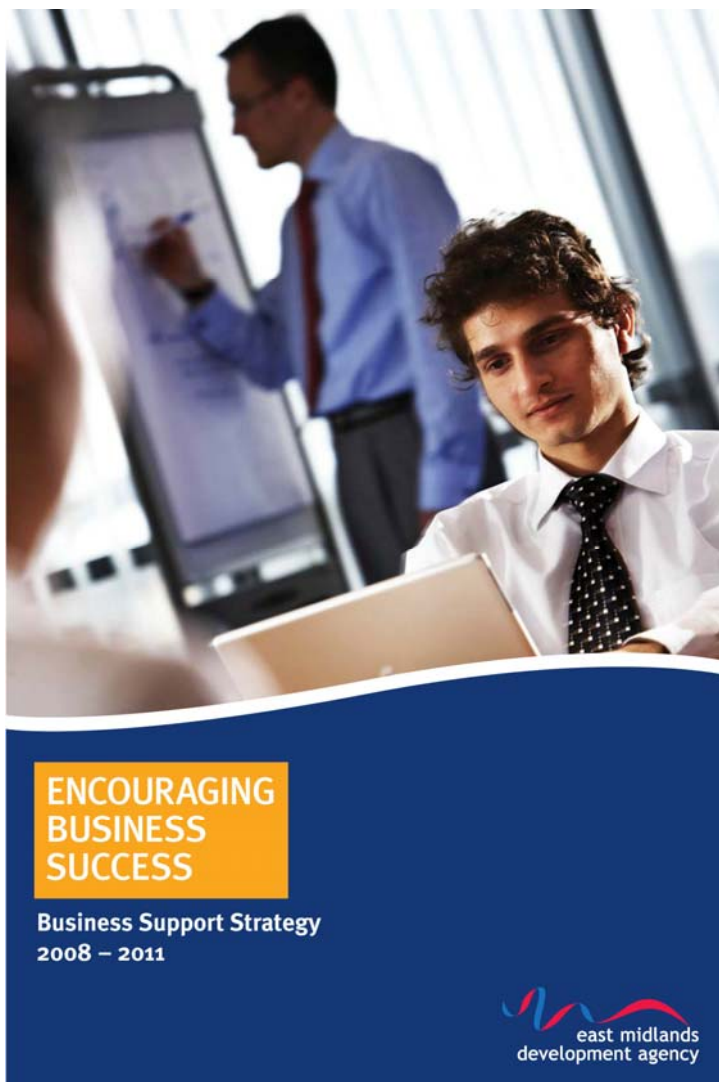
Business Support Strategy 2008-2011

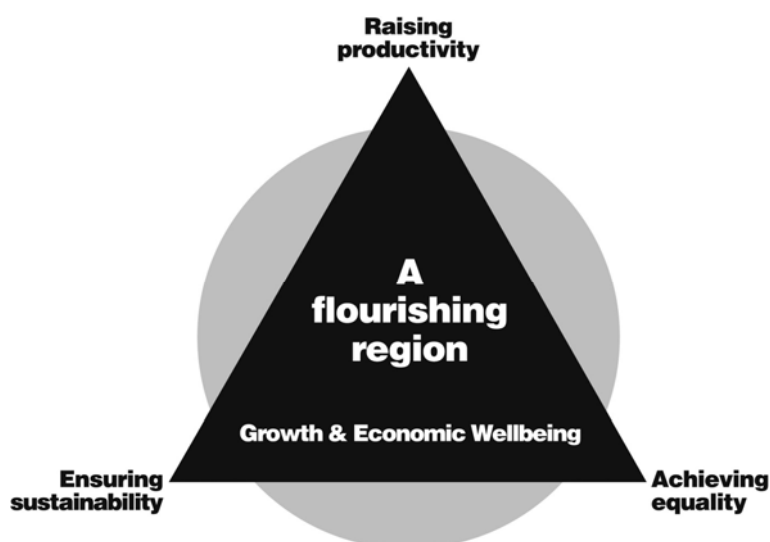
In 2008, the Business Support Strategy for the region was refreshed, based on the transition plan to incorporate ongoing work on Business Support Simplification, both within *emda* and the region more widely. It was built upon *emda*'s learning from implementing the previous strategy, coordinating the simplification agenda and from research conducted for the Regional Enterprise Strategy.

The main focus of **“Encouraging Business Success: Business Support Strategy 2008 -11”** was to set the context for future interventions, and to prioritise and rationalise regional business support. The refreshed strategy reviewed how the BSSP would address the full range of publicly funded support that could be brokered through the Business Link "gateway". The benefits of this process included improving the quality of business support, reducing confusion amongst businesses and channelling more funding to front line delivery support and sector specialists.

This new strategy built on the lessons of the previous strategy in recognising the need to support the sustainability agenda as well as the wider productivity actions highlighted in the RES.

Sustainability was therefore included as a key aspect of our interventions. The diagram below shows the balance of the three core strategy thrusts of Productivity, Sustainability and Equality as outlined in the RES 'A Flourishing Region' – the Business Support Strategy set Productivity as its main priority.



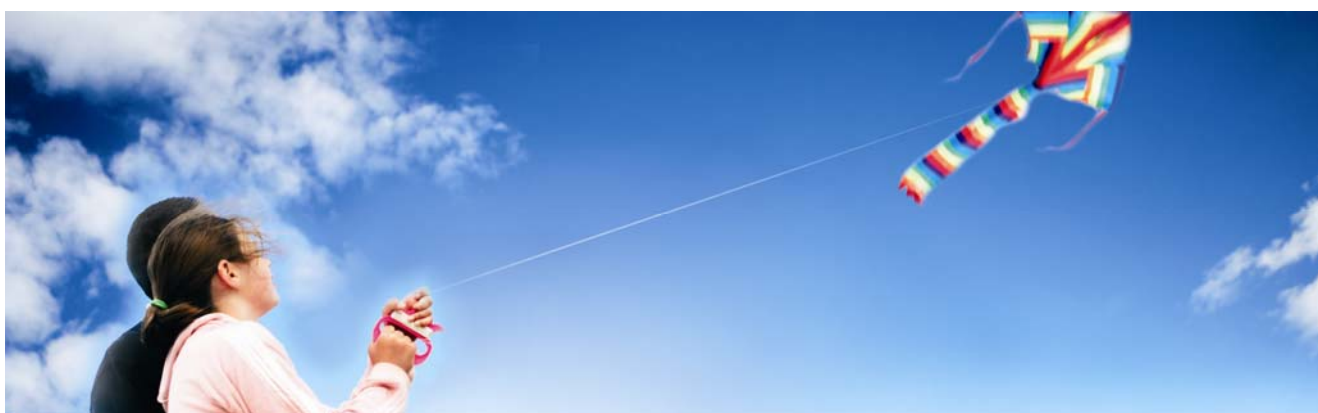


Source: 'A Flourishing Region: Regional Economic Strategy for the East Midlands 2006-2020'

Another key aspect of the Business Support Strategy implementation related to a more strategic and collaborative approach to the deployment of business support. Business support promotion was to be led by the Business Link service but delivery would engage both private and public sector partners. Specialist organisations would be selected who were best placed to lead on different aspects of support delivery.

KEY LEARNINGS

- It is easy to proliferate business support type activities if no overall framework of intervention exists. For example, the delivery of start-up support used to be fragmented and inconsistent across the region prior to *emda's* intervention. Future public support must continue to bring together providers to offer consistent support and value for money.
- Where smaller initiatives potentially contribute to proliferation, a 'braided approach', where separately funded interventions are aligned and interwoven, can be adopted which offers focused client engagement and reduced confusion.



The Regional Simplified Portfolio

By the end of 2007/08 *emda* had made significant progress in implementing the simplification agenda. Progress can be summarised through the following outcomes:

- **Moving to one regionally-based Business Link service.** It was helpful and fortuitous that the same organisation was also chosen to deliver the Train to Gain and International Trade Services for UKTI, using a shared information system.
- **Establishing the Regional Business Support Information System (RBSIS),** which incorporated key components of a CRM, Knowledge Bank, brokerage database and web portal.
- **Developing a regional Start-Up offer** delivered under the Business Link brand including piloting models that top up the offer for hard-to-reach groups
- **Establishing Innovation Networks (iNets),** sector specific networking and brokerage services aligned with the Business Link service
- **Launching the enhanced Manufacturing Advisory Service (MAS),** bringing together a range of manufacturing support and linking this closely with the Business Link service.
- **Starting to pilot a High Growth Business Coaching programme.**
- **Developing a mainstreaming model to top up Business Link branded activity** for resource efficiency, land based businesses and social enterprises.



Based on the simplification principles outlined earlier *emda* continued to develop the framework for future Business Support programmes that could satisfy most legitimate business support needs during 2007/08.

This framework involved establishing two tiers of support delivered through quality assured providers:

- **Universal services** providing free services to all businesses (although in practice there was some proactive targeting e.g. of disadvantaged and hard to reach groups – see Chapter 7), and;
- **Intensive services** – focussed, targeted assistance co-funded by business (largely where the majority of the Solutions for Business products fell).

The target for universal services was to reach up to 60,000 businesses in the region per annum. The service was intended to be largely reactive and light touch and available to any business (small, medium and large) that requested support. Universal services were delivered mainly through the Business Link service (see Chapter 2 – Regional Business Link). The new model (to become known as the Solutions for Business portfolio – see below) included top-ups to the mainstream model by offering proactive, targeted marketing and outreach for target group customers. Examples of this top up approach already included social enterprise, rural enterprise, women and tourism and will be extended to other groups such as ethnic minorities – see Chapter 7 “Mainstreaming Engagement with Diverse Communities”

The target for **intensive services** was to reach a much smaller group of approximately 6,000 businesses per annum who were likely to exhibit growth or were aligned with priority sectors, and then to “funnel” down to a few hundred in the most intensive cases. The services were co-funded by business, and open to those that wanted to take a step change in key business areas such as resource efficiency, product innovation, diversifying markets or workforce development. These services were carefully distinguished from universal services; much more narrowly targeted, proactive and intensive in nature (i.e. prolonged engagement with the business customer). The Business Link brand was still the main gateway to access intensive support delivered through a network of quality assured providers.

The target for intensive services was to reach a much smaller group of approximately 6,000 businesses per annum who were likely to exhibit growth or were aligned with priority sectors, and then to “funnel” down to a few hundred in the most intensive cases.

For those businesses that accessed support and showed potential to grow significantly, a bespoke and holistic package of intensive support products was available. Two of the most highly recognised of these products, where *emda* has taken a leadership role both nationally and regionally, were the Manufacturing Advisory Service (MAS) and the High Growth Business Coaching. Each is explored in more depth later in this handbook. Large businesses were not excluded from accessing intensive support but were asked to pay proportionally more.

What did the regional portfolio look like?

The national portfolio and corresponding regional intensive services are listed in the table below and demonstrate how closely aligned *emda's* work was with that at national level. Due to the cross cutting nature of the policy objectives underpinned by the SfB portfolio, the table also provides a reference to the appropriate *emda* handbook where more detail on individual products can be found.

National Solutions for Business products	Regional Programme	Relevant Legacy Handbook
Starting a Business	Business Link Start-up Service	Business Support
Intensive Start-Up Service	Business Link Start-up Service, Start-Up with the Princes Trust	Business Support
Starting a High Growth Business	Incorporated in the start-up products above	Business Support
Enterprise Coaching	Funded programmes by local partners e.g. the Local Enterprise Growth Initiative (LEGI)	Enterprise
Innovation, Advice and Guidance	Innovation Networks	Innovation
Manufacturing Advisory Service	Manufacturing Advisory Service	Business Support
Coaching for High Growth	High Growth Coaching	Business Support
Designing Demand	Designing Demand was due to start in April 2010	Business Support
Maximising Foreign Direct Investment	Inward Investment, Investor Development	International
Developing Your International Trade Potential	Passport to Export Regional Languages Network Export Communications Review Market Research Service R&D Programme	N/A National UKTI product topped up with <i>emda</i> funding
Accessing International Markets	Overseas Market Introduction Service Market Visit Support Tradeshaw Access Programme China & India Business Bureaux Meet the Buyer Events	N/A National UKTI product topped up with <i>emda</i> funding
Networking for Innovation	Innovation Networks	Innovation
Business Collaboration Networks	Business Link / Innovation Networks	Business Support Innovation
Collaborative R&D	National programme, no regional offer	N/A

Knowledge Transfer Partnerships	Knowledge Transfer Partnerships	Innovation
Innovation Vouchers	The iNets, Innovation Networks	Innovation
Grants for Business Investment	Grants for Business Investment	Business Support
Enterprise Finance Guarantee	National Programme, linked through Business Link	N/A
Small Loans for Business	Enterprise Loans East Midlands	Business Support
Grants for R&D	Grants for R&D	Innovation
Low Carbon Energy Demonstration	National programme, but connected through Innovation Networks	N/A
Understanding Finance for Business	Connect InvoRed Growth Investment Network	Business Support
Finance for Business	Venture capital and loan funds	Business Support
Export Credit Guarantee Scheme	National programme, linked through Business Link	N/A
Skills Solutions for Business	National programme, linked through Business Link	N/A
Business Premises	Managed Workspaces	Enterprise
Specialist Facilities and Environments	High quality employment floorspace e.g. BioCity	Innovation Enterprise
Improving our Resource Efficiency	Business Link Resource Efficiency enhancement and the Improving Your Resource Efficiency product	Low Carbon
RDPE Business Support Programme	RDPE Priority Axes 1 and 3	N/A Continuing programme
Transformational ICT Pilot	e-business programme	Business Support
Business Mentoring Pilot	Mentoring for All	Business Support
Selling to the Public Sector Pilot	Raising SME awareness of public sector procurement	Business Support

There were a number of products that could not be progressed and deployed as part of the regional portfolio. This was due to them being planned to be introduced in 2010/11 but being restricted due to the funding changes to RDAs by the new Government. These included *emda* pilot activities, including mentoring. Our activity and learning from these products are covered in Annex 1 at the end of this handbook.

By the end of March 2010, the regional portfolio had been drastically rationalised from over 400 products in 2006 to less than 50, each aligned to the national simplified suite of 29 products and three pilot products.

Other achievements include:

- Representing the RDA family on the national Transition Management Board as a steering group for the simplification of business support.
- Creating a Simplification toolkit and integrating it into *emda's* appraisal process
- Piloting a Universal Start-Up Offer as a forerunner to the new, SfB Start -a- Business product.
- Improving project design, procurement methods and contractor performance to deliver improved cost per output ratios. For example, between 2006 and 2010 the cost per business assisted and business created has reduced by 46% and 29% respectively.

Marketing Business Support

Prior to the introduction of the Simplification programme, each business support product had been allowed to engage with its client base independently. As a consequence, a huge variety of different types of business support marketing styles and approaches had been developed. Businesses often complained that they were unable to distinguish between the different business support offers open to them and that finding the right advice was resource intensive.

A key objective of the SfB portfolio then was to reduce customer confusion regarding the Government funding of business support and simplify business support brand styles, service names and logos. Prior to this *emda* took steps to simplify its own branding which helped significantly to identify its own business support products. It also published a number of handbooks which laid out the scope of its interventions. *emda* then adopted SfB branding when it was available.

A further key objective of the BSSP was to reduce the number of business support brand styles, product names and logos in existence. The 'Solutions for Business' (SfB) brand was conceived by Government nationally to provide a consistent look and feel and introduced during 2009.

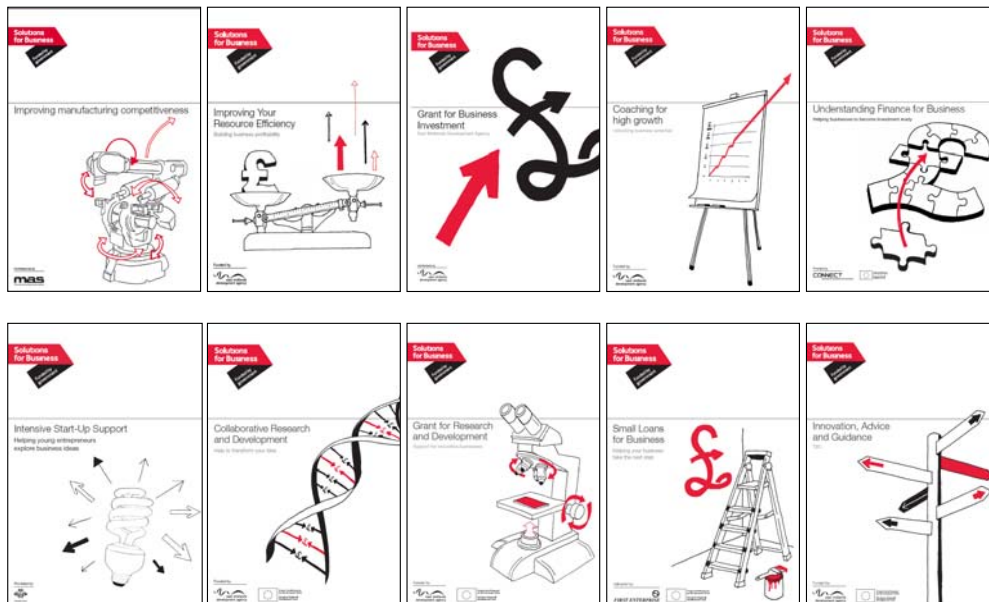
Exceptions for three key brands were agreed. These were Business Link (not strictly part of the portfolio, as noted above), UK Trade & Investment (UKTI) and Train to Gain. It was judged that their removal would create further confusion as these brands were well known in the marketplace, rather than simplify arrangements.

Product teams were encouraged to use the new SfB brand as soon as possible. A run down of current product literature was acceptable during the transition period. All East Midlands' regional projects were SfB brand compliant from April 2010

Previous brands



Solutions for Business branding



As can be seen by the diagrams, *emda* made good progress in transitioning marketing collateral to the new style. Indeed, in many areas, *emda* achieved a number of ‘firsts’ in the design of new imagery and styles for new marketing literature that in many cases were adopted by the RDA family as a whole. For example, *emda*’s national Manufacturing Advisory Service (MAS) network team worked closely with our Communications team to “push the branding envelope” and made improvements to the national Solutions for Business brand guidelines for the MAS product. This included the development of consistent marketing collateral and an integrated national and regional website, which went live at the end of March 2009. Full MAS branding guidelines were issued to and adopted by all RDAs in April 2009 and was publicly cited by BIS as best practice in business support marketing

Future Plans for Business Support

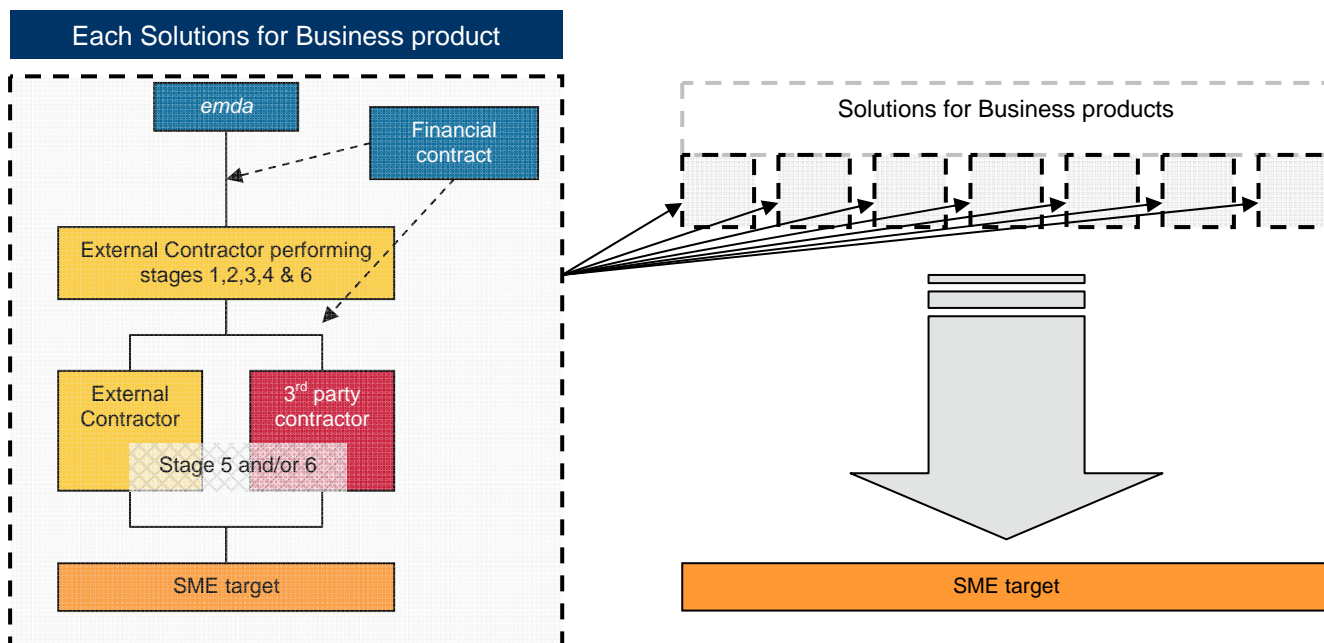
The implementation of the Solutions for Business portfolio enabled a sometimes complex and inefficient portfolio of delivery to become streamlined. Focusing public sector investment in fewer targeted products supported some cost savings for the public purse as well as smoothing out confusion for the customer. Further efficiencies were also gained through improvements in tendering, contracting and performance management.

As *emda* was already leading at a national level on the simplification of the regional business support offer, in 2009 the Agency set about analysing how further efficiencies could be gained. This was done partly because it was the next step in the logic of making business support more cost effective and efficient, and partly in anticipation of significant RDA budget cuts with a likely change of government.

Preliminary investigation into the current delivery arrangements for intensive business support highlighted the following key activities that occurred in almost all products:

Category of support	Stage	Activity
Engaging clients and the provision of information	1	Marketing & recruitment
	2	Initial contact / enquiry / engagement
Diagnosing needs	3	Criteria checking / pre application and application process
	4	Review / diagnosis process / application review
Solutions delivery	5	Solutions delivery (consultancy, coaching, grant etc)
	6	Disengagement onward referral

The illustration of how this featured in the delivery of the Solutions for Business portfolio is demonstrated in the diagram below:



emda's view was that while openly procured, the continuation of these delivery models would eventually lead to the following outcomes if not tackled:

- Clients accessing multiple initiatives dealing with multiple access channels or multiple channels of account management.
- Reduced opportunity for 'target driven' external contractors to work in partnership to the benefit of the client (i.e. increased competition between external contractors to attract clients).
- Reputational harm from customers not being able to easily access support.
- Duplication of *emda* investment costs associated with stages 1,2,3,4 & 6.
- Reduces *emda* opportunity to invest public funds into more economic impacting activity.

In order to mitigate these risks and maximise the opportunity presented, the Business Services Directorate considered three options for future delivery arrangements, and these were:

1. Continue current delivery arrangements, whilst driving more efficiency.
- 2a. Implement a fully integrated brokerage model of delivery (through the Business Link service) with online tools to support efficiency savings.
- 2b. Deliver option 2a through a special purpose vehicle (SPV) which would be a wholly owned subsidiary of *emda*.
3. Dismantle the current Business Link delivery arrangements in favour of a single online channel.

Further investigation led the Business Services Directorate to consider in more detail the phased implementation of option 2a and give further consideration to the implementation of option 2b. Unfortunately, due to the nature of change enforced by a change in government, these plans were eventually shelved in early 2010. Using 2009/10 baseline expenditure for the SfB portfolio of £33.2m, this would potentially represent savings of between £4.3m and £7.3m

Summary

emda has put a great deal of effort into improving the delivery of business support over the last ten years. From humble beginnings in early 2001/02, *emda* has always worked towards meeting a key aspiration to elevate the region's productive performance to a level comparable to some of the best regions in Europe. In order to do so *emda* has sought to bring together the necessary tools for engagement (e.g. the Business Link service, a clear vision and robust intelligence on the scale of business support across the region) and to brigade them in such a way that they made effective sense to the beneficiaries of the services.... businesses.

The Agency's original vision to become a highly performing region was strengthened by gaining new responsibility for the direct management of the regional Business Link service in 2006. This set in motion for *emda*, well before the previous Government's announcements, a sequence of events to get a greater understanding of individual needs at the SME level, a comprehensive mapping of the scale of support that already existed and the establishment of the necessary structures, partners and relationships (at all levels) in order to achieve a number of efficiency gains. The region was subsequently very well positioned to meet the Government's challenge to reduce the number of initiatives from more than 3,000 to less than 100 by 2010.

While the ultimate objective of meeting the Government's target for reducing the number business support products was achieved, there were a few challenges that *emda* faced along the way that are worth noting for future deliverers of business support activities. These points have been captured in key learning sections throughout the chapter.

There have also been a number of notable successes that can be attributed to *emda's* leadership of the simplification agenda:

- *emda* was the first RDA to completely map the business support arrangements across a region ahead of the national programme. This led to *emda* being able to directly influence the direction of national policy.
- *emda* led the marketing and branding of a number of the products in the portfolio that were eventually adopted by other RDAs.
- *emda* directly led, or played a significant role, in the development of a number of pilots for new products in the portfolio e.g. Transformation ICT, Selling to the Public Sector and Business Mentoring.
- *emda* completely integrated regionally agreed simplification principles within all assessments for regional economic development funding streams e.g. Single Programme, ERDF and ESF. *emda* also achieved some buy-in with smaller funding streams like the Higher Education Innovation Funding (HEIF), council grants etc.

In overall terms *emda* has been successful in meeting its overriding objective to coordinate and provide meaningful business support regionally. The journey to do so has not always been straight forward although where this has been the case *emda* has been proactive and sought to resolve any issues as soon as they arose. In absolute terms business support cannot be said to drive the performance of the economy but, based on independent evaluated evidence of the impact of some of products which will be further explored in subsequent chapters, simplifying arrangements and providing more efficient business support services has certainly contributed positively to businesses engaging with those services deployed to help them grow.

Total Number of Businesses Supported between 2006-2010

	2006/2007	2007/2008	2008/2009	2009/2010
Pre Start	18,733	10,022	15,345	25,049
Start up	1,092	888	1,134	1,713
Established	43,497	65,360	72,127	90,970
Total	63,322	76,270	88,606	117,732

Source : The Regional Business Information System May 2011

Clearly the Simplification programme covers a range of interventions that have been delivered across the Agency's activities. For this reason, it is important to remind the reader that there a more detailed review of some of the products has been covered elsewhere, either in other chapters of this handbook, or in other legacy handbooks. Additionally there are have been a number of national products in which the Agency has had a role in influencing but these have been traditionally nationally managed and so are not covered in this handbook. The most notable example of this would the Enterprise Finance Guarantee scheme that was utilised by Government to offset the reluctance by the banks to lend to SMEs during the recent recession.

As a reminder, the Solutions for Business products that have been covered in other handbooks include:

- The Grant for Research & Development product has been covered in more detail in the **Innovation legacy handbook** alongside the Innovation, Advice and Guidance (e.g. Innovation Networks), Networking for Innovation and Collaborative Research & Development products
- The Improving Your Resource Efficiency product has been covered in the **Low Carbon legacy handbook**
- The Maximising Foreign Direct Investment product was captured in the **International legacy handbook**
- The Business Premises and Specialist Facilities and Environments (e.g. BioCity) have largely been captured in the **Enterprise legacy handbook**.

Chapter 2

Regional Business Link

Regional Development Agency – Business Link management pilot

In the 2002 Spending Review, the Government announced that RDAs would be invited to pilot new approaches to managing business support in the regions. Bids from three RDAs, *emda*, North West Development Agency (NWDA) and Advantage West Midlands (AWM), were subsequently approved to run pilots for two years from April 2003.

The two main drivers for the East Midlands' pilot were:

- **Establishing the optimum form and function for the network model** – identifying which elements are best delivered regionally and which elements locally and how these should be delivered.
- **Exploring the brokerage role and service model** – determining the balance to be struck between intermediaries' function as direct service providers versus their role as brokers and client account managers.

The overall rationale for the pilot was to address the need identified in the RES to improve the business support infrastructure through improved co-ordination and coherence. This would be achieved by improving links between the five Business Link Operators (BLOs) to reduce the barriers to customers seeking advice and information. The pilot also addressed the consistency of the advice, information and diagnostic services received, regardless of the location of the user, whilst being flexible enough to allow enhanced service delivery to meet local economic circumstances and market conditions.

Distinctive aspects of the *emda* approach were:

- **Direct management by *emda* of the Business Link (BL) service in the region.**
- **Over time, moving the BL service from a brokerage and delivery model to an active brokerage model.**
- **Exploring, through the brokerage model, putting purchasing power in the hands of the customer.**
- **Greater connectivity between suppliers, both operationally and through ICT.**

Following a review by the Better Regulation Taskforce in 2004, the decision was made to adopt the *emda* model in all nine English regions and transfer management of the BLOs from the Small Business Service (SBS) to the RDAs.

The Regional Model – Managed Regionally, Delivered Locally

From March 2005, the Government decided to devolve responsibility for the BL service to all RDAs. The RDAs provided a commitment to deliver the BL service under the agreed national BL framework. Prior to this, BL was managed by the SBS which had responsibility for managing a national network of 42 BLOs, of which five were in the East Midlands.

emda's overall aim in developing the proposed delivery changes to the BL service post March 2007 was to improve the quality and consistency of service to customers.

Key principles adopted in developing the future model were:

- **Business Support based on the Information, Diagnostic and Brokerage (IDB) model**, as established in BL, would be maintained and operational efficiency savings achieved by the changes would be reinvested in customer facing activities.
- ***emda* would continue to be responsible for the strategic direction of the BL service, new product development, funding co-ordination, financial management and contract management** and would continue to ensure the core competencies necessary to fulfil this role.

Key objectives of the transition to the future model were:

	<ul style="list-style-type: none"> ▪ Improved local delivery to BL customers by putting more advisers on the ground, as a result of efficiencies achieved in consolidating back office functions.
	<ul style="list-style-type: none"> ▪ Provision of BL branded IDB services which are quality assured, more consistent and responsive to the needs of business and which align more closely to other public sector funded business support services.
	<ul style="list-style-type: none"> ▪ Provision of an independent regional IT platform (RBSIS) to support the BL service, which will provide improved access to information for business customers, better partnership working with other business support providers and improved management information systems.
	<ul style="list-style-type: none"> ▪ IDB services which retain a local presence in the eyes of customers, regardless of organisational structure, enabling new providers to build on strong relationships with existing customers and partners as well as developing opportunities to engage with new partners and customers.

In October 2005, the *emda* Board approved a proposal to appoint a single regional provider of the core BL service. The change from the previous county based model had been identified as the most effective way to provide IDB Business Support in the East Midlands.

As well as offering the most efficient cost base and operating configuration, a single regional provider would offer a number of clear benefits to users of the service including:

- More front line support available than under the present contract as a result of diverting funding from “back office” activities
- Improved quality and consistency of the customer offer as a result of a single, focused management team supported by a dedicated IT platform
- It would be more straightforward for customers and partners to engage with and influence the development of the service through working with a single regional management team rather than five county based teams
- The Regional IT Platform that supports delivery of the IDB contract would enable the IDB provider to improve the accessibility of IDB Business Support in the region.

Funding was approved and a full tender process followed with delivery to commence in April 2007. The provider was appointed on a three year contract, with an option to extend for a further two years, for delivery from April 2007. The two year extension was approved in May 2009 taking the contract end date to March 2012.

Following a recommendation in the Sub-National Review (SNR) of 2008, BERR (previously DTI) and DIUS committed to the launch of a single, integrated brokerage service, delivered under the BL brand, to include skills brokerage as a major component from April 2009 onwards. The key objective was to offer an enhanced service which would support the identification and fulfilment of customers’ training needs.



As part of the transition to RDA management the Business Link service offer was changed from a quasi consultancy model to one providing information, diagnostic and brokerage (IDB). This was to address the recognised market failure in raising awareness and access of SMEs to business to business (B2B) support both publicly funded and from private sector suppliers.

The aim of the IDB offer was to provide the information, advice and support businesses needed to start, to survive and grow. The core customer focus was to:

- To help anyone who is thinking of starting a business
- To help small and medium-sized businesses to grow
- To help businesses to deal with problems, challenges and opportunities.

The service comprises an enquiry hub handling telephone and e-mail enquiries on business related issues. Customers are either provided with information responses, verbally, by e-mail, by referral to businesslink.gov or through the post as appropriate. More detailed or complex enquiries are referred to an adviser who can conduct an initial diagnostic over the telephone or arrange for a site visit to the customer's premises. Following a diagnostic visit the business will agree an action plan with a Business Link advisor for referrals to further support from the public and private sectors, where appropriate businesses looking to make a major change would be referred into the Business Transformation Grant for financial support.

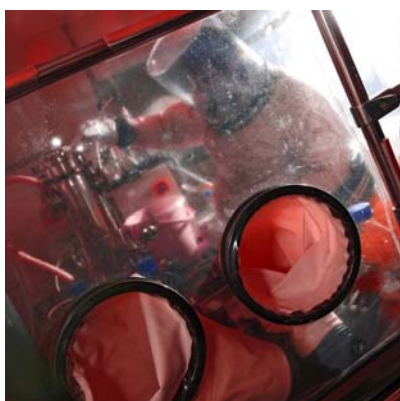
One of the key challenges in the transformation process was to explain to customers, partners and other B2B suppliers the nature and purpose of the IDB model. The new role for Business Link of providing information and advice to help customers make the most of their opportunities, rather than providing all the advice and help itself, it was seen by some as a dilution and downgrading of Business Link and by others as a fudge to overcome the perceived unfair competition that subsidised Business Link advisers posed to the private sector.

The regionally managed service was complemented by a single national website www.businesslink.gov.uk containing useful and authoritative information and practical help, and a national phone line 0845 600 9006 that provided an out of hours service, directing calls to the most appropriate Business Link provider for those without internet access or unsure of which region they were located in.

The re-modelled service significantly increased the resources available to support businesses and entrepreneurs with a 40% increase in resources going to customer facing activity from “back office” functions. This increase in customer facing staff resulted in very significant increases in customers using the service and its impact on the region’s economy. Between April 2007 and March 2010 the regional Business Link service:

- Increased the number of businesses using the service by 80% (44,589 in the 12 months to March 2007, 80,254 in the 12 months to March 2010)
- Increased the number of businesses assisted by the service by 62% (13,514 in the 12 months to March 2007, 21,843 in the 12 months to March 2010)
- Increased the proportion of women owned businesses accessing the service from 1.9% to 6.8% of customers.
- Increased the proportion of BME owned businesses accessing the service from 9.2% to 17.2% of customers.
- The total GVA that can be attributed to the regional Business Link service between 2007 and 2010 is estimated at £2.4 billion.¹¹
- Each £1 of *emda* expenditure the regional Business Link service targeted at businesses may have generated £88 in net additional GVA between 2007 and 2010.¹²

Following the change of government in May 2010 and a review of publicly funded business support the Government announced proposed changes to the way in which business support will be provided in future. As part of these changes, from November 2011 Business Link will still provide a national online service to customers, backed up by a telephone helpline. The regional Business Link network will be closing on 25th November 2011.



¹¹ Evaluation of Business Link in the East Midlands Between 2007/08 and 2009/10 Ecorys October 2010

¹² Evaluation of Business Link in the East Midlands Between 2007/08 and 2009/10 Ecorys October 2010

Transition from Consultancy to Information, Diagnostics and Brokerage Delivery Model

Under a national framework, agreed in February 2005, the BL brand was being positioned as an easy to access business support, advice and information service, funded by DTI and managed by RDAs. Its core offer was the IDB service, accessible to any customer and market segment.

The Government's overall objective was to improve small business customers' experience of business support delivered under the BL brand by making services more coherent, more accessible and of better quality. Research conducted in the East Midlands indicated that to meet this objective, *emda* needed to make it easier to access by improving signposting and promotion of the offer.

The Government's overall objective was to improve small business customers' experience of business support delivered under the BL brand by making services more coherent, more accessible and of better quality.

In March 2005, the *emda* Board approved a two year implementation plan which included the transformation of the BL offer and the establishment of a Regional IT Platform. This paved the way for the use of the IDB model going forward.

The very high number of users of the Business Link service and the holistic approach to diagnosis of business issues meant that it was ideally placed to be the primary engagement route to external support for both businesses and potential entrepreneurs.

emda recognised that Business Link provided the opportunity to significantly reduce the costs of engaging potential participants in its business support programmes. Previously each support programme or project would seek to engage participants through a separate marketing campaign often using the providers existing customer base as a starting point. Business Link with its large and expanding customer base provided a single co-ordinated route to potential customers, thereby reducing the costs of multiple marketing campaigns to the same or similar businesses and sectors.



Case Study: Business Link Core Services

Ross Handling

Company Summary



Ross Handling, based in Leicester, was established over 40 years ago and supplies 2,600 product lines of castors, industrial wheels and adjustable feet to everyone from hospitals and caterers to steel fabricators and energy companies.

The business was looking to increase foreign trade and improve efficiency. Predominantly paper-based systems needed an upgrade.

emda's response to the challenge

Business Link helped to identify funding that enabled the company to kick-start a three-stage development plan. The first stage was to convert a web presence into an e-commerce site and then get it translated and hosted internationally. The business also needed to spend £20,000 on state-of-the-art software to modernise its operation and accommodate the potential increase in orders expected, as well as upgrading its computers and server. Through Business Link, funding was identified which resulted in a grant of £7,500 towards the client's total outlay. Additionally, the company was referred to UK Trade and Investment (UKTI) for help with international trading and to the Manufacturing Advisory Service (MAS) for pointers on how they could streamline their shop floor layout.

Impact

The new system went live on 1st April 2009 and the investment quickly gave visible paybacks. At the month end, for example, the company is saving at least two days on the time previously taken to generate statements and invoices as this is now fully automated and many customers now receive these electronically. The new system has also improved staff professionalism on the telephone as they now have all stock information available at the press of a button.

“Without the help of Business Link we would have just gone for a slight upgrade rather than a system with the capacity to accommodate long-term growth. It just goes to show that there's a whole raft of support out there for a small, family company like ours – it was just that we didn't know about it.”

Louise Home – Ross Handling

Regional IT Architecture

emda realised there was a need to underpin the appointment of the new BL provider in the East Midlands with an Information System (IS) that would support its day to day operations and provide an important source of accurate, auditable management information. Hence, RBSIS was also launched in April 2007 to replace the disparate CRM systems and processes used by the five previous BLOs. RBSIS is also used for targeted customer relationship marketing for a range of business support services and allows production of regional economic intelligence and market profiles, freeing up the BL service provider to concentrate on service delivery.

RBSIS consisted of a number of components which would, in time, drive the overall architecture of the proposed IS. Overarching these components were three Knowledge Strategy Objectives:

- A **“System Light” approach** which called for a minimal impact of the IS system on existing *emda* infrastructure and support systems.
- An **“Integration” approach** to ensure that the various elements of the proposed system would seamlessly integrate and provide a central data store (in the form of a CRM system) that would then be integrated to other processes.
- A **“Plug & Play” feature** to ensure that any future organisations contracted to *emda* would be able to quickly and easily access information and utilise the same system.



The key components of RBSIS were:

<ul style="list-style-type: none"> ▪ A Local Site Development (LSD) project which enabled a customised regional website as part of the national BusinessLink.gov web portal. This would ensure both a single point of contact and a single web presence for local information to businesses in the region.
<ul style="list-style-type: none"> ▪ A brokerage system, the Service Provider Register (SPR), that would deliver consistency of engagement, supplier selection, rating, referral and monitoring across the region, hence ensuring that a quality service is maintained.
<ul style="list-style-type: none"> ▪ A regional CRM system to replace five existing systems to improve the quality and consistency of data collected about clients, to provide a regional view of the SME market, to reduce duplication of service, encourage other service providers to work through the IDB model, and to allow regional marketing and survey campaigns.
<ul style="list-style-type: none"> ▪ The appointment of a single IS contractor to “take overall responsibility for the day to day support and management” of the system.
<ul style="list-style-type: none"> ▪ An e-marketing system linked to the CRM system that would enable regular targeted and permission based marketing activities.
<ul style="list-style-type: none"> ▪ A Knowledge Bank that would allow IDB deliverers to share and distribute information on a range of national, regional and local business support topics in response to client enquiries.
<ul style="list-style-type: none"> ▪ A system to analyse and report on the regional supply of support services and on the state of the regional SME market.

Corporate governance for the oversight of the development and implementation was established in December 2005 and contracts for support and maintenance issued early in 2006. The data held by the five county Business Link Operators was migrated into RBSIS and the new system went “live” on 2nd April 2007.

RBSIS allowed the delivery of a consistent standard of service to Business Link users whilst facilitating evaluation of support service performance and production of accurate, auditable management information. It also freed up the regional Business Link service provider to concentrate on delivery of Information, Diagnostics and Brokerage (IDB). Being web-based, RBSIS is entirely independent of the service deliverer’s IT platform.

The system was also used for targeted customer relationship marketing for a range of business support services and allows the production of regional economic intelligence and market profiles.

The project commenced in January 2006 and the system went live when the new regional Business Link service provider started delivery in April 2007.

During its design, the Learning and Skills Council (LSC) and UKTI became partners as they saw the advantages of an integrated single system for managing and reporting what were

often common customers. Both the LSC and UKTI agreed to provide additional funding to support the costs of their involvement with RBSIS.

The aspirations and need for RBSIS grew considerably from the original project scoping exercise in 2005. A number of policy drivers including the Business Support Simplification Programme (BSSP) and the Sub National Review (SNR) were significant drivers of a much wider use of RBSIS beyond the projects the original partners intended RBSIS to support, i.e. Business Link, Train to Gain (TtG) and UKTI. RBSIS was seen as an increasingly important tool for all publicly funded business support and many areas of economic development.

RBSIS was seen as an increasingly important tool for all publicly funded business support and many areas of economic development.

In order to test the feasibility and processes involved in wider engagement, pilot activity was undertaken to support social enterprises and an enhanced resource efficiency capability as well as engaging with local authorities and Local Enterprise Growth Initiative (LEGI) activity. Following the pilots RBSIS was rolled out over a three year period to a wide range of partners and projects involved in business support.

At its peak, in addition to Business Link, RBSIS was accessed by over 40 projects with over 500 users both within *emda* and in our partners. These included MAS, The Prince's Trust, the iNets, all SSPs and UKTI.

KEY LEARNINGS

- A clear and detailed set of measurable user acceptance criteria are necessary along with a detailed specification to ensure future IT systems are fit for purpose.
- It is essential to engage future users of the system in its development.
- Whilst developments to the system to take advantage of feedback once the system is operational will create a stronger system the owners of the system should not lose sight of the system's key objectives and become distracted by potentially costly "nice to have" add-ons.
- Don't underestimate the effort required in "weaning off" partners from their own systems.

Mainstreaming Social Enterprise Business Support

A comprehensive package of support for BL advisers and their social enterprise clients was developed by *emda* and funded through Single Programme and ESF monies within a programme supported by Social Enterprise East Midlands (SEEM).

This included:

<ul style="list-style-type: none"> ▪ Capacity Building for BL advisers on awareness of social enterprise issues and the specialist needs of the sector.
<ul style="list-style-type: none"> ▪ Development of a sector specific diagnostic tool.
<ul style="list-style-type: none"> ▪ Targeted outreach, awareness raising and sector specific workshops to existing and pre-start social enterprises.
<ul style="list-style-type: none"> ▪ Provision of grant funding to help social enterprises start and develop (up to £1.5k per business 100% funded).

Mainstreaming social enterprise business support into the BL service was a priority driven by the Office of the Third Sector (OTS) within the Cabinet Office. This had to be achieved whilst maintaining the 'service for all'. As a result, the IDB approach was redesigned to include:

<ul style="list-style-type: none"> ▪ A new diagnostic tool (for advisors and also available online for other intermediaries such as LAs).
<ul style="list-style-type: none"> ▪ A complete Business Link adviser training programme.
<ul style="list-style-type: none"> ▪ A review of specialist solutions providers to be nominated for social enterprises and 'ring-fenced' in the Service Provider Register component of RBSIS.
<ul style="list-style-type: none"> ▪ Provision of a dedicated Business Transformation Grant (BTG) that offered up to £1.5k towards implementing identified specialist support solutions.

This approach led to an increase of 107.6% between April 2007 and March 2010 in the take-up of the BL service by established and pre-start social enterprises.

KEY LEARNINGS

- The key business issues are largely the same for social enterprises as for "mainstream" businesses. The difference lies in the context in which support or advice is given so that the social enterprise recognises the relevance of the advice or support.
- Two issues that are normally only faced by social enterprises are deciding the best legal status and the management and development of a mixed employed and volunteer workforce. It is unclear whether sufficient specialist advice is available in the region to give advice to social enterprises on these issues.

Case Study: Social Enterprise

BrightKidz**Company Summary**

Kettering-based BrightKidz was set up after mum-of-three Alison Holland started a walk-to-school scheme at her son's school and found there was a lack of children's stylish, but 'high vis' waistcoats required for these initiatives.

The result was the launch of the BrightKidz range of fluorescent, reflective waistcoats in vibrant colours such as pink and green as well as the traditional yellow and orange. The waistcoats were followed by co-ordinating 'high vis' bags, hats, and reflectors. The company continues to grow and develop.

emda's response to the challenge

The business initially accessed the Business Link Start-Up Service and has kept in touch with Business Link as they have developed. Recent guidance has focused on managing growth, setting objectives and priorities. BrightKidz has benefited from the High Growth Programme which provided mentoring and consultancy services and the Leaders First programme which provided funding for Alison to attend a British Promotional Merchandise Association academy course. Alison has also attended a number of workshops and courses including IT and web courses such as the Social Media workshop.

Impact

The company has expanded dramatically since it started in 2004 and in addition to its own locally-made range, now sells 'high vis' and promotional products for children and adults, receiving several awards for its achievements. These achievements were further reinforced with the award of the Social Enterprise mark in recognition of the BrightKidz 'trading for people and planet before profit' ethos.

"The High Growth Programme helped us involve our whole team in determining which direction the business should take. We have been able to identify priority areas for action, such as revising our marketing materials and are getting professional help with these. All in all, Business Link has given us access to a lot of useful information, support and advice and we will definitely continue working with them as the business develops."

Alison Holland - Managing Director

Business Transformation Grant

The Business Transformation Grant (BTG) was established in 2007 with the aim of supporting SMEs to undertake positive business transformation, thereby overcoming barriers to growth.

The grants were designed to support the development and future sustainable success of East Midlands businesses. Grants paid for projects that were identified as a result of in-depth reviews with Business Link advisers. The grants are intended to help companies overcome hurdles to making substantial changes to their business, either to help the business to grow, or to help it maintain its existing market position.

The grants were also introduced to address situations of market failure, where businesses were unaware of either the need to, or opportunities presented by, making significant change, or the fact they did not have sufficient financial resources to introduce the transformational activities that would either help them grow, or facilitate their longer-term survival. There were specific areas of BTG business support activity that SMEs could apply for.

The selection criteria was the same for both capital and revenue projects and the qualification for support depended on customer need rather than geographical or sector targeting. The grant had a ceiling of £10k and a flexible capital/revenue mix with the participant SME matching the grant on a 50/50 basis.

The BTG was designed to be aligned with the standard Business Link IDB approach, and so a balanced scorecard approach was used. This ensured that the grants went to companies that could deliver transformational activities that had the potential to generate significant economic impact. It also ensured that the activities delivered through BTG did not duplicate other business support provision within the region.

One of the key findings that emerged from the stakeholder consultations was that BTG's integration into the diagnostic process has enabled the Business Link advisers to develop a longer-term working relationship with the beneficiary businesses, and has facilitated the development of clear business action plans that can identify distinct opportunities for generating transformational change. The diagnostic process has also helped to ensure that specific actions are identified to either maintain business' share of their existing markets, particularly during the recent recession where opportunities for growth have been restricted.

After considering leakage, displacement and multiplier effects, the net additional impact of BTG on the region per year on GVA is about £113 million. The net additional impact on employment in the East Midlands is 940 jobs created and 660 jobs safeguarded.

The BTG programme has funded a range of activities, including the development of new technologies, the purchase of equipment, business planning, website development, and the development of IT systems. Findings have indicated that the beneficiary firms have invested significant levels of financial resources in delivering these activities (with some

companies investing under £1,000 of their resources into grant activities, but over 3% investing more than £50,000).

The BTG has generated a significant economic return for the region in terms of increased GVA and employment. After considering leakage, displacement and multiplier effects, the net additional impact on the region per year on GVA is about £113 million. The net additional impact on employment in the East Midlands is 940 jobs created and 660 jobs safeguarded.

The evidence suggests that, on average, the GVA benefits will persist for about 3.5 years. On this basis, the Agency estimates that the amount invested in the programme so far will generate GVA benefits in the region to the value of approximately £380 million. The potential impact of future improvements will add a further £4 million in annual GVA and about 90 jobs to the regional economy.

When examining the contribution of individual funding sources, it is estimated that the *emda* funding will contribute to the generation or safeguarding of £325 million in net additional GVA through BTG, and has helped to create or safeguard some 2,060 net additional jobs. It is also estimated that the ERDF funding has helped to generate or safeguard some £36 million in net additional GVA to date, and create or safeguard 230 net additional jobs.

When comparing the beneficiary survey findings to those of the control group survey, BTG activities have supported some 2,290 jobs and helped to generate £361 million in GVA. This equates to a return on investment of £52 for each £1 of public sector funding, or a return on investment of £27 for each £1 of public or private sector funding.

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The 2009 national report¹³ detailing the impacts of RDA expenditure indicates that each £1 of RDA expenditure on individual enterprise support programmes generates a total cumulative value of £14.10 in GVA. This would suggest that the return on investment of BTG activities of £52 is higher than what could be expected, and that the programme has represented value for money from the viewpoint of economic impact.

¹³ <http://www.berr.gov.uk/files/file50735.pdf>

KEY LEARNINGS

- Activities targeted at supporting individual businesses have the potential to generate significant impacts if they are marketed in an appropriate and targeted way. The fact that BTG activities were marketed directly through the Business Link advisers only at businesses demonstrating some potential to transform their performance was recognised as a particular strength, and was a key factor behind the high levels of GVA generated relative to the level of *emda* investment.
- The holistic diagnostic of business needs was a key factor in ensuring that the businesses were signposted to the most appropriate form of support, relative to their needs, through the grant activities.
- The ability of the businesses supported through BTG to provide some resources to support the delivery of the grant activities was a further key factor in dictating the large scale of impacts that were generated. Again, future activities delivered through the Solutions for Business products should seek, where possible, to incorporate contributions from businesses if support programmes are to have greater impacts.
- Integration into the diagnostic process has enabled the development of clear business action plans that can identify distinct opportunities for generating transformational change.
- The development of transformational activities within the businesses receiving grants has led to innovation within the businesses, including the development of new products, processes and services. The innovations have been crucial in ensuring the business's ability to either maintain their share of established markets, or access new markets. The availability of the grant significantly enhanced the added value of the IDB process.

The BTG was not compliant with the products to be included in the Solutions for Business (SfB) portfolio and so the introduction of the portfolio of projects in 2009 meant that BTG had to be withdrawn at the end of the project's funding in March 2010.



Case Study: Business Transformation Grant

Spire Brewery

Company Summary



Chesterfield based Spire Brewery was established in the spring of 2006 but needed to get its bottling operation off the ground as there are big margins to be made in bottled beer sales. They needed a labelling machine and larger premises to take their business to the next stage of its development.

emda's response to the challenge

Having pinpointed a potentially lucrative market, Business Link helped the company to identify a potential source of funding for the cost of a labelling machine. A Business Link adviser helped with the application form for a Business Transformation Grant and the application was successful, enabling the machine to be purchased and installed.

Impact

The Business Transformation Grant helped Spire to install a bottling machine and also to send its brewing staff on a workshop in Nottingham. The workshop looked at the bottling process and the trade secrets behind conditioning bottled beer which gives it the same taste as beer from the pump. The course meant that the business can offer a bottling, conditioning and settling service to other local brewers.

“There’s no doubt about it; most people buy bottled beers based on the appeal of the label and the name. That means good, professional design – not a homespun label which the more serious home brewer might turn out! Without the Business Transformation Grant though, this isn’t an investment we would have been in a position to make at the time especially as we also needed to acquire the neighbouring unit to make it feasible.”

Diane Sharkey (Owner)

CompeteFor

Business Link has played a key role in promoting CompeteFor, a free service that enables businesses to compete for contract opportunities linked to the London 2012 Games and other major public and private sector buying organisations, such as Transport for London, Crossrail and the Metropolitan Police.

CompeteFor acts as a brokerage service, matching buyers and suppliers of all sizes to thousands of private and public sector contracts, giving SMEs the opportunity to supply the Olympic Delivery Authority (ODA) and the London Organising Committee of the Olympic and Paralympic Games (LOCOG) and their contractors. By registering and publishing online, businesses are able to apply for contracts that are part of the estimated 75,000 future business opportunities. Around £6 billion of work is expected to be contracted by the ODA and LOCOG. It is estimated that 20% of this work will go through CompeteFor.

The CompeteFor project (delivered by the Regional London 2012 Business Lead) promotes London 2012 opportunities to East Midlands businesses working in partnership with UKTI, East Midlands Tourism, Business Link and county based 2012 co-ordinators, to help maximise the wider business opportunities of being associated with the Olympic and Paralympic Games.

CompeteFor also links businesses with local Business Link support services, helping to boost their long-term competitiveness and readiness for future public and private sector procurement opportunities.

The site has been developed on behalf of the English RDAs and the Devolved Administrations (DAs) by the London Development Agency.

Benefits to the region

CompeteFor provides unprecedented access to London 2012 supply chain opportunities for SMEs. The approach exceeds any previous attempts to open up supply chain opportunities flowing from any Olympic and Paralympic Games. The portal is accessed directly from the official London 2012 website with both the ODA and LOCOG committed to advertising all contracts via this medium. All suppliers to the Games have a contractual obligation to advertise opportunities via CompeteFor.

Whilst it is not possible to say precisely how many Tier 2-5 supply chain contracts will be publicised via this route, the ODA has applied standard modelling assumptions and calculated that there will be around 50,000 contracts in the ODA's supply chain of which around 5,000 per year are targeted to flow through CompeteFor. LOCOG have estimated £700 million of contracts will be procured through their organisation via CompeteFor between now and 2012.

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It is anticipated that a percentage of these contracts will accrue to businesses in the East Midlands. To date, 7,205 businesses have registered of which 3,927 have published their details on CompeteFor within this region. East Midlands based businesses have won 300 London 2012 related contracts; of which 79 are directly via CompeteFor from a total of 202 unique organisations with a value of over £300 million.

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Relationships with Membership organisations

All partners have been engaged at a sub-regional level to help maximise the benefits derived from the London 2012 Games and the CompeteFor platform. This approach has enabled opportunities from London 2012 to be disseminated to a much more diverse business audience, delivered through a series of workshops and events to over 5,000 organisations.

KEY LEARNINGS

- Providing support to businesses to enable them to access tender opportunities for example through Business Link will raise the skills and competence of businesses to apply for public and private sector contracts.
- The development of potential buyers to understand the potential advantages of opening supply chains is as important as raising the ability of businesses to respond to tender opportunities

Summary

The transfer of the management of the regional Business Link service from the Small Business Service to *emda* in 2003 was a key element in *emda*'s strategy for the delivery of a simplified business support landscape. The RES had identified that in order to improve the business support infrastructure better linkages needed to be made between the support offered to enable a simpler customer journey, support more consistent delivery whilst allowing the services to be flexed to meet local economic and market conditions.

The regional model chosen to replace the previous county based structure offered several advantages namely, more front line support; improved quality through a single management team; a dedicated single IT platform; and easier engagement with and by partners. The flexibility of this approach was demonstrated when, following the 2008 Sub National Review, skills brokerage was seamlessly incorporated within the Business Link service with no disruption to the support received by the business customer.

The effectiveness of *emda*'s model can be demonstrated by the increased performance of the service; between April 2007 and March 2010 the Business Link increased the number of businesses using the service by 80%, increased the proportion of women owned businesses using the service from 1.9% to 6.8% of customers and the proportion of BME customers from 9.2% to 17.2% of customers and every £1 of *emda* expenditure generated £88 in net additional GVA.

Chapter 3

Start-up Service

Research has shown that increasing the rate at which new businesses start-up is vital for regional development. Prosperous and dynamic regions:

▪ Have high levels of new business creation
▪ Create an environment that positively encourages individuals to start businesses and behave in an enterprising manner
▪ Attract enterprising people to work in them
▪ Are more likely to recognise and reward enterprising people
▪ Have a greater acceptance of enterprise and so are more likely to produce enterprising people as well as entrepreneurs.

Increasing the quantity and quality of new ventures starting and surviving is both an indicator of regional economic success and a driver of future growth. The East Midlands required greater numbers of people entering sustainable self employment or starting a business to achieve the Regional Economic Strategy (RES) vision of becoming a 'flourishing region'. Much of the work done to encourage a culture of enterprising behaviour in the region is covered in the Enterprise Legacy Handbook.

Universal Start-up Offer – USO

The Universal Business Start-up Offer was a regional pilot programme to raise the quality and consistency of the start-up offer in the region – much of this was being offered in a fragmented and impractical way. The objective was to help more people start businesses, especially people who would not consider self employment as a matter of course.

Pending the move to a regional Business Link operator in 2007, *emda* decided to pilot a consistent core offer for all start-ups. The pilot was used to test good practice and inform what should be the basic regional core offer from 2007 onwards.

The USO service

A USO best practice Guidance Manual was made available to providers of business start up support. There were six elements to the USO:

- **Outreach**
- **Roadshows**
- **Training**
- **Diagnostic**
- **Advice**
- **Mentoring**

The whole USO was branded Business Link. The road shows were provided under the New Business New Life (NBNL) banner. There were USO information packs for telephone enquirers, and a revamped NBNL website and training for trainers to ensure a high quality service was provided.

The structure of the USO programme is summarised in the chart below.



USO Implementation

Delivery began in May 2006 and ran until March 2007. The project was funded by *emda's* Single Programme with contributions from Sub-regional Strategic Partnerships (SSPs).

The project was delivered by three contractors, two of which were county Business Links, who provided:

<ul style="list-style-type: none"> ▪ The regional awareness raising at events through 1-2-1 sessions and by running county based New Business New Life roadshows.
<ul style="list-style-type: none"> ▪ Business advice and training.
<ul style="list-style-type: none"> ▪ Mentoring, training of trainers, enquiry handling and collection of management information for the region.

The other county Business Links also provided a USO service. The USO was project managed by *emda* on behalf of the SSPs with a steering group of partners to oversee the project. The USO created or safeguarded 456 jobs and 898 people were assisted in their skills development.

KEY LEARNINGS

- Providers of start-up support in the East Midlands are predominantly small organisations with fairly small catchment areas for their client base. This had created fragmented and varied delivery across the region. Future support must continue to bring together organisations to offer consistent support and enable the development of the start-up organisations themselves.
- The issues faced and support needed to start a business is highly consistent across most sectors and sizes of start-up business. What varies is the scale and context of the issues faced.
- Mechanisms must be found to incorporate local requirements if sub-regional funders are to align or pool their funding to gain improved efficiency.
- The USO demonstrated the value of utilising community based engagement methods to attract disadvantaged and under represented potential entrepreneurs into external start-up support.

The regional supplier model

The Regional Business Link Start-up Service (BLSS) was developed based on the experiences and learnings gained from the year-long Universal Start-up pilot. Through the then established New Business New Life campaign vehicle, it provided access to an updated website, a business starter pack, roadshows with opportunities to talk to business advisers, training packages and self-help tools as described above.

The Regional Business Link Start-up Service (BLSS) was developed based on the experiences and learnings gained from the year-long Universal Start-up pilot.

From July 2007, BLSS was delivered by four providers following an open procurement process. Each was based on a geographic area to encourage local alignment and pooled funding. The service covered Nottinghamshire, Lincolnshire, Derbyshire, Leicestershire and Northamptonshire. In time, the provider for the core Business Link services was contracted to provide a managing agent role on behalf of *emda* to ensure consistency of brand management and improve alignment of advisers.

The Start-Up programme formed part of the regional Business Link service. It aimed to help anyone in the East Midlands who was thinking of developing and starting a business, as well as those who had already taken the plunge with a new business in its first 12 months of trading.

A key requirement for all four contractors was to target particular groups in more disadvantaged areas of the region, delivering outreach facilities to hard to reach communities and groups. These are often people who have previously not engaged or been aware of the Business Link service. A further objective was to focus on raising the standard, quality and number of new businesses being created, contributing to the increase in the survival rate of businesses beyond three years.



Transition to Starting a Business (SAB) and Intensive Start-up Support (ISUS)

From April 2010 arrangements for the delivery of BLSS across the region changed and the regional BL provider was contracted to take on full responsibility for BLSS, as an evolution of their previous managing agent role. Following a procurement process for five sub regional parcels, a single contractor was appointed to deliver the Starting a Business (SAB) and Intensive Start-up Support (ISUS) products which had emerged from the national Solutions for Business portfolio. Much of their content had been developed from *emda* experience of USO and BLSS that had been shared with Government.

Key criteria were as follows:

▪	A clear understanding of SAB and ISUS which will ensure compliance with the national product specifications
▪	Value for the public purse, maximising the spend on locally based advisors and locally available workshops, whilst minimising back office costs
▪	A significant increase in new business starts and business survival rates
▪	The ability to meet local needs and aspirations, and work in close collaboration with key local partners and stakeholders.

As a result of the change in arrangements, performance was expected to achieve a 25%–30% increase over and above previous performance levels in key outputs, such as new business starts and businesses surviving 12 months.

The developments in network arrangements and service delivery resulted in significant increases in individuals and start-up businesses using the service and its impact on the region's economy. Between April 2007 and March 2010 the Business Link Start-up Service:

- **Increased the number of individuals using the service by 16%** (18,733 in the 12 months to March 2007, 21,670 in the 12 months to March 2010)
- **Increased the number of businesses created by the service that survived for at least 12 months by 42%** (1,630 in the 12 months to March 2007, 2,310 in the 12 months to March 2010)
- **Increased the number of jobs created by the service by 21%** (4,165 in the 12 months to March 2007, 5,046 in the 12 months to March 2010)
- **The present value of the GVA impact associated with businesses** started to March 2010 is estimated at £122 million.¹⁴
- **The economic impact assessment suggests a return on investment of around £18.79 per £1** of *emda* investment.¹⁵

¹⁴ Evaluation of Business Link in the East Midlands between 2007/08 and 2009/10 Ecorys October 2010

¹⁵ Evaluation of Business Link in the East Midlands between 2007/08 and 2009/10 Ecorys October 2010

The new service model created major operational efficiencies, consistent implementation of quality management processes and systems, and the highest quality service delivery directly to the local frontline.

Starting a business

Business Link provided advice across a number of areas to encourage business start-ups and survival. The information and expertise covered the following along the lines of the nationally prescribed Starting a Business model:

▪ Compliance and regulatory reform
▪ Business strategy and business planning
▪ Finance – including getting paid
▪ Business idea development, market research and market understanding
▪ Employing people
▪ Managing and running a small business
▪ Advice on premises and Health & Safety
▪ Information Communication Technology (ICT).

Services included:

- **A dedicated telephone enquiry centre**
- **Self help guides and skills development**
- **One to many workshop programmes**
- **One to one support by a desk based Business Link adviser via phone, email or online.**

Anyone at the point of starting a business could access this product. Support was available to all types and sizes of new business and those interested in starting a business regardless of sector.



Intensive Start-up Support

In addition to the Starting a Business product above, individuals or groups within target areas such as certain ethnic groups, women or disabled people were able to access intensive support.

This product built on the Starting a Business product through:

<ul style="list-style-type: none"> ▪ Additional one-to-many workshops covering a range of business issues
<ul style="list-style-type: none"> ▪ Personalised support from an adviser, coach or mentor who can work with the individual or business to overcome particular barriers
<ul style="list-style-type: none"> ▪ Support from up to six months before start-up until 18-36 months after start-up and continuity from any pre-start support through the coaches delivering the Enterprise Coaching product.

Transition planning

A Transition Steering Group comprising representatives from *emda*, the regional BL contractor and the existing BLSS contract holders was formed in early 2010 to over-see the closure of the existing BLSS contracts, the effective handover of customers to the new regional service provider and the TUPE process along with other transition issues. An Operations Group was also formed to oversee the development of the service from 1st April 2010. Sub-regional local authority partners were updated on the preferred supplier to deliver all five county parcels at the Quarterly Business Link Start-up Steering Group meeting in January 2010 followed by regular local authority briefings by the BL contractor.

KEY LEARNINGS

- The two products need a high level of integration if disadvantaged clients are to benefit from both ISUS and SAB. The most effective start-up and early trading support is delivered through a combination of both products applied at the most appropriate time for the entrepreneur and new start-up business.
- Although web-based support provides additional information and ideas for the potential start-up there is still a very high demand for face to face support at some level across all types of start-up.
- Integrating the ISUS and SAB support with the main Business Link service has enabled an efficient and cost effective handover and continued support for the business as it transitions from start-up into an established business. Future support models should seek to continue this integration.

Local authority and community engagement

To improve Business Link penetration into hard to reach and under represented communities a separate Business Link Outreach Support (BLOS) project was created to provide a targeted programme of support to those individuals and businesses who either live or trade within one of the 12 ERDF Priority Axis 2 (PA2) districts and who would not traditionally access mainstream Business Link branded support services. The BLOS project is delivered via a Partnership Agreement bringing together EMB, NBV and The Prince's Trust to deliver the project. The aim, in part, was to avoid the re-proliferation of ERDF sponsored start up activities at sub-regional level.

The BLOS Project employs a team of Community Outreach Workers and Community Based Business advisors who each have a geographical focus for the promotion and delivery of business support services within each of the 12 ERDF PA2 districts. More specifically, the BLOS project enhanced the service provision available via mainstream business support services by:

<ul style="list-style-type: none"> ▪ Raising awareness of enterprise support amongst disadvantaged groups and under-represented (as service users) communities.
<ul style="list-style-type: none"> ▪ Providing enhanced access to pre-start and enterprise support services through pro-active community based engagement that seeks to build trust and confidence and address barriers to entry.
<ul style="list-style-type: none"> ▪ Providing new start and micro businesses with access to financial support to facilitate their development and growth. Such funding facilitates the development of a range of capital and revenue business development opportunities including the purchasing of equipment required to enable the business to commence trading and to compete on an equal footing within the marketplace.
<ul style="list-style-type: none"> ▪ Building on existing initiatives including the Alliance for Enterprise Programme being delivered in Ashfield, Bolsover and Mansfield and a number of Enterprise Coaching projects being delivered in the ERDF PA2 districts.

The support provided to beneficiaries via the BLOS project contributes to an increase in the numbers of individuals considering and preparing to start a business, supports more businesses to start and survive, and assists existing businesses to become more secure, develop and grow.

The project works in partnership with a number of external stakeholders within the 12 ERDF PA2 districts including the local authorities to ensure that the activities being delivered meet with local needs and that there is a comprehensive awareness across the providers of their respective plans and activities. This ensures that the project resources are optimised and avoids local duplication within the marketplace.

The BLOS project has facilitated the delivery of an outreach service to those individuals and businesses who either live or trade within one of the 12 ERDF PA2 districts through networking within local communities in order to 'reach out' and connect with those

communities who are typically classified as being 'hard to reach'. The BLOS project has successfully engaged with a number of ethnic communities, predominately within the three cities of Derby, Leicester and Nottingham including the Afro-Caribbean, Pakistani, Muslim, Congolese, Ukranian, and Senegalese communities. Ethnic minority engagement levels are four times higher in the districts as a direct result of local outreach when compared to mainstream activities.

The project has so far created the following outputs within hard to reach and under represented communities in the 12 ERDF PA2 districts.

- **Engaged 1,055 individuals thinking about or wanting to start a business.**
- **Created 187 new jobs.**
- **Assisted 687 businesses to improve their performance.**

KEY LEARNINGS

- Sufficient time must be allocated at the project or service design stage to get effective consultation and buy-in from local stakeholders. The experience of this project is that this process can take up to six months depending on the number of authorities and local stakeholders potentially involved.
- Whilst traditional marketing techniques are effective in attracting self-starter entrepreneurs, using a wide range of non-business based communication channels, for example, community centres or childcare facilities, greatly improves engagement with under represented and disadvantaged groups.
- The engagement route is a model to engage a different client group and should not be seen as a different delivery model or network for under represented or disadvantaged groups.
- Support for those engaged through the community route should be integrated into the mainstream business start-up support to maximise the potential for business survival and entry into wider markets and access to ongoing business support.



Case Study: Start-up

Fitter Nottingham

Company Summary



Fitter Nottingham was started by Personal Trainer Chris Wraithmell. The business offers personal training, nutritional advice, injury rehabilitation and sports conditioning for any age group or ability. If clients cannot make it to the Fitter Nottingham studio then the personal training is brought directly to their home, work or other suitable location.

The first initiative launched under the Fitter Nottingham brand was a unique style of Fitness Boot Camps which became an immediate hit with clients and continues to grow in popularity.

emda's response to the challenge

Chris was able to talk through the viability of the idea with an impartial expert, which he found a great help and very encouraging. Information was provided as well as signposting to further specialist support and advice to enable the business to get up and running.

A number of free courses were available to provide a good starting point for Chris and he signed up to 'Getting the Basics Right' and 'Tax and VAT' workshops. Through Business Link he was also able to access specific information on the requirements of setting up a business as a personal fitness trainer.

Impact

The availability and accessibility of relevant workshops and easy to understand information made it much easier for Chris to launch the business. He was able to make sure he was fully prepared and with a central point of contact he saved a lot of time that would otherwise have been spent on locating information.

“From what I’ve seen there is a workshop or easy to understand factsheet to cover just about any business issue. Business Link made it much easier for me to get started, making sure I had everything in place and saving me a lot of time trying to track down information.”

Chris Wraithmell (Owner)

Summary

Supporting the creation and survival of new businesses was an important element of the activity to achieve the RES vision of the East Midlands becoming a flourishing region. The first stage in the process of raising the quality and consistency of the start-up offer in the region was the introduction of the Universal Start-up Offer. The USO piloted the good practice that would be the core of the regional start-up offer from April 2007 and the start of the regional Business Link delivery model.

From July 2007 start-up support was delivered by a dedicated network of four providers under the Business Link brand. Previously start-up support had been a part of the county based BLO portfolio of delivery. The network of providers was encouraged to align their delivery with local partners and where possible take advantage of sub-regional funding. The network delivered a consistent offer using common materials including workshop content, marketing and a single customer journey integrated with the Business Link enquiry hub.

Following the development of the Solutions for Business portfolio *emda* adjusted the delivery of start-up support to meet the requirements of the Start a Business (SAB) and Intensive Start up Support (ISUS) products. Whilst this did remove the availability of one-to-one, face-to-face support for some potential entrepreneurs the diagnostic process built into the first stages of delivery ensured that all those from under-represented or disadvantaged communities could access the full range of start-up support.

The success of the regional start-up model can be demonstrated by the following figures. Between July 2007 and April 2010 performance increased dramatically each year. The number of individuals using the service each year had increased by 16%; the number of businesses created each year that survived 12 months increased by 42%, and the number of jobs created each year had increased by 21%. This meant that the suggested return on *emda*'s investment was £18.79 per £1 invested.

Chapter 4

Manufacturing Advisory Service

Introduction

Historically, UK manufacturing clusters were well integrated, with larger firms sourcing most of their raw materials and supplies from other regionally based enterprises. Between the mid 1970s and late 1990s, there was a gradual weakening of these linkages. However, the pace of change since the late 1990s has been dramatic with the emergence of manufacturing outsourcing locations of the Asia Triangle (Singapore, Malaysia, Korea), mainland China and the new European member states of Romania, Bulgaria and Hungary. Increasingly, SMEs in the East Midlands are finding themselves isolated from UK supply chains as they have not responded quickly enough to the restructuring that is taking place, while the Original Equipment Manufacturers (OEMs) are under pressure to minimise their unit cost through sourcing goods and sub-assemblies at the lowest cost (which frequently is the Far East).

To remain competitive, UK firms must constantly adopt up-to-date processes and techniques. Their approach must be flexible which requires the development of an open culture within the business that is complemented by staff with the necessary skills.

The manufacturing sector contributes significantly to the prosperity of the East Midlands and accounts for 23% of GDP and 19% of employment within the region, and forms 16% of total UK GDP and 13% of national employment. However, despite the region's heavy reliance on manufacturing, productivity or Gross Value Added per employee is one of the lowest in the country below the national average at 7.5% due to a heavy concentration in a number of low value added areas.



Background

Opportunity for All in a World of Change

The initial impetus behind the development of the Manufacturing Advisory Service (MAS) nationally emerged through the 2001 White Paper “Opportunity for All in a World of Change”. This White Paper set out the previous Government’s Action Plan for raising the economic performance of the English regions, closing the skills gap, helping industry through restructuring and nurturing new developing industries.

One of the principle recommendations emerging from the report was the development of the Manufacturing Advisory Service (MAS), which was based on the American Manufacturing Extension Partnership programme (MEP). This was intended to be a service rooted in manufacturing excellence and expertise, but readily and freely accessible to all manufacturing businesses.

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The national MAS service was launched in 2002 and was delivered through a network of Regional Centres for Manufacturing Excellence (RCMEs), latterly known as MAS Regional Centres, with a national-level MAS website acting as an additional mechanism for making the service accessible for all types of manufacturing businesses.

The overriding aim of the MAS service has been to help increase productivity and add value to the client businesses. This aim is underpinned by four principle objectives.

- **Economic** – To improve the efficiency and profitability of UK manufacturing firms, focusing on (but not exclusively) those employing 250 or fewer people .
- **Technical** – To improve awareness and adoption of innovative techniques and technological solutions for all aspects of manufacturing operations appropriate to the needs and abilities of the client firm.
- **Management** – Working alongside other programmes, to improve the capabilities of manufacturing management in target firms.
- **Productivity** – As part of a planned growth strategy, to increase the 'value added' aspect of client firms. This should be achieved by improving the efficiency of the firm’s existing operations and helping firms to produce higher value added goods.

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Lead Role Responsibilities

In June 2005, *emda* assumed the national RDA lead role for Manufacturing. As part of this work *emda*'s Chairman Bryan Jackson, along with Mike Carr, Executive Director of Business Services, sat on the MAS Development Board to review the future of the service and to take forward a national evaluation of MAS.

In addition, Bryan Jackson became a member of the National Manufacturing Forum chaired by the Small Firms Minister. The Forum brought together Government, industry, trade unions, RDAs and business representative stakeholders, to ensure the effective implementation and evolution of the Government's Manufacturing Strategy.

From April 2008, *emda* took on the national lead responsibility for the cross-regional coordination of the national MAS network in order to underpin the delivery of national policy on behalf of the then Department of Business, Enterprise and Regulatory Reform (BERR).

This project required *emda* to recruit and resource a national MAS Network Resource Manager (initially as a two-year fixed term post) to lead and support the coordination of the national network of MAS Regional Centres. The two year project entailed delivering against a BERR budget of approximately £1m to:

- Manage a national PR programme including the preparation of Ministerial briefings, a national events programme, producing a MAS National Annual Report and responding to Parliamentary Questions
- Protect MAS branding and intellectual property
- Coordinate the MAS Regional Centres to ensure a consistent approach to the delivery of MAS Policy
- Liaise with national Centres of Technology and Key Delivery Partners (for example relevant National Skills Academies and Industry fora)
- Develop and implement a comprehensive online performance management framework
- Coordinate best practice across the MAS Regional Centres including implementing CPD, Factory Visits and informing the content of online training modules for advisors
- Manage the operation of a National MAS website and helpline function.

Additionally *emda*, through other lead work on Business Support Simplification also ensured that the MAS Network was fully aligned to Solutions for Business (SfB) branding and was praised by BIS for embracing the SfB branding so integrally.

Despite the political announcement of the closure of the RDAs, MAS has always endured cross-party support and one of the first policy announcements the new Coalition Government made in 2011 was to continue the service. This has meant that *emda* has been asked to continue to deliver the national network contract until a new service is procured which is anticipated for the 1st January 2012.

KEY LEARNINGS

- Managing the direct contact of BIS with the MAS Regional Centres in such a way that also met with the regional objectives of the contracting RDA. In this regard the MAS Network Resource Manager post has been critical in ensuring that BIS messaging to the MAS Regional Centres has not conflicted with their individual reporting responsibilities, for example on Single Programme and European Regional Development Fund, under contract from the RDA.
- This approach has entailed a two tier communication protocol being put in place, the first tier focused on the alignment of the regional delivery with national objectives, and the second tier being a more strategic and tactical discussion with the RDAs, to consider the ways in which the MAS service could be best deployed, for example delivering low carbon and advanced manufacturing objectives or working with supply chain groups in key sectors like aerospace and automotive.



Manufacturing Advisory Service – East Midlands (2002-2005)

Following the launch of the Strategy for Manufacturing, in 2002 the Government encouraged the RDAs to develop a manufacturing service for small and medium sized enterprises.

It was on this basis that the *emda* Board approved funding of £3.2m to support the new MAS-East Midlands (MAS-EM) programme with the aim of achieving supply chain development, efficiency increases and quality improvements.

This initial MAS programme provided advice and guidance to small and medium sized enterprises in the manufacturing sector. These businesses received a grant of up to £6,000 at a 50% intervention rate to employ a specialist advisor to develop and implement an action plan to assist the business in achieving efficiency and quality improvements. The programme was seen as a short term service, and businesses were restricted to one interaction with the MAS service per annum.

An external contractor was appointed to manage and deliver the programme, and in total **between 2002 and 2005, over 970 businesses engaged with the programme.**

Impact

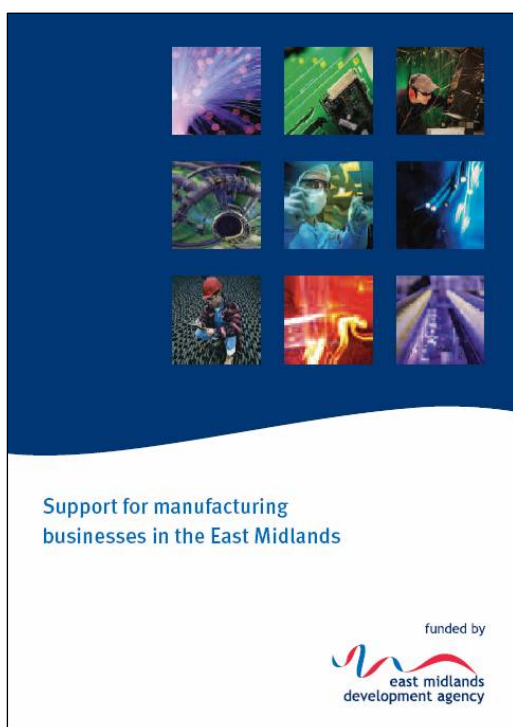
In 2004, *emda* undertook an independent evaluation of the MAS-EM programme. The report identified the following outcomes associated with the initial programme.

- **90% of firms** considered MAS-EM good value for money.
- **Turnover generated as a direct result of MAS-EM** involvement was **£103m.**
- **Costs savings of £1.5 million** had been made as a result of businesses interacting with the MAS-EM regional centre.
- **Profit Increases of £1.7 million** were attributable to MAS-EM.
- **Turnover had increased by £35k per £1k** spent by *emda*.

KEY LEARNINGS

- Links should be established with Business Link and other training providers, with a specific focus on business improvement techniques.
- Widen the focus of the programme to cover additional areas including sourcing and supply chain activity.
- Maintain the charging policy, but provide the opportunity for businesses to engage with the programme twice per annum.
- Proactively engage with female owned, ethnic minority owned and rural businesses.

Manufacturing Advisory Service – East Midlands (2005-2009)



Following the success of the previous MAS-EM programme and the recommendations made in the evaluation, *emda* agreed to invest a further £3.4m of Single Programme monies to fund MAS-EM for an additional three years.

This new enhanced programme had a wider focus, with closer working relationships with Business Link and other Business Support products. The programme was designed to address key strategic issues which saw the UK lag behind its global competitors in terms of productivity.

Shown left is an example of the high quality visual and marketing material produced for the programme.

The enhanced programme included:

- An initial measurement of company productivity performance.
- Provision of company action plan to increase productivity.
- Brokerage to and quality accreditation of training providers offering productivity and business improvement techniques.
- Provision of direct consultancy assistance to the business focussing on productivity and waste minimisation programmes.
- Re-measurement of company productivity performance to assess impact of MAS-EM and gross value added indicators.
- Access to innovation support to manufacturers including product development and design.
- Provision of a global product sourcing service relevant to the region's manufacturers to assist in the development of supply chain improvements.
- The development of partnership relationships with other business support providers to encourage referrals to and from the MAS-EM programme.

Early in 2008, the *emda* Board agreed to a one year extension to the MAS-EM programme to ensure continuity while the third MAS-EM programme was developed and contracted. An additional £2.5 million was approved to support a further 475 manufacturing businesses.

The overall performance of *emda*'s second MAS-EM programme, which was in operation between 2005 and 2009, is summarised below:

Output / Activity	Target	Actual
Number of businesses assisted to improve their performance	1,994	2,028
Number of people assisted in their skills development	1,500	1,653
Number of jobs created or safeguarded	810	1,099
Number of businesses engaged in collaborations with the UK knowledge base	459	980

Impact

In February 2009 *emda* commissioned a second MAS evaluation and review of the MAS-EM programme between 2005 and 2009. This identified the following key outcomes of the programmes. In terms of the monetary return on investment, the programme was highly successful, with every £1 being spent leading to £12.50 of new business for SMEs, £2.20 in cost savings and £2.20 in profit increases.

The MAS-EM programme outperformed many other business support programmes when it came to generating GVA, for every £1 spent the programme provided £9.40 of GVA compared to the national average of £7.

KEY LEARNINGS

- The partnership between MAS-EM and the different support programmes in the region should be further augmented and developed during future delivery
- The review of the company's manufacturing operations and the intensive consultancy support were highlighted as inherent strengths of the programme, with stakeholders particularly complementary of the relationships developed between MAS practitioners and beneficiary companies
- Further work is required to raise the awareness of MAS across manufacturers in the East Midlands. Large percentages of manufacturing business were not aware of the MAS programme, or did not fully understand what the service could offer
- MAS East Midlands Ambassadors should be used in terms of marketing the programme throughout the East Midlands. This could include the Ambassadors undertaking visits to manufacturing companies within the region, and publicising the impacts that MAS East Midlands support had generated for their business.

Manufacturing Advisory Service – East Midlands (2009-2012)

A national policy review, undertaken by the UK Manufacturing Forum and led by a MAS Development Board, provided the rationale for continuation and development of the programme. This rationale was translated into the new National MAS Guidelines, of which elements, such as value stream and process mapping, had been piloted through MAS-EM since January 2008.

This rationale was translated in the new National MAS Guidelines, of which elements had been piloted through MAS East Midlands since January 2008.

This policy review built upon the previous review of the Government's Manufacturing Strategy in 2004, a DTI economic evaluation of MAS (February 2007), a number of stakeholder consultation/policy workshops (January 2006), and a benchmarking study visit to the USA to compare MAS with its US equivalent. The results of the MAS-EM evaluation undertaken for *emda* in 2004 were also taken into account in this process.

The findings of the review confirmed the rationale for continuation and development of the programme. On this basis, in June 2008, *emda*'s Board approved a further £7.5m of Single Programme funding to provide manufacturing support to a further 3,884 businesses between April 2009 and March 2014. The final two years of this approval were dependent on the chosen contractor providing acceptable levels of performance.

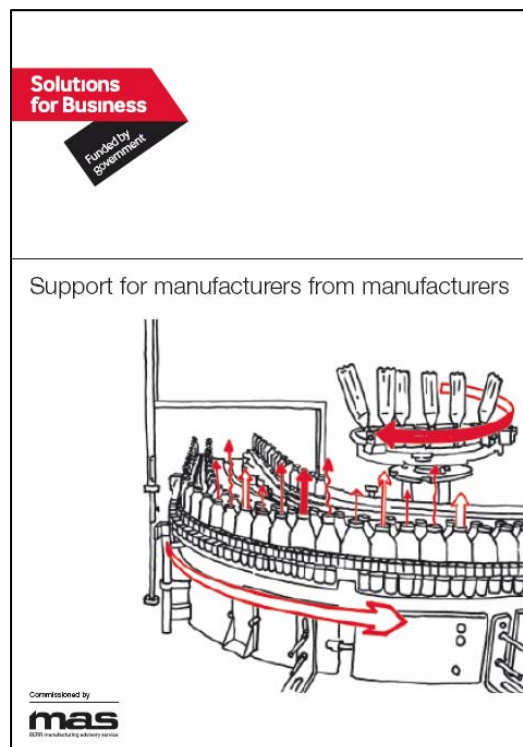
This new MAS-EM programme formed part of the Government's Solutions for Business portfolio of Business Support and consisted of five levels of support and was based around a brokerage model. The five levels of support were:

- **Level 1** – The initial contact with the potential client, handling enquiries and providing information.
- **Level 2** – Maximum of four days support, reviewing the company's manufacturing operations and identifying what further support maybe required.
- **Level 3** – Awareness raising events, networking opportunities and best practice visits.
- **Level 4** – Maximum of twenty days intensive consultancy support, achieving quantifiable improvements in a company's operations, a proportion of which was paid for by the client.
- **Level 5** – Signposting and referring of clients to locate the most suitable form of non-MAS support.

To ensure that Level 2 reviews were impartial and focused on the needs of the customer and that the delivery of Level 4 support was led by client need and not confined solely to the skills and expertise of the contractor, *emda* implemented a brokerage model for all Level 4 activity.

Within this model all Level 4 activity is delivered exclusively by third parties and not by the MAS-EM contractor themselves. Throughout the delivery of Level 4 support, the relationship between contractor and client is maintained to ensure that the delivery meets stakeholder expectations and is relevant to the action plan.

To ensure a consistently high level of expertise in all Level 4 activity, a service provider register through RBSIS is maintained by the MAS-EM contractor. The performance of the third party contractor is evaluated during delivery to drive up the quality and guarantee a high level of service is received by the client business.



Impact

Currently in its final year of delivery, the 2009 - 2012 MAS programme is reporting excellent results. A final evaluation is expected in July 2011 but a draft interim evaluation undertaken for *emda* in March 2011 highlighted the following impacts and outcomes:

- The programme had generated a GVA increase of £83 million by the end of 2010/11.
- The return on investment for each £1 invested by *emda* is reported as £19 in GVA. If the anticipated impacts from existing improvements do materialise the return on investment could rise to £79 in GVA per £1 of *emda*'s investment.
- Evidence suggests that the MAS-EM service adds significant value to other business support provision within the region. In addition, the evidence also suggests that MAS-EM has addressed a key market failure, given that it engages companies that have historically demonstrated a low propensity for engaging with, and paying for, publicly funded business support.

Evidence suggests that the MAS East Midlands service adds significant value to other business support provision within the region.

Case Study: MAS East Midlands

MJ Milward Printing Limited

Company Summary

Originally established in 1982, MJ Milward Printing Ltd was purchased in November 2008 by Malcolm Wright and Mark Cooper. The joint owners were keen to develop the company by introducing some new innovative ideas, such as digital printing, creating AnyEvent Badges, and the launch of a new interactive website.

It was MJ Milward Printing's accountant who first suggested bringing in MAS-EM as a solution when the new owners were looking for grant-aided support to introduce lean techniques into the business. The 50% subsidised help meant that the management effectively got its second week of hands-on, expert advice for free.

MAS-EM Advisor David Wright went to visit MJ Milward and performed a manufacturing review. David then referred the company to a lean manufacturing expert.

Malcolm stated that: "Our MAS-EM manufacturing expert was with us for two weeks, spending most of his first week walking the floors of the originating, printing, finishing and despatch departments, listening to the workforce and analysing how we operated. He also calculated the maximum time allowed to produce a unit in order to meet demand, so we could work out how to release some capacity."

Impact

As one of the UK's leading printing and design businesses, MJ Milward has seen a 40% increase in production capacity since receiving support from MAS-EM. Enhancements included better production integration between departments, a more efficient shop floor layout plus the introduction of visual methods of keeping staff informed of orders coming in and the progress of jobs.

Quotation

"Bringing in MAS-EM has not only seen considerable improvement in our capacity, it's also helped us increase profitability and significantly enhance our overall performance. Added to this, we've managed to implement additional cosmetic improvements for customer visits"

Joint owner Malcolm Wright

KEY LEARNINGS

- The adoption of the brokerage model of delivery has expanded the pool of consultants and hence the expertise available to deliver Level 4 assists.
- The adoption of a stringent set of criteria for admitting consultants to the level 4 provider panel has helped to ensure that the quality of advisors has remained high.
- The provision of a detailed diagnostic is a particularly important element of the MAS-EM service.
- Given the extent of the marketing opportunities presented by the low carbon economy and adoption of advanced manufacturing techniques, there will be a continued need for the provision of support to companies with adopting low carbon and advanced manufacturing processes.
- Following the recommendations included in the 2009 evaluation, the links between MAS-EM and other Business Support providers, and in particular Business Link, has grown significantly. This relationship has resulted in Business Link referring approximately 25% of all clients to MAS-EM during the latest programme.



Since 2002, *emda* has approved a total of £13.4m worth of support for manufacturing businesses in the East Midlands through the Manufacturing Advisory Service. A summary breakdown of this funding across *emda*'s three MAS-EM programmes is below:

	Approved Funding (£m)										
	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	Total
MAS (RCME)	1.4	1.0	0.8	-	-	-	-	-	-	-	3.2
MAS 2005-2009	-	-	-	0.7	1.3	1.7	2.2	-	-	-	5.9
MAS 2009-2012	-	-	-	-	-	-	-	1.0	1.7	1.6	4.3
Total	1.4	1.0	0.8	0.7	1.3	1.7	2.2	1.0	1.7	1.6	13.4

A summary breakdown of achievements across *emda*'s three MAS-EM programmes is below:

	Businesses Assisted		Skills Developed		Jobs Created		Business Collaborations	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
MAS (RCME)	1,000	970	-	-	-	-	-	-
MAS 2005-2009	1,994	2,028	1,500	1,653	810	1,099	459	980
MAS 2009-2012 – Actual to date)	2,216	1,831	952	785	1,135	1,045	-	-
Total	5,210	4,829	2,452	2,438	1,945	2,144	459	980

Summary

Since 2005, MAS East Midlands has generated £156m worth of GVA, with the 2009-2012 programme providing an estimated return on investment of £19 for each £1 of public sector investment. Since 2002 MAS East Midlands has already assisted 4,829 businesses, developed the skills of 2,438 individuals and created or safeguarded 2,144 jobs.

Following the decision to disband the Regional Development Agencies, the delivery responsibility for the national MAS programme will be transferred from RDAs to a new contracting body, expected in January 2012. *emda* has confirmed, alongside the other RDAs outside London, that it will continue to deliver a MAS service until the end of December 2011 in order to effect a smooth transition.

Chapter 5

High Growth

Introduction

Rapidly growing businesses create jobs and wealth. At the same time, they often face a number of difficult issues concerning areas such as risk management, management development, access to finance and workforce development. Businesses growing at over 20% per annum frequently do not have the time to access traditional public support to deal with all these issues. They need holistic, bespoke support to ensure their growth is sustainable.

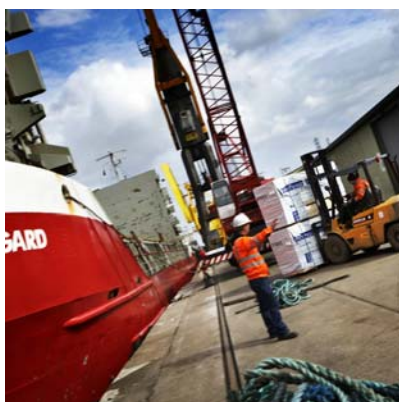
Background

Chancellor's challenge to the RDAs

The 2004 Pre-Budget Report announced that Bryan Jackson, then *emda*'s new Chairman, would lead the development of a framework "... to ensure that focused, tailored coaching is available to businesses in each region." To this end, *emda* undertook an extensive survey of available evidence that included comparing British performance with that of Europe and the United States. This clearly indicated that the use of highly skilled, experienced coaches is a powerful way of delivering the support rapidly growing businesses need.

As a result of this work the Chancellor of the Exchequer recommended the 2005 Budget that "...RDAs establish a national framework for integrated coaching (based on the *emda* report) focused on the needs of entrepreneurs and small businesses with high growth prospects.

As a result of this work the Chancellor of the Exchequer recommended in the 2005 Budget that "...RDAs establish a national framework for integrated coaching (based on the *emda* report) focused on the needs of entrepreneurs and small businesses with high growth prospects, and work with partners to develop regionally relevant services to be rolled out (across England) from April 2006."



Sharing a vision across the Regional Development Agencies (RDAs)

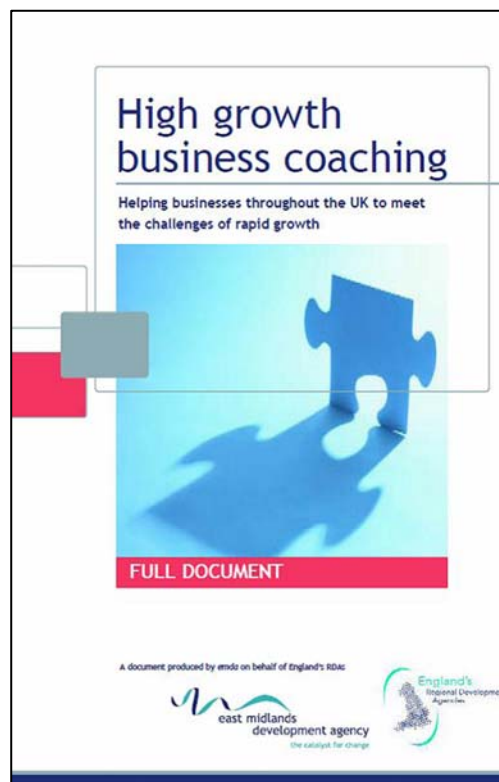
In March 2005, *emda* published a report *High Growth Business Coaching: 'Helping businesses throughout the UK meet the challenges of rapid growth'* examining the rationale, and shape that such services should take. This report highlighted current services available in the UK, comparisons across Europe as well as recommending a framework to ensure the consistent provision of such services across the English regions.

The report identified that, while it was acceptable to expect a level of consistency in fundamental policy and delivery approaches to the provision of services to small businesses across the country, Regional Economic Strategies identified very different challenges that sub-national economies faced if they were to achieve rapid growth.

The report also recommended that the Business Link Strategy Board, which was the mechanism put in place to “quality assure” the provision of Business Link services in the English regions from April 2005, should also be the body that reviewed regional proposals setting out how a coaching framework would be implemented.

The development work undertaken by *emda* made a significant impact on, and directly influenced, this national policy thinking. *emda*'s initial policy paper led to the establishment of a national cross-agency Task and Finish Group, leading the thinking of HM Treasury, the Small Business Service (SBS), UK Trade & Investment and the Department for Education and Skills. *emda* led the Task and Finish group and helped design the detailed scheme.

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emda pilot High Growth Coaching Programme

In March 2005, the *emda* Board approved the Agency's Business Support Implementation Plan. This contained eight priorities, of which three were pilot activities to directly support the creation of new businesses and ensure that SMEs realise their growth potential.

Business creation would be optimised through the Universal Start-up Offer, and tailored and appropriate support for growing businesses would be offered through the Mentoring Escalator.

Helping SMEs realise their growth potential would be delivered through a pilot High Growth Coaching Programme, that would be targeted at SMEs with a turnover of between £5m-£10m, and who had the potential to grow.

emda established its pilot programme in April 2005 with £825,000 of Single Programme funding (of which £425,000 was invested by Sub-Regional Strategic Partnerships). The aim of the programme was to recruit qualifying regional SMEs with plans for turnover growth in excess of 20% per annum, and through the use of dedicated coaches help them overcome any barriers that may prevent them from reaching their growth aspirations.

An external contractor was appointed to manage and deliver the programme, and in total between April 2005 and June 2007 the summary outputs and outcomes were as follows:

Output	Forecasted	Actual
Business assisted to improve performance	50	50
People assisted with skills development	136	158
Jobs created or safeguarded	400	387
Businesses committing to intensive support	16	20

Impact

Of the 20 businesses that committed to and received intensive support an average growth rate of 13% was achieved, with 11 of the businesses averaging a growth rate of 24%, adding more than £21m to their combined turnover.

In January 2007, *emda* commissioned an independent evaluation of the pilot programme to make recommendations for the future development of high growth support programmes. Some of the findings of this evaluation included:

- Experience suggested that the defined target market was over-prescriptive and prevented engagement with potential high-growth clients
- The programme design needed to be flexible and not overly prescriptive in the support services that it provides
- One host organisation was probably not able to meet the full range of high growth business support requirements with the flexibility required by clients
- An up-front diagnostic was an essential mechanism by which the relative strengths and weaknesses of a firm can be identified and, subsequently, addressed.

In addition to this, further recommendations were made regarding the future development of high growth coaching programmes, including:

- Future programmes should be aimed at both existing growing businesses, and those with the potential to achieve rapid growth.
- The actual delivery of services should be undertaken by a network of organisations best able to meet the requirements of the businesses.
- These services should include:
 - **Growth Readiness:** to enable growth-potential businesses to achieve a growth trajectory
 - **High Growth:** a bespoke programme to enable high-growth businesses to sustain growth and achieve performance improvement
 - **Growth Enabler:** capability-building for professionals aiming to develop skills and expertise in supporting growing businesses.



emda High Growth East Midlands Programme

As a result of the success of the pilot programme and the recommendations made in the evaluation, *emda* launched a new High Growth East Midlands Programme in April 2007.

emda invested a total of £3.8m Single Programme funding between September 2007 and March 2010. Adopting some of the recommendations from the earlier pilot, the programme offered different levels and intensity of business support to companies that had an established track record of growth (defined as High Growth) versus those that had the potential to grow (defined as Growth Readiness). The programme also incorporated an element of capability-building support (defined as the Growth Enabler programme) for professional business advisors and coaches, aimed at developing their skills and expertise in working with growing businesses.

RDA budget cuts during the years 2009 and 2010 led to a 3% reduction in the overall programme budget, from £3.8 million to £3.67 million.

Examples of the high quality visual and marketing material produced for this programme are highlighted right.

The High Growth East Midlands Programme was characterised by the breadth of industry sectors represented by the participating businesses. These included:

- Leisure & tourism
- Clothing & footwear
- Mechanical engineering
- Healthcare & medical
- Software & computer services
- Creative media
- Agriculture, horticulture & fisheries
- Biotechnology
- Education & training
- Construction.

Each year, *emda's* High Growth East Midlands Programmes have culminated in an end of programme awards dinner, at which the successes and impacts of the programme have been showcased and celebrated. In addition, some selected businesses (and coaches) received special recognition of their performance through receiving an award.





The High Growth East Midlands Awards Dinner 2009, was held at the Walkers Stadium, Leicester, with more that 200 representatives from across the East Midlands in attendance.

Shown left, Dynex Semi-conductors of Lincoln, winners of the 2009 High Growth Business of the Year Award

The overall performance of *emda's* High Growth East Midlands Programme is summarised in the table below:

Output / Activity	Target	Actual
Number of businesses assisted to improve their performance	165	169
Number of people assisted in their skills development	420	427
Number of jobs created or safeguarded	903	938
Number of people assisted in their skills development (Growth Enabler Programme)	95	97

Impact

In May 2010, the programme was independently evaluated. This identified that the programme had generated a GVA increase of £17.56 million. Further the evaluation identified that 88% of participants had experienced an increase in turnover as a result of the programme, 82% had increased full time equivalent employment as a result, and a further 69% had made a decision to increase their investment in innovation and research and development.

The GHK evaluation highlighted several lessons and recommendations, including:

KEY LEARNINGS

- Overall, Growth Readiness participants were less satisfied with the programme compared to High Growth participants. The differences in intensity of support offered could have played a part in this.
- Almost all participants were satisfied with the performance of their coach.
- There was a need to use the Regional Business Support Information System (RBSIS) for collecting data on beneficiary outcomes. There needs to be better use of new technologies and online application processes.
- As the High Growth element of the programme was targeted at businesses that had experienced growth over the previous three years, some inference can be taken from the evaluation question responses regarding the characteristics of some of the participants and the market failure that justifies the public sector intervention.
- In response to the question “Reasons for applying for the High Growth / Growth Readiness Programme” 16% of respondents stated that “the price of the support package offered by the programme was more competitive than others that I have been looking at.” The inference could be made that whilst these participants seemed to have a higher propensity to fund external support themselves, they were attracted to the programme due to minimal financial investment required.

The *emda* delivery contract for High Growth East Midlands was split into five distinct lots, which were subsequently awarded to three different organisations. Two separate contractors were responsible for client recruitment and the delivery of coaching.

Due to this, effective project management and coordination of this programme proved challenging, this was specifically regarding our attempts to facilitate a synergistic environment for these two key delivery partners to operate in true partnership. This was exasperated by a then challenging economic climate which meant that recruiting sufficient quantity and quality of businesses to the Growth Readiness element of the programme required a more intensive, targeted approach.

In hindsight, separating the recruitment and coaching contracts did not generate sufficient gains to outweigh the anticipated diseconomies of scale of having two separate delivery partners.

Further, there was scope for *emda* to use popular web based technologies such as Facebook and LinkedIn, to not only facilitate follow on support after businesses had completed the programme, but also to create an East Midlands High Growth Alumni group.

Case Study: High Growth East Midlands

Critical Skills

Company Summary



Based in Chesterfield in Derbyshire, Critical Skills (UK) Limited was established in July 1997, having successfully capitalised on the opportunities in the fast growing information and technology transfer market.

A specialist provider of computer, management and employability training, their growth plan involves expanding into new markets.

emda's response to the challenge

The High Growth East Midlands Programme conducted a detailed strategic review with Critical Skills, and identified the following key challenges – the identification of new markets and developing and implementing an outreach site strategy.

The business was then matched to a growth coach based on these challenges, their industry sector and personality profile of the senior management team. Critical Skills also attended several High Growth East Midlands workshops.

Impact

The company's growth has soared from 36.8% to an expected 192.3% for the coming year, with two new companies having been created since joining the High Growth Programme.

The business now employs more than 40 people and operates outreach sites in Whittington, Beeston, Peterborough, Northampton and Sheffield. Critical Skills is now managed from a new Barlborough Links base in Chesterfield.

“The High Growth Programme has been of enormous benefit to Critical Skills. Just being selected has raised the morale of the staff and made them begin to think about how what they do impacts on the organisation. We are now going for huge growth, and have employed seven new staff in September (2008) alone, and with our growth plan we envisage creating 60 new jobs in the next 12 months.”

June Cooper (Chief Executive Officer)

Coaching for High Growth

As mentioned in Chapter 1, *emda* played a central role with the RDAs and BIS to develop a coherent and impactful portfolio of Solutions for Business products. Specifically the Agency's previous work supporting high growth companies was again held up as a national exemplar, and partly due to our diligence, the Coaching for High Growth product was developed.

Nationally *emda*'s previous work supporting high growth companies was held up as a national exemplar.



The purpose of the Coaching for High Growth product is to assist firms through a structured coaching programme to build their inherent capabilities and achieve accelerated growth, meeting short and medium term business goals within a strategic context.

Businesses receive input from an independent, high calibre coach who supports organisation development and management capability with the objective of enhancing the businesses readiness for growth.

In August 2009, *emda*'s Board approved a further £3m made up of £1.8m Single Programme and £1.2m ERDF to provide Coaching for High Growth support to a further 150 businesses between April 2010 and March 2013.

Taking into account policy direction, evaluation and learning from previous programmes, *emda*'s Coaching for High Growth Programme is now characterised by:

- Targeting businesses with the **potential** for high growth
- Includes a 1-2 day **strategic review** (diagnostic)
- Up to 20 days of 1-2-1 coaching, delivered by a third party coach **independent of the main contractor.**

Many of the participants from the Growth Enabler element of *emda*'s previous High Growth East Midlands Programme, have progressed to become third party coaches on the Coaching for High Growth Programme.

Currently *emda* is at the final stages of delivery to its 2010/11 cohort with initial indications showing that progress is good. Participating companies should realise some of their growth benefit more effectively and efficiently as a direct result of the programme.

As the current programme is still within its first year of delivery there is not yet any formal evaluation. However, preliminary feedback indicates that;

- The use of third party coaches has enabled clients to access a greater breadth of expertise than if one 'in house' organisation was utilised.
- Those participants gaining the most from the programme were identified at the diagnostic stage as having significant 'will' and motivation to accept external support to facilitate growth.
- A targeted marketing approach, working intensively with fewer clients as opposed to a widespread campaign, leads to 'higher quality' participants and hence better returns in respect of growth.



Case Study: Coaching for High Growth

Hydrotechnik

Company Summary



Hydrotechnik UK Limited is based in the Lenton area of Nottingham and was founded in 1990 to distribute hydraulic test equipment in the UK. The company currently turns over £3m per annum and employs 21 staff. In January 2011, Hydrotechnik UK established Filtertechnik Limited (formerly a division), as a separate trading company to manufacture filters. It will soon be launching a new, layered filter into the oils and fuels market. Ideal for large scale particulate and water removal at low cost, the VDM (Variable Depth Media) filter has two patents pending and is a unique, UK designed and constructed product. It offers unrivalled cleanup opportunities at low cost.

emda's response to the challenge

The Coaching for High Growth Programme conducted a detailed strategic review with Hydrotechnik, and identified three key challenges. These were a lack of a coherent business strategy to guide future growth, relatively inefficient business processes and the need to develop a sound marketing strategy for the launch of the new filtration product. The business was then matched to a growth coach based on these challenges, their industry sector and personality profile of the senior management team. Hydrotechnik also attended several Coaching for High Growth master classes, including Vision for Growth and Market Intelligence.

Impact

Hydrotechnik are currently in the process of completing their coaching programme, having joined the programme in July 2010. The full impacts of the programme have yet to be measured.

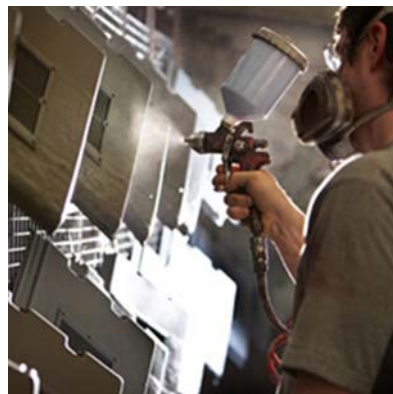
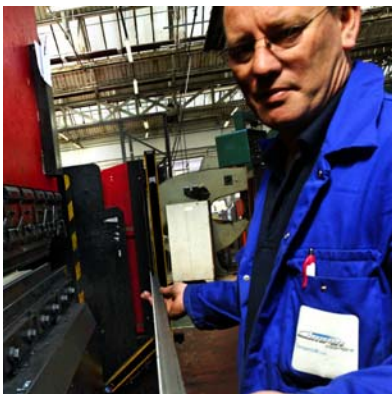
“Many of the radical changes discussed here have been planned and implemented far more effectively and with much more enthusiasm and buy-in from our staff with the direct assistance of the Coaching for High Growth Programme.”

Patsy Ellis (General Manager, Hydrotechnik UK.)

Summary

Timeline

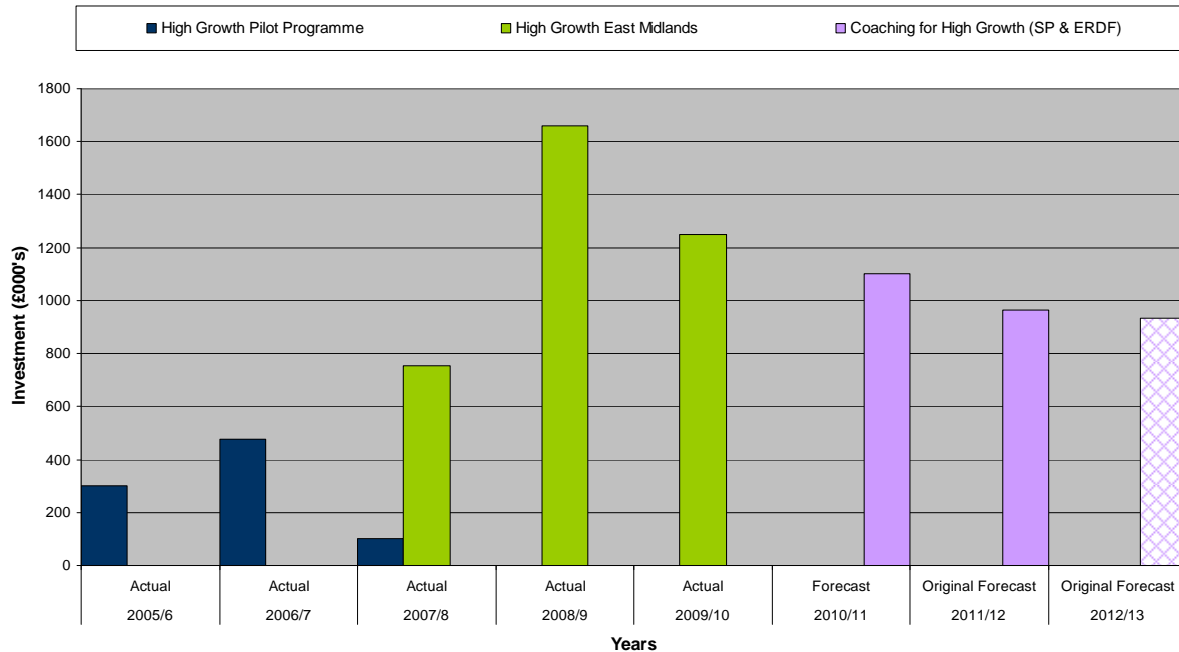
Date	Activities
December 2004	Pre-Budget Report announced that Bryan Jackson, would lead the development of a framework "... to ensure that focused, tailored coaching is available to business in each region"
March 2005	<i>emda</i> publishes <i>High growth business coaching: Helping businesses throughout the UK meet the challenges of rapid growth</i>
April 2005	<i>emda</i> launches its pilot High Growth Business Company Programme
March 2006	The then Chancellor Gordon Brown announces the simplification of publicly funded business support by 31 st March 2010
March 2007	<i>emda</i> commissioned <i>Design Project for the High Growth Academy</i> , evaluating the pilot programme and recommending future high growth support design considerations
April 2007	Bryan Jackson launches High Growth East Midlands Programme
September 2008	Coaching for High Growth announced as a Solutions for Business product
July 2009	<i>emda</i> receive interim evaluation of High Growth East Midlands.
April 2010	Go live date for Government's simplified Solutions for Business portfolio
April 2010	<i>emda</i> launch the regional Solutions for Business Coaching for High Growth Programme
June 2011	First cohort of 50 companies complete programme



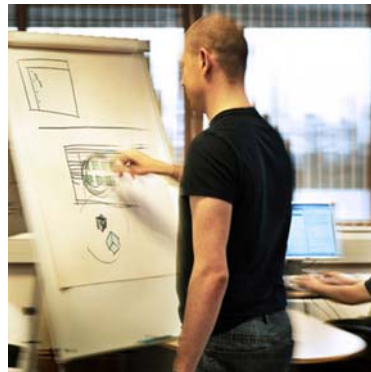
Funding

Since 2005/06, *emda* has approved a total of £7.54m (including £1.32m ERDF) in high growth company support programmes for businesses in the East Midlands. A summary breakdown of this funding across *emda*'s various high growth programmes is below:

emda High Growth Coaching Support Programmes Investment Analysis



Due to the closure of *emda* in March 2012, and the subsequent de-commitment of Coaching for High Growth in September 2011, the forecasted investment for 2011/12 is £612k made up of £372k Single Programme and £240k ERDF, with no *emda* investment in 2012/13. Whilst total *emda* approval budgets for High Growth programmes is £7.54m, the actual investment and revised forecasted investment based on early cessation of the current programme is **£6.25m**.



Outputs

Since 2005/06, *emda's* high growth company support programmes have already assisted 302 businesses, developed the skills of 817 individuals and created or safeguarded 1,415 jobs. A summary breakdown of these achievements across *emda's* various high growth programmes is below:

	Businesses Assisted		Skills Developed		Jobs Created / Safe	
	Forecast	Actual	Forecast	Actual	Forecast	Actual
High Growth Pilot Programme	50	50	136	158	400	387
High Growth East Midlands	165	169	515	524	903	938
Coaching for High Growth (SP & ERDF – Actual to date)	85	83	305	135	540	90
Total	300	302	956	817	1,843	1,415

Economic impacts

Comparison of economic outcomes between *emda's* three High Growth programmes is not possible due to changes in outcome measures as directed by national government policy.

However, the table below highlights actual and anticipated GVA increases of at least £47.56m (GVA figures were not an RDA measure during the pilot programme).

Summary economic impacts of *emda* funded High Growth programmes:

High Growth Pilot Programme	Within 12 months of the programme start date, a turnover increase of £21m (average increase of 24%), was realised by 11 companies.
High Growth East Midlands	Net annual GVA Increase of £17.56m.
Coaching for High Growth (Revised forecast, 2010/11 – 2011/12)	Forecast GVA of £40m based on reduced offer.
Coaching for High Growth (Original forecast, 2010/11 – 2012/13)	Forecast GVA of £75m for full programme.

In conclusion, *emda's* High Growth support programmes have generated significant GVA impacts to the region's economy. Further, our national leadership in respect of this programme has led us to evolve the programme over time to achieve higher impacts and better value for money. Some of the key points in evolving the programme include:

- The £47.56m additional GVA has and will be generated by £5.38m Single Programme *emda* investment (this includes *emda's* High Growth East Midlands Programme and our revised Coaching for High Growth Programme only) resulting in a £8.85 additional GVA return for every £1 invested.
- Over prescriptive qualification criteria can become restrictive with many businesses being excluded from participating.
- Contracting with only one lead contractor enabled the project to be delivered smoothly focusing activity and funding around the end desired outcome.
- Migrating to a brokerage model of delivery enabled the participating businesses to access a wider breadth of expertise more aligned to their need.
- Focus should be given to businesses with the potential to grow rather than those already growing as these latter businesses may not suffer the same market failures.

emda's leadership in the development of a national coaching framework and our exemplar delivery in this area of support has facilitated the development of Government's new Business Coaching for Growth product which incorporates elements of the existing Solutions for Business products, Coaching for High Growth and Understanding Finance for Business.

Chapter 6

Access to Finance

Background

Finance is a vital ingredient in the growth of successful businesses. Historically, most businesses have been able to access the finance they needed to start-up and grow, reflecting a mature and flexible financial market in the UK. Successive administrations have made only limited interventions in this market, but over the last 10 years Government has begun to address other specific market failures in the provision of finance in three areas.

- 1. Equity Finance** – The concept of an ‘equity gap’ was first identified by economists in the 1930s but has risen to greater prominence since the late 1990s. The ‘gap’ emerged as institutional venture capital firms reduced their investments of less than £2m, leading to a shortage in the supply of capital to small businesses, and a negative impact on entrepreneurship, business growth and innovation. In response, the public sector, mainly through BIS (and its predecessors) and the RDAs, have attempted to address this market failure by establishing a range of publicly funded, commercially delivered, equity funds seeking to invest amounts below £2m in SMEs.

emda was the architect of the first wave of such funds, by commissioning (on behalf of BIS and the other RDAs) independent market research on the extent of the equity gap in 1999, and then launching the first Regional Venture Capital Fund (RVCF) in the East Midlands in 2002. *emda* played a pivotal role in bringing together a consortium of investors from Government, the European Investment Bank, Royal Bank of Scotland and four of the region’s local authority pension funds, which together committed £30m to the fund.

- 2. Grant Finance** – Government has also intervened in the finance market through the Grant for Business Investment (GBI) scheme. GBI is a national grant programme, specifically targeted to encourage capital investment by businesses. Separately, Government introduced the Grant for Research and Development (GRD) programme aimed at encouraging businesses to increase their levels of investment in innovative products and processes. Reflecting the increasing role of RDAs in business support and to align with the RES, responsibility for the delivery of GBI was delegated to RDAs in 2002, with a similar delegation of GRD taking place in 2005.

3. Community Development Finance Institutions (CDFIs) – CDFIs play an important role in fostering levels of enterprise in disadvantaged areas, and amongst groups under-represented in terms of business ownership. In 2000, Government launched the Phoenix Challenge Fund, which provided financial support for the creation and development of new CDFIs. These organisations provide loan finance to businesses which are unable to raise mainstream capital, and have tended to focus on particular geographies or specific groups. The Phoenix Challenge Fund invested around £42m in 60 CDFIs across England from 2000 to 2006, including five in the East Midlands which received a total of £3m. In February 2006, Government agreed to devolve responsibility for this activity to the RDAs, with effect from April 2006.

More recently, RDAs have led on Government's response to the economic downturn experienced from 2008, with *emda* developing two loan funds, a regional CDFI and Transition Loan Fund to address the problems experienced by business in accessing finance as a result of the 'credit crunch'.

Policy / Strategy Document

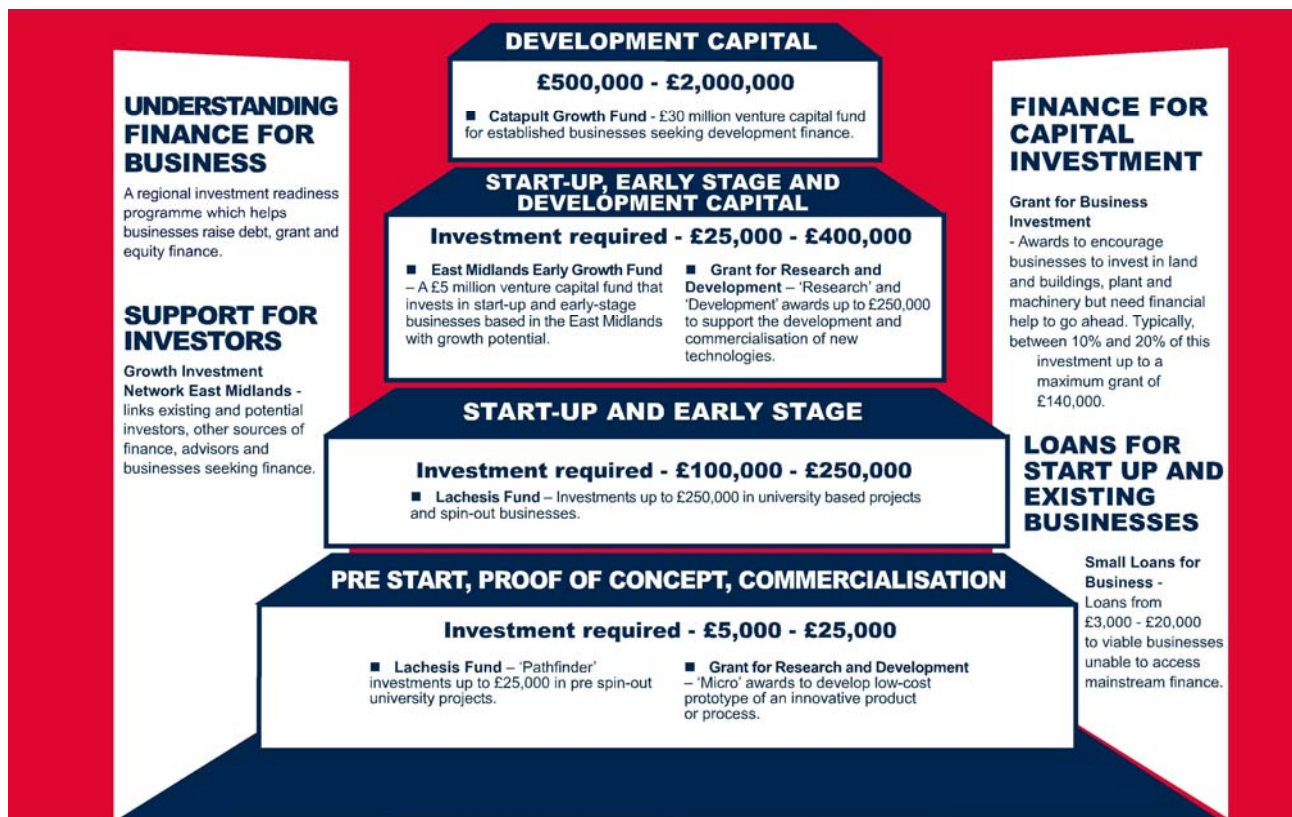
The Enterprise and Business Support strategic priority within the Regional Economic Strategy (RES), *A Flourishing Region*, includes Improving Access to Finance as a priority action. The RES specifies the required actions as the provision of 'investment readiness' business support programmes and targeted financial support packages for specific groups.

The RES also focuses on access to finance as a means of facilitating greater investment in research and development (within the Innovation strategic priority) and stimulating new markets and enterprise opportunities in deprived areas of the East Midlands (Economic Renewal strategic priority), through support for the CDFI sector.

emda's approach to addressing the challenges highlighted in successive RESs has been to develop a Regional Escalator of Funding, integrating *emda* funded activities with those funded nationally.



SUPPORTING ACCESS TO FINANCE



Regional Escalator of Funding

The key equity finance elements of the escalator are the **Regional Venture Capital Fund (RVCF)**, the **Lachesis Fund**, the **East Midlands Early Growth Fund (EMEGF)** and the **Catapult Growth Fund**.

emda was the first RDA to launch a **Regional Venture Capital Fund (RVCF)** in January 2002. Whilst *emda* was not an investor in the fund, the Agency played a key part in securing funding of £30m from public and private sector sources. Managed by Catapult Venture Managers, the fund's remit was to invest between £100,000 and £660,000 in SMEs with high growth potential, and to deliver a commercial return to its investors. Like many venture capital funds, the fund had a fixed life and completed its 6-year investment period in April 2008. By the end of its investment period, the RVCF had invested £19m in 44 businesses, with the fund managers continuing to make further investments into existing portfolio companies, whilst also focusing on realising value and achieving exits on their investments.

An interim evaluation on RVCFs (and other equity programmes) was published by BIS in November 2009. This evaluation identified a number of key lessons and learning points from the respective fund managers and key stakeholders, around the operation of the RVCFs.

These key lessons and learning points related to the:

- Value of appointing Non-Executive Directors to the board of recipient businesses to ensure that SMEs have the expertise and knowledge to maximise the impact of the funding they receive;
- Adoption of staged investment strategies – initially investing smaller amounts alongside other investors to ensure that the public fund had the capacity to invest additional monies when the SME businesses needed it most;
- Need to be ‘hands on’ when investing in start-up and small businesses, with providing investment being only part of the role – mentoring and relationship management were also considered key activities;
- Assisting start-up and small businesses requires a level of expertise and effort, equal to if not greater than that required for larger investments;
- Recognition that RVCFs had identified a real equity gap in the start-up and small business segment of the market, unlike the later Enterprise Capital Fund (ECF) programme which focused on larger, ‘safer’ later stage businesses;
- Need for Government to ensure a fair funding mechanism amongst the regions and that regional variations in equity finance need to be reflected in appropriate public finance models going forward;
- Public sector should take on a significant proportion of the risk when operating in the start-up and small business segment of the market but not always as the first investor, which is considered too restrictive; and,
- Equity finance programmes delivered by the public sector need to be given sufficient time to generate success stories before assessing their impact.

Established in 2002, the **Lachesis Fund** is a partnership comprising De Montfort, Leicester, Loughborough, Nottingham and Nottingham Trent Universities, with the management of the fund undertaken by Spark Venture Management Limited. Lachesis provides funding of up to £250,000 for the commercialisation of research activity, and includes the ability to offer ‘proof of concept’ Pathfinder funding of £25,000. The fund amounts to £10m, comprising contributions from Government, the partner universities, ERDF and *emda* (£3m in February 2004), and to date £7.4m in total has been invested or committed in 52 enterprises and projects. These investments have already resulted in 82 new jobs created, 22 new businesses, 21 science and technology spin-outs, 64 graduates employed, and £25m co-investment and follow-on investment from other sources. An evaluation is currently being undertaken for the Lachesis Fund.

The *emda* Board approved the creation of the **East Midlands Early Growth Fund (EMEGF)** in December 2005, with total funding of £5m. The fund makes investments of up to £200,000 in start-up and early stage businesses, and is managed by E-Synergy Limited. EMEGF requires matching private investment, usually by a business angel, on a £1 for £1 basis, which will effectively mean a total investment in regional SMEs of at least £10m. Since the fund became fully operational in February 2007, it has made 40 investments in 24 businesses totalling £2.5m and is exceeding its target to leverage private investment into each company, having secured £4.25m of co-investment so far. The fund has also supported the creation and safeguarding of 208 jobs in these businesses.

Case Study: Lachesis Fund

Monica Healthcare Limited**Company Summary**

Monica Healthcare Limited is developing a series of innovative wearable devices that will use wireless technologies to facilitate globally accessible obstetric services in the home and hospital.

The company was formed in May 2005 and was the culmination of 15 years of research at the School of Electrical and Electronic Engineering and the School of Human Development at Nottingham University.

The patented technology is based on the acquisition of electro-physiological signals that can be passively detected by electrodes positioned on the maternal abdomen. From these signals a number of parameters including foetal position, foetal heart rate, maternal heart rate, uterine activity, gross foetal movements and parameters describing foetal ECG morphology can be extracted, in real time, and over an extended period of time.

***emda's* response to the challenge**

Early intervention by the Lachesis Fund helped with a Pathfinder award to investigate the freedom to operate within the initial patent. Later, the Lachesis Fund took a lead role in the first round funding along with Catapult Venture Managers, and contributions from the management team, amounting to a total investment round of £500k. In addition, Monica Healthcare has received support through GRD of £100k from *emda* to develop their devices.

Impact

More recently, Monica Healthcare has secured approval from The Food and Drug Authority (FDA) to market their unique foetal heart monitoring device across the US.

“The introduction of the Monica AN24 device to the US market is a significant milestone for us, an endorsement of the team here, and represents an exciting opportunity for this advanced technology to positively impact the care of pregnant women during the critical stages of labour.”

Carl Barratt, CEO, Monica Healthcare Limited

Case Study: East Midlands Early Growth Fund

BPR Medical Limited

Company Summary



Originally formed in 1990, BPR Medical Limited specialises in the manufacture of a range of oxygen therapy and medical gas control products for use in hospitals, ambulances and homecare applications throughout the world, and is the design and manufacturing business behind the Carnét brand.

The company has fully integrated the requirements of the latest medical device manufacture quality system ISO EN 13485: 2003 along with the recommendations of the standard ISO 15001: Oxygen Compatibility.

BPR Medical was looking for funding to enable them to drive forward with their very ambitious growth plans.

emda's response to the challenge

Based in Mansfield, BPR Medical secured £500k investment from Turning Point, a newly formed private investment fund, and the East Midlands Early Growth Fund, managed by E-Synergy, to support the company drive forward with very ambitious growth plans. These plans were also supported by GBI of £42k towards the cost of relocation to new premises.

Impact

As a result of the investment, the company managed to secure an exclusive distribution arrangement with BOC Medical, part of the Linde Group, the world's largest medical and gas manufacturer, for its range of integral oxygen pressure regulator, known as 'Uniflex', and company turnover is expected to reach £10m by 2014.

Quotation

"This investment gives BPR Medical a significant boost that will allow us to develop much more quickly over the coming years and build on the successes we have enjoyed to date. The investment was a result of the introduction by Berryman our solicitors to Turning Point, who subsequently agreed to co-invest with East Midlands Early Growth Fund."

Richard Radford, Managing Director, BPR Medical Limited

Having previously supported a range of equity funds, across the funding range, BIS is now focusing its interventions on funds making larger investments in more established businesses, and in funds without a regional focus. One such fund is the **Catapult Growth Fund**, again managed by Catapult Venture Managers, which invests between £500k and £2m in established SMEs with growth potential. The fund can invest throughout England, but is primarily focused on businesses in the East and West Midlands, reflecting Catapult's base in Leicester and Birmingham. The fund totals £30m, invested by a range of public and private sector partners, and whilst *emda* is not a funding partner, we are represented on the fund's Investment Advisory Committee. The fund, established in January 2007, has invested £12.5m in 14 companies to date, six of which are based in the East Midlands.

These equity and loan funds are integrated with a range of other support services that include **Understanding Finance for Business**, delivered by Connect Midlands, which provides specialist business support to help businesses raise finance, and the **Growth Investment Network East Midlands (GINEM)**, which is charged with increasing the number of business angels investing in the region's SMEs.

A successful fund-raising environment requires both an active supply of finance, which the new funds launched and supported by *emda* are designed to address, and a healthy demand for finance from 'investment ready' companies which meet the quality criteria of investors. The **Understanding Finance for Business** programme, delivered by Connect Midlands and widely known as Connect InvoRed, provides specialist business support through a combination of information workshops and one-to-one coaching and aims to improve the quality of SME investment proposals. *emda* has worked closely with Connect Midlands to develop a region-wide programme which is now acknowledged as best practice by BIS. Since 2002, the programme has helped 141 East Midlands' SMEs to raise £108m.



The Connect InvoRed Programme has helped 141 East Midlands SME's to raise £108m

A full impact evaluation was undertaken on the Connect InvoRed programme in August 2008. Overall this evaluation concluded that the programme had worked very well, reflected in positive survey results, economic impact estimates and views of stakeholders. Unanimously, those companies and stakeholders interviewed as part of the evaluation recognised a need for this type of investment readiness support. The evaluation confirmed that the programme demonstrated a good return and value for money for the public purse.

A further full impact evaluation was undertaken on the programme in January 2011. The findings from this latest evaluation can be summarised as follows:

- Despite a change of Government, the challenges of encouraging business growth continue and access to finance is more important than ever;
- Pre-start and early stage businesses often require support to access the finance they need to grow, but finance is in short supply and there continues to be significant differences between regions;
- Banks have significantly reduced their lending, while the recession and risk aversion have meant that other routes to finance have also become more challenging;
- Between 2007 and 2009, the number of companies invested in per 1,000 in the East Midlands fell further to 0.24, the third lowest of all the regions (and devolved administrations) in the UK behind only Northern Ireland and the East of England and half the figure of London and the South East;
- Between February 2009 and the end of June 2010 the programme provided assistance to 467 businesses of which 219 received more than five hours of support;
- A higher proportion of these businesses were more established with greater experience in raising finance;
- Satisfaction with the programme was high, with the support offered contributing to a range of changes in business behaviour, specifically in changes to business plans, strategy and their presentation;
- A higher proportion of assisted businesses also went on to seek finance (84% of those receiving one-to-one coaching) and of these the majority had been successful within 12 months (53% of those receiving one-to-one coaching);
- Between 2007 and 2009, the programme had created or safeguarded 56 jobs, this is forecast to increase further to 116 over the next three years. This represents a cost per job of £24,600 falling to £11,900 after three years; and,
- Using these net employment estimates, GVA would start at £2.4 million as a result of the impacts to date rising to £5.1 million in 2013.

Despite relative wealth in parts of the region, the East Midlands has traditionally lacked an active business angel market. A review of business angel activity by *emda* in 2003 led to the creation of **Growth Investment Network East Midlands (GINEM)**, a year later, to stimulate greater awareness amongst SMEs and potential investors of business angel investment. GINEM is a regional network of finance venture capitalists, business angel groups, banks, lawyers, accountants and business support groups, which acts as a focal point to raise the profile of growth investment amongst businesses, investors and professional firms. GINEM itself provides information to link businesses and sources of finance via an events programme and a web-based 'signposting' function, and now has a membership of over 40.

A full impact evaluation was also undertaken on GINEM in April 2010. The evaluation suggested that GINEM had played a pivotal role in creating and maintaining a 'networked community' of investors, business professionals and intermediaries in the region, recognised the quality of the events arranged and valuable role played by GINEM in facilitating increased investment in the region's SMEs. Again, GINEM demonstrated a good return and value for money for the public purse.



GINEM is a regional network which acts as a focal point to raise the profile of growth investment

The findings from this evaluation can be summarised as follows:

- Operating on a limited budget, GINEM has evolved from a small group of founding members to a valuable, networked community of investors, business support services and intermediaries in the East Midlands;
- While deal flow remains an issue for members, network activities, such as awareness raising events and investor readiness workshops, have significantly improved the offer to members, providing real added value recognised by the vast majority of stakeholders;
- A more strategic, outward looking and PR focused direction was considered necessary to meet members and other stakeholders expectations;
- GINEM has played an important role in bringing together a previously fragmented finance and professional community, and has facilitated some investment activity in the region; and,
- There is a clear demand for the awareness raising events and investor readiness workshops.

In developing all of our equity and loan funds, and other support services, *emda* receives valuable support from the **Regional Risk Finance Forum**, an advisory board established in 2002 and comprising representatives of the East Midlands finance community. The Forum has a remit to review 'access to finance' issues for the region's high growth and innovative companies and co-ordinate a coherent approach to finance for these companies, and encompasses a broad range of public and private SME funding activity and wider support. The success of the Forum has been based on the open discussions amongst members. The Forum was expanded in 2008 with an increased number of bank members to reflect the continuing impact of the credit crunch.

In addition, the two main national grant programmes delivered by *emda* form part of the escalator. As previously described, these are the **Grant for Business Investment (GBI)** and the **Grant for Research and Development (GRD)**.

Like all RDAs, *emda* was delegated responsibility for the delivery of Government's capital investment grant scheme, **Grant for Business Investment (GBI)**, in April 2002. Formerly known as Regional Selective Assistance and Selective Finance for Investment in England, GBI was initially available only to SMEs and larger businesses located in the Assisted Areas of England, and designed to stimulate business growth and employment in these disadvantaged areas by providing grants of between £10,000 and £2m. In 2007, *emda* extended the scheme to cover the whole of the East Midlands to reflect GBI's increasing focus on supporting investment projects generating substantial growth in GVA, innovative processes and products and high quality job opportunities. However, by matching ERDF against our budget, the Agency also maintained a focus on the region's more disadvantaged areas. Since 2002, *emda* has made 256 grant offers under GBI, creating or safeguarding 7,450 jobs and generating £315m of private sector leverage.

emda was also delegated responsibility for the delivery of the **Grant for Research and Development (GRD)** programme in April 2005. GRD provides grants of between £5,000 and £250,000 to encourage SMEs to research and develop innovative products and processes. *emda* has significantly increased the number of research and development projects supported in the East Midlands (and other external, matching investment in these projects, including the regional equity funds), by immediately moving away from competitive bidding rounds and, more recently, matching ERDF against our budget. An evaluation undertaken in January 2010 into *emda*'s delivery of the GRD programme found that it was one of the most effective in the UK, with a return on investment of almost £10 for every £1 spent and a cumulative net GVA impact of £308m. Since 2005, *emda* has made 203 offers of grant under GRD worth a total of almost £19m.



Case Study: GBI Pluswipes Limited

Company Summary



A Northamptonshire based company which specialises in the production of domestic and industrial wet wipes opened a new 3,964 sq.m. manufacturing facility in July 2009, thanks to a Grant for Business Investment (GBI) of £180,000 from *emda*.

Pluswipes Limited invested a total of £1.6m to develop and expand its operation at Willowbrook Industrial Estate in Corby.

emda's response to the challenge

Pluswipes received a GBI of £180,000 from *emda*.

Impact

The grant enabled the company to invest in its product development work and increase manufacturing facilities for its innovative domestic and industrial cleansing wet wipes.

As part of the redevelopment, Pluswipes introduced two new production lines for wet wipes, which will increase capacity and turnover to £10m in the next five years.

“We’re really delighted that we have been able to get the funding in place to go ahead with our investment plans. The GBI we received from *emda* also helped us to raise the additional money that we needed. The investment has enabled us to increase production and develop new, innovative products for our customers.”

Tanya Teasdale Brown, Director,
Pluswipes Limited

Case Study: GRD

Zeeko Limited**Company Summary**

Based in Coalville, Leicestershire, Zeeko Limited specialises in the production of machines for the manufacture of high precision surfaces often found in optical devices such as telescopes, as well as in applications ranging from flat panel TV screens to orthopaedic joints.

Established in 2000, Zeeko has progressed from being a start-up company with innovative technology to polish ultra precision surfaces for telescope mirrors and other optical surfaces, to become a market

leading company with a wide polishing and metrology product portfolio that competes globally with over 52 worldwide patents.

***emda's* response to the challenge**

Zeeko received a GRD of £200,000 from *emda*.

Impact

Thanks to this grant Zeeko Limited has developed a desk top sized polishing machine for ultra fine and small optical surfaces and at the end of 2011, the company is looking to move to a new headquarters building alongside the National Space Centre in Leicester.

“Zeeko Limited has achieved significant success around the world. The support from GRD gave us the lift off we needed to take our high precision polishing technology to another level and explore new markets.”

Richard Freeman, Managing Director, Zeeko Limited

As new products have been developed since the RVCF was created in 2002, the Agency has aligned the components of the regional escalator to ensure the provision of a structured package of support to businesses in the East Midlands.

For example, a number of SMEs have been supported by investment readiness training or attended a showcase event as part of the Understanding Finance for Business programme and, then, secured investment from the East Midlands Early Growth Fund and GINEM investor groups. Others have secured investment from a regional equity fund, such as the Regional Venture Capital Fund, and matched it with a GRD grant. This alignment also extends to other forms of business finance supported by *emda*, including Business Transformation Grant, the Higher Education Innovation Fellowship programme, which often leads to Lachesis Fund investments, and The Prince's Trust funding. These have been developed in parallel and to support the needs of diverse business groups and communities in the region.

All of *emda*'s main finance programmes have also been aligned to core products which form the national Business Support Simplification Programme (BSSP) portfolio, known as Solutions for Business (SfB) products. This reflects a coherent strategy, pre-dating BSSP, which the Agency has adopted in developing the escalator of funding, to create a relatively small number of complementary programmes, each serving a clearly defined funding gap. Having already created a simplified product portfolio, *emda* has been able to influence the developing national agenda.



“Access to Growth Finance in the East Midlands” report

In June 2007, *emda* appointed consultants to undertake a review of the supply of, and demand for, growth finance in the East Midlands, and the mechanisms which link supply and demand (for example, business support, information and communications).

“Access to Growth Finance in the East Midlands” published in January 2008, centred on whether the regional escalator of funding met the needs of high growth and innovative businesses. The report did not specifically highlight individual funds or programmes. The focus of the report was on additions to the escalator of funding and also reflected:

- The increasing drive nationally for the simplification of, and integration with, other business support programmes.
- The end of the RVCF investment period in April 2008.
- The RES commitment to assess the feasibility of a Proof of Concept or Commercialisation Fund.

Having interviewed or surveyed a range of regional stakeholders and SMEs, the report concluded that:

- *emda* had created a coherent package of financial support, the escalator of funding, which compared very favourably with the offering available to businesses in other regions.
- Half of all venture capital deals in the East Midlands involved an *emda* supported fund, confirming the positive contribution of the escalator to fund-raising in the region.
- There was very little need for *emda* to develop new products in the market, but *emda* should ensure existing provision is maintained. In particular, *emda* should be aware of the potential gap in provision following the imminent end of the RVCF investment period.



KEY LEARNINGS AND RECOMMENDED FUTURE ACTIONS

- Since 2008, and in response to the economic downturn, *emda* has developed two loan funds to address the problems experienced by business in accessing finance as a result of the ‘credit crunch’. The £5m regional CDFI, known as **Small Loans for Business**, was launched in June 2008, and the £6m **East Midlands Transition Loan Fund (EMTLF)** was launched in February 2009.
- The regional CDFI and EMTLF are discussed in more detail in the final chapter of this handbook “*Responding to Economic Shocks*”.
- Returns from the EMTLF were identified by *emda* to support the setting-up of a regional equity fund to fill the gap following the end of the RVCF investment period in April 2008 and the fast approaching EMEGF investment period in September 2011. Unfortunately, the moratorium placed on *emda* (and the other RDAs) has prevented this fund being developed and launched.
- Although the “Access to Growth Finance in the East Midlands” report concluded that *emda* had created a coherent package of financial support which compared favourably to other regions, it should be noted that this support has focused on a relatively small number of very specific interventions.
- This approach has not only reflected the limited funding available to the Agency, by comparison to other RDAs, but also represents a **strategic decision to strike a balance between private and public sector interventions**, supported by research indicating both **market failure and demand for the intervention itself**. These interventions have also been introduced at an appropriate scale in order to ensure a degree of impact. Many RDAs, particularly those with greater access to European funding, have developed a plethora of substantial equity and loan funds in their regions. Some of these funds are now in direct competition with the private sector, one another and, increasingly, nationally managed funds, or are struggling to invest in the number of deals forecast because of a lack of demand. The limited funding available has meant that *emda* has not been in a position to set-up a holding or Joint European Research for Micro to Medium Enterprises Initiative (JEREMIE) fund, as is the case in other regions.
- The approach taken by the Agency has also reflected a **desire to work closely with the private sector in order to maximise leverage** from the limited funding available to *emda*. The **additionality provided by public sector funding has become increasingly important since 2008**, as a result of the credit crunch and subsequent changes in the provision of mainstream finance. The Agency has worked closely with the private sector, regularly consulting with the East Midlands finance community through the Regional Risk Finance Forum and using these channels to raise awareness. In addition, greater private sector investment has been encouraged through a number of our initiatives, such as the network created by GINEM and the business angel co-investment model delivered by the EMEGF.

- **The escalator of funding has enabled public sector funding to be both linked and targeted.** There are numerous examples of businesses that have benefitted from the full range of specialist business support and direct funding provided by *emda* either at various points in their lifecycle or at a critical point in the company's growth when substantial investment was required. This has often required a mix of finance, whether grant, equity or loan.
- As previously stated, all of *emda*'s main finance programmes have been aligned to a number of strategic priorities within the RES. However, the Agency has **avoided developing sector-specific equity and loan funds** to reflect the fact that most investors, and potential investors, whether business angel networks or venture capital fund managers, prefer to invest across a range of sectors. In reality, as the region's priority sectors have been identified on the basis of growth potential for the East Midlands, a lot of the specialist business support and direct funding has focused on businesses from these sectors. This support and funding has also **focused on early stage, innovative businesses, with growth potential.** Businesses that typically continue to be poorly served by mainstream finance.
- Although ERDF funding and varying intervention rates for a number of initiatives have enabled us to maintain a focus on the region's more disadvantaged areas, *emda* has also been determined to **ensure that businesses across the East Midlands have been able to access support and funding.** The Agency moved away from competitive bidding rounds when it took over GRD in 2005 in order to ensure that valuable research and development projects weren't lost to the region purely for reasons of timing. After a successful 'pilot' programme, Understanding Finance for Business was extended, offering investment readiness support throughout the East Midlands from 2006. *emda* was also the first RDA to make GBI available to companies region-wide in 2007. This reflected the increased focus from BIS on higher quality, more innovative investment projects generating substantial growth, and has helped to further increase the impact of the scheme in the East Midlands.
- The new Coalition Government's plans for business support, together with the wider proposals to reduce the budget deficit through public sector funding cuts, present a number of challenges for the continuation of the escalator of funding in the East Midlands. However, access to finance is recognised as being critical to the private sector growth agenda.

RECOMMENDATIONS

- The value of investment and investor readiness support in providing attractive propositions to the finance community should not be underestimated. This specialist support should be an integral part of the emerging Business Coaching for Growth service, bringing together networks at a local level.
- There is also merit in developing 'new' regional equity, quasi-equity and loan funds investing below the £500k threshold of BIS nationally managed funds and focusing on areas of continued market failure – early stage, innovative businesses, with growth potential. These funds not only help to generate future deal flow but also investment activity at a local level.
- Over the next few years, significant returns are expected from a number of existing regional funds. Subject to an appropriate legacy body being put in place by BIS, through Capital for Enterprise Limited (CfEL) these returns should be used to leverage private sector investment into any new regional funds. Such a legacy body could be based on GINEM or the Regional Risk Finance Forum.

Chapter 7

Engaging with Diverse Communities

Introduction

The content of this section overlaps with some of the content of the Enterprise Legacy Handbook. The principle focus of the Enterprise Legacy Handbook is external and primarily concerned with outreach related activities. This section, however, focuses on improving *emda's* capability as an organisation to embed diversity within its core Business Support activities.

Background

Since its creation in 1999, *emda* has undertaken a variety of Business Support activity targeted at diverse, disadvantaged or hard to reach groups, or those in deprived areas. This activity has been hugely beneficial for developing best practice support for different groups. Unfortunately, policy and delivery has sometimes been confused by inconsistent definitions of various communities and unclear responsibilities of the mainstream providers.

emda's internal Business Support Diversity Strategy, created in 2007, was based on the lessons learned by *emda* over previous years of activity. It also drew upon the latest evidence and research around diversity at the time. The Strategy also took account of *emda's* work on a number of related areas including the RES evidence base and the Women Enterprise Action Plan from 2005.

The Diversity Strategy focused on the three areas where *emda* had a statutory public sector duty at the time – **disability, ethnicity and gender**. However, given the specific demographic challenges that faced the region, as was highlighted by the Regional Economic Strategy published in 2006, **age** was also considered and some measures were integrated from the outset.

As part of the measurement of success, Equality Impact Assessments (EQIA) were trialled by the Equalities and Human Rights Commission, and *emda* committed to embedding them within the Business Support products. In general terms, an EQIA is a systematic and consistent way of assessing the work of an organisation in terms of its potential impact on equalities issues.

The EQIA process enabled *emda* to assess whether the current or proposed work would have an adverse or positive impact on different groups in society, leading to an outcome where, as far as possible, any negative consequences are minimised and opportunities for promoting equality are maximised.

The particular concern of the Business Services Directorate was to address any operational implications of planned activity and address the level of community engagement in relation to the promotion of services to key priority groups.

Spatial issues were out of scope of the Strategy, but the same principle applied. Clients of regional programmes were expected to be representative of the target group in terms of geographic coverage. There were separate processes in place to deal with geographic issues and *emda's* Sub-regional Strategic Partnerships (SSPs) were challenged with ensuring accountability on geographic coverage and scope.

Some issues resulted from the grey area between diversity and geography as certain diverse groups exist in different concentrations around the region. Some such groups may exist in high concentrations in defined areas but could be smaller in the context of the region (e.g. Somali community in Leicester, migrant workers in Lincolnshire, disabled community in the former coalfields). While it was important to include such issues in a regional strategy, effective monitoring and implementation could not always be delivered at a regional level and inevitably required close working with local partners and stakeholders.



Evidence Base

It was important to emphasise that there was a great deal of diversity within the groups of people that were discussed. For example, women are far from a homogenous group – the issues faced by those with children or caring responsibilities are vastly different from those without. The key evidence and insights that influenced the development of the Business Support Diversity Strategy are detailed below.

- **In 2006 women’s entrepreneurship rates** were 40% of men’s in the region. Low rates of start-up among women were one of the major causes of the enterprise gap with the United States. Key issues seemed to be a lack of confidence and a higher fear of failure than males. For women with caring responsibilities this is also often a major barrier to starting a business.¹⁶
- For those **disabled people** who are able and willing to be economically active, starting their own business is a popular route. Disabled people are far more likely to become self-employed than the rest of the population – with a self-employment rate of 15%. Given those from the disabled population in the East Midlands who had indicated they wanted to work, this suggested a potential pool of 8,000 hidden entrepreneurs.¹⁷ While initially surprising, these statistics were quite logical – self employment offered a greater flexibility of lifestyle than traditional employment.
- The picture for **ethnic minority communities** was more mixed. The Asian community (broadly encompassing Indians, Bangladeshis, Pakistanis and Chinese) all have very high rates of entrepreneurship and self-employment. Despite high rates of start up there are also problems of quality of the sectoral prospects where the entrepreneurship is focused (high failure rates, long unsociable hours and poor returns). Black African and Caribbean communities on the other hand, despite higher rates of workforce participation, tended not to engage in self-employment.¹⁸ Government research suggested this is not due to aspiration.¹⁹ In fact, aspirations in these communities are often high.²⁰ Instead, access to finance in these communities was more likely to be an issue.
- There is very limited data for recent migrant communities, although anecdotal evidence suggested recent migrants were very entrepreneurial.
- Interestingly, GEM results²¹ suggest that rates of social entrepreneurship are higher for women and Black African and Caribbean communities than traditional entrepreneurial rates. It may be that as well as being an end unto itself, social enterprise is a useful tool for building the skills and confidence needed for enterprise more generally.

¹⁶ London Business School, (2006) Global Entrepreneurship Monitor

¹⁷ Etete Ltd & Derbyshire Chamber of Commerce and Business Link, 2003, The Disabled Entrepreneur

¹⁸ Ram, M, 2006, Ethnic Minority Enterprise and Business Support in the East Midlands

¹⁹ SBS, 2003, *Evidence Base* Sections 2-8

²⁰ London Business School, (2006) Global Entrepreneurship Monitor

²¹ London Business School, (2006) Global Entrepreneurship Monitor

The table below shows the baseline from 2007 and a comparison of engagement levels with Business Link in the various diversity segments based on the years 31st March 2010 and 31st March 2011 respectively.

The table demonstrates that, whilst overall engagement levels dropped (due to cuts in adviser numbers following reductions in funding), the proportions engaging from under-represented communities overall continued to rise. This evidence would suggest mainstreaming diversity using the main business support gateway of the Business Link service.

Business Link Engagement Levels – Baseline 2007 and 12 Months to 31st March 2010 and 2011

Customers by Key Segment	12 Months to 31 st March 2007		12 Months to 31 st March 2010		12 Months to March 2011		Change
	Customers	%	Customers	%	Customers	%	
Total	63,322		101,924		86,712		
BME	2,099	3.3	6,700	7.0	7,082	8.0	+1
Women	7,293	11.5	17,779	17.0	18,207	21.0	+4
Disabled	<i>* Not measured</i>		983	1.0	1092	1.0	0
Rural	13,368	21.1	33,312	33.0	31,026	36.0	+3
Disadvantaged Areas	<i>* Not measured</i>		13,992	14.0	11,268	13.0	-1
Social Enterprise	63	0.1	930	1.0	1,034	1.0	0

* Please note – The Disabled and Disadvantaged Area customer figures were not collected in 2007 as these were not part of the Public Sector duties at the time. However, with the implementation of the updated Public Sector Duties, these figures became part of the regular reporting measures from 1st April 2007.



KEY LEARNINGS

- **Developing separate initiatives for particular ethnic groups is not always effective** for a variety of reasons including; lack of take up, suspicion from the target group and wider community, and an insular approach to engagement. Other factors also have a huge influence, such as migration, language issues, chosen business sector and social capital. Lastly, and most importantly, people often have ‘multiple identities’ with gender, age, ethnicity, generation, sexuality, occupation, lifestyle all being facets of ‘selfhood’ sometimes called ‘hyper diversity’
- **Women are particularly diverse as a group.** The only generalisation possible seems to be women prefer more in depth ‘relational’ support. Some ethnic minority women prefer women only provision, but the overriding demand is simply for quality business support provision
- **Ethnic minorities demonstrate lower use of business support overall.** Ethnic minority specialist agencies tend to fare better than mainstream providers in engaging ethnic minority groups. However, women use multiple avenues of business support from the formal Business Link options to the inform peer-to-peer support groups and friends and family.

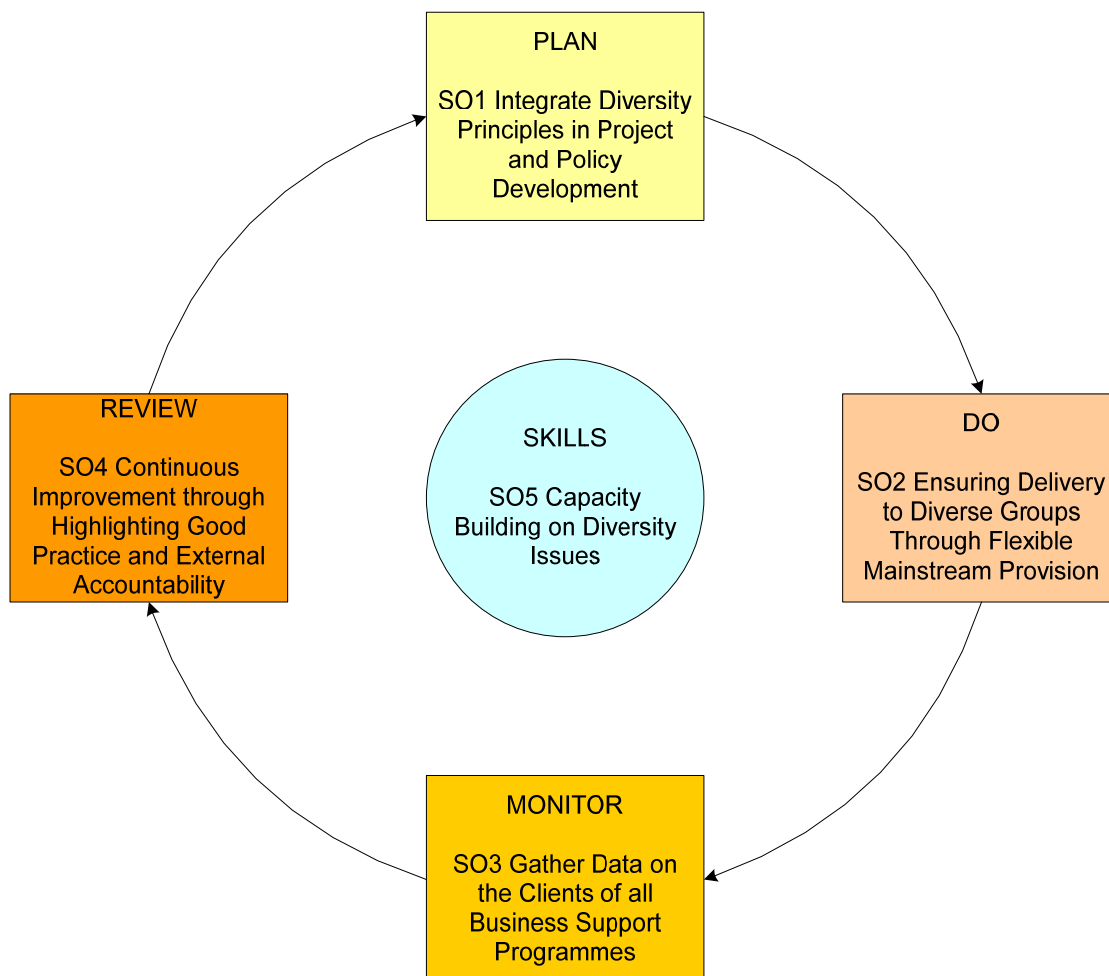
Policy / Strategy Document

The Business Support Diversity Strategy sets out five strategic objectives that would be applied to the delivery of all *emda* mainstream business support programmes. The intention was these should respond to the majority of diversity issues in the region. In addition to these objectives, particular opportunities or barriers were also identified, even although these raised the cost of provision to a target group. Where there were benefits to justify this additional cost, mainstream programmes could be ‘topped up’. For example, this may have included additional assistance to help disabled people or recent migrants overcome the barriers to starting a business.

The three aims of the Strategy were:

- | |
|---|
| ▪ To integrate the business diversity and simplification agendas in order to ensure the maximum return on investment for all business support activity. |
| ▪ To ensure that all underrepresented groups benefit equally from mainstream business support, thereby ensuring compliance with the public sector equalities duties. |
| ▪ To encourage continuous improvement , and so ensuring ongoing excellence and innovation to the regional business support offer. |

To achieve these aims, the Strategy set out five SMART objectives (SO), each with a recommendation for implementation, which are captured in the diagram below taken from the Strategy.

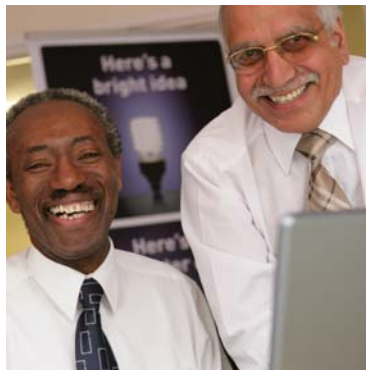


These objectives were used as a benchmark for the level of integration of the national Ethnic Minority Business and Women's Enterprise Task Force's recommendations for Business Support Simplification in 2008, undertaken by external consultants retained by the then Department for Business, Enterprise and Regulatory Reform (BERR). These consultants reviewed the *emda* Business Support Diversity Strategy, the supporting policy and also interviewed members of the Business Support team.

Their conclusions from this process was that not only did the five principles demonstrate best practice in terms of making the process easy to understand, but they also noted *emda*'s role in leading the diversity agenda away from a social inclusion focus to one of economic opportunity.

The Business Support Simplification Programme (led by the then Department of Trade and Industry) suggested that adopting a simplified approach through the use of mainstreamed programmes would lead to three main benefits:

- | | |
|--|--|
| | <ul style="list-style-type: none">▪ Less confusion about where to go for support leading to improved customer satisfaction with publicly funded business support |
| | <ul style="list-style-type: none">▪ Improved efficiency from economies of scale with less being spent on administration of separate products and more spent on front line delivery |
| | <ul style="list-style-type: none">▪ Improved effectiveness through evaluating and constantly improving longer term services. |



The Business Support Diversity Strategy – Objectives and Actions

The Strategy had the following strategic objectives underpinned with deliverable recommendations. However, these were not all seen through to conclusion as the policy landscape changed and the principles were integrated into the broader Business Support Strategy.

Objective 1 – Integrate Diversity principles in project and policy development

Action – Embed the Equality Impact Assessment as part of all Business Support project and policy appraisal by the end of June 2007.

Outcome – This was undertaken and resulted in a far broader approach being taken to diversity and consultation on the needs of diverse communities in all projects – both within *emda* and through external programmes such as ERDF. A full programme of diversity training was undertaken across the Agency, and the results of this were felt in the implementation of the Integrated Equality Scheme through higher levels of understanding of the terminology, the impacts and the needs of the groups.

Objective 2 – Ensure delivery to diverse groups through flexible mainstream provision

Action – Project and policy developers should integrate any issues identified in the EIA into the dissemination of the policy or delivery of the programme. Standard wording should be developed for appraisals, tenders and contracts to reflect the responsibility on business support deliverers to understand diversity issues and ensure their client base is representative of the target group.²²

Outcome – This was undertaken and resulted in a far broader approach being taken to diversity and consultation on the needs of diverse communities in all projects – both within *emda* and through external programmes such as ERDF. A full programme of diversity training was undertaken across the Agency, and the results of this were felt in the implementation of the Integrated Equality Scheme through higher levels of understanding of the terminology, the impacts and the needs of the groups.

²² For universal programmes this means the business services customers should be broadly reflective of the individual and business population.

Objective 3 – Monitor: Gather data on the clients of all Business Support programmes

Action – The Strategy recommended that the following measures become **contractual** for all new business support projects starting after 1st April 2007:

- Gender status of majority ownership of company/ pre-start
- Disability status of majority ownership of company/ pre-start
- Ethnicity (according to 16 census types) of majority ownership of company/ pre-start
- Age of entrepreneurs considering starting a business
- Post code information of business
- Sector/ business purpose
- Number of employees (locally and globally) – but not make up of employees.

Outcome – This was undertaken in the most part and resulted in a far broader approach being taken to diversity within the contract and monitoring process.

The bar chart below shows the proportional change of Business Support users over the last two years:

Diversity Segment Engagement



Objective 4 – Review: Continuous improvement through highlighting good practice and being externally accountable.

Action – Establish a Diversity Advisory Group by October 2007 to help business support programmes constantly improve their marketing and business support offer in order to reach a more diverse client group. Appoint a senior champion of the diversity agenda in the Business Services Directorate.

Outcome – This was put on hold during the life time of the Strategy and was then going to be integrated into the internal Advisory Group for the Integrated Equality Scheme. However, with changes in the Agency underway, this did not progress and external consultation groups were used – when required – for processes/projects/strategies that fell under the Duty to Involve.

Objective 5 – Ensuring the appropriate understanding of Diversity issues is embedded

It was recognised that in order for mainstream provision to be effective in reaching diverse groups, the designers and providers of mainstream services needed to have an understanding of different communities. Where there is expertise that could be shared within the network the clients can be referred to the deliverer with the best understanding of those needs. The sharing of this expertise requires capacity building.

In 2007, the Agency's capacity building was focused on ensuring all business support advisers delivering projects meet the current SFEDI standards. Once this was completed, there would be a need to widen the scope of capacity building to include the diversity agenda.

Action – Train all *emda* Business Support staff in diversity issues. Expand the ongoing programme of capacity building of all providers of *emda* business support to include diversity issues once the minimum adviser and organisational quality standards are in place (from 1st April 2008).

Work with people from diverse communities to improve the representativeness of business advisers and understanding of business support offer.

Outcome – Training and capacity building was undertaken across the Agency and with a number of partner organisations, including Business Link, the Start Up Provider Network and the delivery partners for high profile projects such as High Growth and MAS. It resulted in a stronger approach being taken to diversity and engagement.

As a result, all partners who were part of the capacity building process confirmed their willingness to increase their representativeness in the communities they served and came to a broader appreciation of the economic benefits of widening participation and engagement.

Recommended Future Actions

Mainstreaming is a positive way to approach engagement of diverse groups into the business support arena, but is not always the only answer. It became apparent during the process of writing and issuing the Business Support Diversity Strategy that the policy agenda was moving toward further mainstreaming and the integration of equality into the wider delivery of projects. With this change, came the decision to further mainstream the Diversity Strategy into the Business Support Strategy.

This led to the Diversity Strategy not only having a section within the wider strategy, but it also became an underpinning theme which was reflected in the Business Support marketing collateral and the appraisal, monitoring and evaluation of projects. However, the lesson that needs to be taken into consideration is whilst mainstreaming is a positive goal, targeted intervention may still be required for some groups.

One of the key achievements and findings of the Strategy was the introduction of the Business Support Diversity Manager. This was a policy based delivery role that worked in conjunction with, and as support to, the corporate diversity role. It was recognised that Business Support had a hugely influential role as it 'touched' so many of the communities and people of the East Midlands through programmes such as Business Link, MAS, and Business Mentoring.

When diversity is truly integrated, it does not become a point of discussion, but is part of the essential thread that runs through everything.

Mainstreaming is no silver bullet; it will need sustained effort and continuous improvement to achieve – in the words of Ram and Jones what is needed is a 'policy learning' culture.

For future work, it is recommended that diversity be a consideration at all times. It does not need to be an administrative or HR 'burden', but a fundamental consideration when creating anything that will be internally or externally facing. When diversity is truly integrated, it does not become a point of discussion, but is part of the essential thread that runs through everything.



KEY LEARNINGS

- Since 1999, *emda* had undertaken a great deal of business support activity in many target communities, including ethnic minority communities, women and disabled groups. Typically, this was focused on business start-up as evidence has suggested this was the greatest business support issue facing many hard to reach groups. This activity was useful in encouraging innovation in the marketplace and piloting new approaches.
- A great deal has been learnt from this process in terms of good practice. However, as a result of this approach, support to businesses or potential businesses from particular target communities was often small scale and had a variable impact.
- These many small initiatives have also contributed to the proliferation of business support and the core funding of a wide range of various groups in the region. Increasing evidence suggested policy should be focused on developing a 'braided approach' focussing on bending mainstream support to suit different communities rather than discrete (and often unsustainable) specialist initiatives.
- This "braided approach" was not intended to negate the fact that occasionally additional support was required for certain groups, but ideally that it should also be accessed through mainstream access channels and without creating entirely new products with their own brand (which is known to be the principle source of customer confusion).

Chapter 8

Responding to Economic Shocks

Background

As is the case with all RDAs, *emda* had a key role in bringing together regional partners, especially when responding to economic shocks.

Early examples of this role, both in 2001, included the Agency's response to the **Foot and Mouth Outbreak**, in support of the region's rural and tourism businesses, and the leadership provided to the **Rolls-Royce Taskforce**, set-up to deal with the economic fall-out of the loss of some 2,000 East Midlands jobs at the company, as well as Rolls-Royce's wider supply chain. More recently, *emda* launched the £750k **Flood Recovery Fund** with the support of Business Link East Midlands in 2007, in support of those businesses affected by the floods in that year.

In his report to the Prime Minister on the 'Rural Recovery after Foot and Mouth Disease', published in October 2001, Baron Christopher Haskins put forward a number of recommendations. These included "...using Regional Development Agencies as the catalyst for overseeing and targeting support for all sections of the rural economy, as they were best placed to target and deliver support for businesses in need of help as quickly as possible."

emda spearheaded the Rolls-Royce Taskforce, alongside Rolls-Royce, AMICUS, local authorities and a range of other public sector partners. In its first six months, the Taskforce had set-up two resource centres in Derby and Hucknall providing on-site support packages, including a three-day career transition programme and personal counselling sessions, for all the affected employees, and secured nearly £1m from the Rapid Response Fund for workforce training. The Taskforce also implemented a short-term £220k recovery package for the aerospace supply chain, before negotiating a more substantial long-term recovery package from Government, which included the setting-up of the Midlands Aerospace Alliance with Advantage West Midlands.

Lessons learnt from and recommendations made by the Rolls-Royce Taskforce resulted in the development of the Pan Regional Redeployment Project – renamed Career Chain in early 2009 – and Regional Hotspots Group by *emda*, together with a more co-ordinated, public sector response to large-scale job losses in the region in future years.

Government Office for the East Midlands' 'Summer Floods 2007 Recovery' report stated that: "The Regional Development Agency (RDA), *emda*, was very responsive, quickly establishing a flexible support fund, which was prompted and assessed through Business Link East Midlands, that has won praise for putting together an effective administration and delivery mechanism in very short order." In summary:

	<ul style="list-style-type: none"> ▪ <i>emda</i> was the second RDA (one day after Yorkshire Forward) to establish a Flood Recovery Fund with effect from 3 July 2007
	<ul style="list-style-type: none"> ▪ £750k (increased by <i>emda</i> from £500k) was allocated from the Single Programme for the East Midlands' Flood Recovery Fund. This provided grant aid support to businesses who could demonstrate non-recoverable loss
	<ul style="list-style-type: none"> ▪ <i>emda</i> identified the recently established regional Business Link East Midlands as the mechanism for distribution of grant aid to effected small and medium-sized enterprises (SMEs) through the information, diagnostic and brokerage (IDB) process, also providing SMEs with relevant business advise at a difficult time
	<ul style="list-style-type: none"> ▪ <i>emda</i> was successful in securing the agreement of Defra to support Annex 1: agricultural businesses and producers (farmers) with grant aid under State Aid <i>de minimis</i> arrangements
	<ul style="list-style-type: none"> ▪ The East Midlands Flood Recovery Fund closed to new applications on the 31st October 2007 (extended by <i>emda</i> from 31st July) There were 1,070 total 'hits' on the custom designed 'Flood' page of the Business Link East Midlands website. 271 SMEs registered an interest in the Fund, 255 appointments were made with SMEs by Business Link advisors. 161 grant offers were issued in total to SMEs (14 of these were agricultural businesses).

The PocketWatch Waistcoat Company, based in Gainsborough, was one business which was helped through the Flood Recovery Fund, receiving £2,500 against losses from out of date stock, deposits on events and loss of income from sales.



emda Response to the Recession

emda's position as a private sector led, public body allowed us to strongly influence the region's economic agenda, taking a wider view of impact across the East Midlands and flexing financial resources quickly to meet changes in business needs. This was particularly important during the challenging economic conditions experienced globally from 2008.

In the RDA Chair of Chairs role at this time (from October 2008 to March 2009), *emda* was central to Government thinking, acting as an 'ideas factory' and designing innovative suggestions for improvements in the interventions required to assist businesses. The Agency also encouraged other RDAs to be timely and creative in their responses, getting them to think outside the usual rules and regulations. A significant outcome of this enhanced role for RDAs saw, for the first time, the Pre-Budget Report in November 2008 contain a specific chapter devoted to the work of the RDAs, entitled 'Meeting the economic challenges in every region'.

Bryan Jackson was appointed Deputy Chair of the **Regional Economic Cabinet** which met every four to six weeks during this period. *emda*'s Chief Executive, Jeff Moore, was also a member. The Regional Economic Cabinet shared intelligence and challenged public sector partners to ensure that activities were coordinated to help businesses during the downturn.

In August 2008, the Government and *emda* jointly published 'The East Midlands Economy – A joint response to changing economic circumstances', and a new Regional Business Support Strategy for the period 2008-2011, entitled 'Encouraging Business Success' was launched in October 2008, providing an overview of the services that were open to businesses to help them adapt to changing economic conditions.

Both publications resulted in *emda* introducing a number of interventions to address the economic challenges facing businesses in the East Midlands.

Delivering for the Region

emda hosted a series of '**Survive and Thrive**' business support events across the East Midlands in December 2008 as a rapid response to the economic downturn. Over 2,000 business people attended the five events, each of which featured master classes provided by leading financial and legal experts from the private sector. They offered businesses practical advice and possible solutions on topics such as managing cash flow, efficient management of



Peter Sterling of Cooper Parry presenting at a Survive and Thrive Event

resources, negotiating with banks and legal advice. Businesses were signposted to Business Link as part of the follow up process. Almost 19,000 people accessed information from the dedicated website that supported the events.

The Agency also launched the **Route to Market** programme at the Survive and Thrive events. This programme built on the events themselves and was designed to provide businesses with intensive support in the key areas of developing a business strategy, retaining customers, recruiting and developing staff, sales and marketing and support for managing finances – all key areas to help businesses survive and thrive in any economic climate. Aimed at senior managers, the Route to Market programme encouraged them to implement these areas of activity within their business and was delivered in three phases consisting of a total of five workshop days over a two month period.

Business Link activity was also refocused to guide businesses through the recession. All **Business Link Advisers** underwent additional training, including an adviser symposium, to enable them to deal with a range of financial questions and scenarios relevant to the economic downturn. The 'Balanced Scorecard' framework was revised to ensure that advisers were picking up key indicators of business health in the context of economic decline. A dedicated credit crunch folder was created on the Knowledge Bank (RBSIS) bringing together a range of information resources for customer facing Business Link staff to use with clients. Advisers also continued to focus on business and financial planning, including robust market research prior to start and realistic cash flow projections, as well as making clients aware of different funding options as an alternative to traditional bank finance.

Those advisers with specialist financial expertise increased the number of business turnaround specialists and insolvency practitioners on the Regional Service Provider Register. Several high street banks also signed up to a new referral process supported by dual branded literature.

Business Link East Midlands undertook additional targeted marketing activity to over 340,000 businesses by December 2008, through e-mail, telemarketing and direct mail to encourage them to take up the public sector support available to them. Specific campaigns highlighting information relevant to the credit crunch were also run in addition to county based credit crunch events to raise awareness of the issues and support available.

In addition, Business Link enhanced the grant aid offered through the **Business Transformation Grant** (BTG) to include specialist support to help businesses to recruit a private sector **Turnaround Specialist**. This enhancement was intended to wholly or part fund the cost of a Turnaround Specialist to carry out a diagnostic and action plan, specifically addressing problems as a result of the downturn and identifying agreed milestones with businesses. This grant aid was provided when businesses experienced either a significant customer becoming insolvent and leaving bad debts, the loss of a major contract, the withdrawal of planned funding or an existing bank facility, or an increased number of final demands from suppliers.

emda worked with Business Link to deliver a series of **'Survival of the Fittest'** events from January 2009 onwards to further raise the profile of resource efficiency in business. As part of these events, *emda* provided an additional £1m of grant aid through a **Resource Efficiency Business Transformation Grant** to help businesses reduce their energy, waste and water costs.

The Agency also supported a further series of **'Showcase, Market and Sell'** events during February and March 2009. Organised by the East Midlands Chamber of Commerce, the events focused on helping businesses to find new markets and opportunities to trade.

The support available through **Train to Gain** was also tailored and enhanced to better meet the needs of smaller businesses. From November 2008, funding for leadership and management

training was extended to businesses with less than 10 employees, with contributions to wage costs continued, for all businesses with less than 50 employees, to cover the cost of time off to train. From January 2009, SMEs were also able to access shorter, focused, training programmes in subjects including business improvement, business systems and processes, team working and communications, sales and marketing. In addition, individuals were able to undertake fully funded Level 2 qualifications and partially subsidised Level 3 qualifications, regardless of whether they already had a qualification at this level.

The **Pan Regional Redeployment Project** was first developed as a result of recommendations from the Rolls-Royce Taskforce, to support the retention and development of engineers within the aerospace engineering sector following the downturn in the supply chain after the 9/11 attack. The project comprised of a range of services for those facing redundancy including careers guidance and job search support, together with vocationally specific training and development opportunities. *emda* funding of £1.6m provided these services prior to the formal 90 day notice period. In addition, the project also offered companies that were seeking to recruit with the opportunity to place their vacancies on an online database. These were then matched with suitable candidates, thereby retaining their skills within the East Midlands.

The project was expanded in early 2009 with an additional £400k of funding, and renamed **Career Chain**, to encompass the construction sector, ensuring the region was able to respond even more swiftly and effectively to the economic downturn. A matching service to that for the engineering sector, Career Chain helped construction professionals facing redundancy in the private housing sector to find employment with companies that are working on infrastructure and public projects, supporting the growth in these areas and minimising the impact of decline in private housing.



Showcase, Market and Sell Events were organised by the East Midlands Chamber of Commerce during February and March 2009

Further advice was made available to tourism businesses with the launch, by **East Midlands Tourism** (EMT), of an additional two electronic **Q-Books** entitled 'International Welcome' and 'Profit', which aimed to help tourism businesses improve their welcome to international visitors, reflecting the opportunities presented by the London 2012 Olympic Games, and also help maintain levels of profit and productivity through the recession.

Leading on an action agreed by the Regional Economic Cabinet, *emda* held an extraordinary meeting of the **Regional Risk Finance Forum** to better understand, and challenge, the lending position of finance institutions.

In response to the economic downturn, *emda* developed two loan funds to address the problems experienced by businesses in accessing finance as a result of the credit crunch. The £5m regional CDFI, known as **Small Loans for Business**, was launched in June 2008, and the £6m **East Midlands Transition Loan Fund** (EMTLF) was launched in February 2009.

emda was delegated responsibility for CDFI activity in April 2006 and a ring-fenced budget of £770k from Government for the period 2006-2008 was confirmed at that time, albeit not fully received until September 2007. An external review of existing CDFI activity in the region, completed in February 2007, concluded that *emda* should establish a single, regional CDFI loan fund, to provide loans to micro businesses which are viable, but unable to access mainstream commercial finance. This became an even greater issue during the credit crunch.

In November 2007, *emda*'s Board approved total funding of £2m, including the ring-fenced budget, to create the loan fund, and a further £600k over four years to support the running costs of the fund manager. Following a procurement process, First Enterprise Business Agency (FEBA) was appointed as fund manager in April 2008. FEBA, based in Hyson Green, Nottingham, have a strong track record in lending to micro businesses and brought with them an existing £3m loan book, immediately contributing £1m from this book to the regional CDFI fund. The fund has subsequently secured additional ERDF of £1m.

Small Loans for Business was launched at a series of events across the region during June 2008, offering loans of between £3,000 and £20,000. The fund's target is to assist 880 businesses over a ten year period and achieve operational sustainability during that time frame. Whilst the fund took some time to be developed, the emphasis on a single fund to deliver long-term sustainability is in contrast with the approach taken in many other regions, which have chosen to distribute funding across a larger number of small, existing CDFIs. This does achieve quick delivery but, *emda* believes, makes it difficult for those organisations to move away from reliance on public funding over the longer term. In its first two years, Small Loans for Business has approved 154 loans to a value of £1.9m.

Case Study: Small Loans for Business

EWA

Company Summary



The first Polish grocery store in the heart of Derby's city centre opened for business in 2009 with the help of a small business loan. Adam and Ewa Strombek, who moved to Derby from Poland five years ago, received support from Small Loans for Business (formerly known as EnterpriseLoans East Midlands) to help them set up the 'Ewa', translated as Eve, in the Cornmarket. The shop will cater for Derby's thriving Polish community, currently estimated at more than 6,000 people, as well as those with a taste for Polish delicacies such as wiejska spicy

sausage, pickled cabbage, chocolate covered marshmallows and other products that are already established in the UK.

emda's response to the challenge

Established by *emda* and managed by First Enterprise Business Agency (FEBA), Small Loans for Business provides businesses and entrepreneurs with loans of between £3,000 and £20,000. Offering advice for other budding entrepreneurs, Quamar Zaman, Chief Executive of FEBA said: "Small Loans for Business is a sustainable source of funding which addresses the difficulties of accessing finance. If you do apply for a small business loan, you will get help and assistance with your application, but it's important that you are prepared and organised. Getting your loan approved depends on how well you present yourself, your business and your financial needs."

Impact

Speaking at the official opening of the shop, Adam Strombek said: "This is a really proud day for both of us. When we arrived in Derby five years ago we couldn't have imagined that we'd eventually be opening our own shop in the city centre. We'd like to thank FEBA for giving us the advice and support we needed to help us realise our dream. We'd like to introduce the local community to new products that cannot be found in other convenience and large retail stores."

In February 2009 *emda* announced the £6m **East Midlands Transition Loan Fund** (EMTLF), a loan fund aimed at helping to address some of the problems that businesses were facing in obtaining credit through banks and other traditional routes at the time. Transition Loan Funds were first announced in the Government's Pre-Budget Report in November 2008 as a temporary intervention, pending other Government measures to stimulate bank lending, subsequently announced as part of the 'Real Help for Businesses' initiative.

The EMTLF provided individual loans of between £50,000 and £250,000, for up to three years, on a commercial basis. Business Link East Midlands acted as the first point of contact for this fund, sifting the large number of enquiries received before passing them onto the fund manager, Advantage Transition Bridge Fund Limited. These fund managers had previous experience of operating similar funds in the West Midlands.

The EMTLF was closed to new applications on 30 November 2009. Our fund approved 59 loans to businesses employing 2,890 staff. These loans totalled £6.69m as the fund manager was able to recycle repayments from *emda*'s initial £6m contribution. As at 31 March 2011, Advantage Transition Bridge Fund Limited was still forecasting a return of £5.8m to *emda* (97% of the Agency's contribution)

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HM Government

Case Study: East Midlands Transition Loan Fund

Doff Portland Limited

Company Summary



One business in Nottinghamshire that received a loan was Doff Portland Limited of Hucknall. The company manufactures insecticides, weed killer and garden fertiliser products. Their 2009 results were affected by unusually dry summer months impacting on the agricultural side of the business, after there had been substantial investment in plant, machinery and business development, using up the company's cash reserves. The company's bank was not prepared to provide an increased loan facility.

Doff Portland Limited were working with their accountants, Cooper Parry, who recommended that they should approach the Transition Loan Fund.

The fund managers agreed a loan of £200,000 over one year. This helped facilitate a move to a new bank and enabled the business to complete an equity funding round to secure its future from Turning Point, an East Midlands investment consortium, and fund managers Enterprise Ventures.

emda's response to the challenge

Established by *emda* and managed by Advantage Transition Bridge Fund Limited, the East Midlands Transition Loan Fund (EMTLF) provided individual loans of between £50,000 and £250,000, for up to three years, on a commercial basis at a time when businesses were facing problems in obtaining credit through banks and other traditional routes.

Impact

The EMTLF was closed to new applications on 30 November 2009. Our fund approved 59 loans to businesses employing 2,890 staff. These loans totalled £6.69m as the fund manager was able to recycle repayments from *emda's* initial £6m contribution.

RDA's themselves were challenged by Government during the recession to procure at least 10% of their goods and services from SMEs and commit to a 10 day payment period. Historically, almost 50% of *emda's* expenditure on goods and services has been provided by SMEs, whilst the Agency has remained committed to paying suppliers within 10 days of invoice, achieving the 90% target set.

In fact, in our RDA Chair of Chair's role, *emda* was instrumental in encouraging other RDA's to commit to these targets and working with the region's local authorities to adopt the same targets.

In addition to the Pan Regional Redeployment Project, the **Regional Hotspots Group** was also set-up as a result of recommendations from the Rolls-Royce Taskforce back in 2001. Over the last 10 years, the Group, which consists of key partners, such as Business Link, Jobcentre Plus and local authorities, has worked with employers facing change, tailoring its response to the individual needs of the employer and their employees. In terms of large-scale job losses, the Group is able to provide counselling and support for employees affected, assistance to find employment both in the same or alternative sectors, advice for anyone considering self-employment, training to develop new skills and mobile redeployment resources. The Regional Hotspots Group has worked closely with a number of employers, including Siemens in Lincoln and Toyota in Burnaston.



emda spearheaded the Rolls-Royce Taskforce, alongside, Rolls Royce, local authorities and a range of other public sector partners

Recent Activity

More recently, *emda* has again provided the leadership to establish the **AstraZeneca Taskforce** following the decision of the company, late in 2010, to close its research and development facility in Loughborough, which employs 1,200 staff. The Taskforce has already undertaken an assessment of the closure of the facility on the local and regional economy and put in place support to help those employees affected to find new jobs, set-up in business themselves or gain new skills. Working closely with AstraZeneca, *emda* is currently identifying new uses for the facility itself, as well as new employment and investment opportunities for Loughborough and the surrounding area to maximise the existing skills of the workforce.

Key Learnings and Recommended Future Actions

emda's effectiveness in delivering and prioritising programmes and projects that offered high value added benefits for the region in the economic downturn and in preparation for the upturn, was assessed in the National Audit Office's Independent Supplementary Review (ISR), published in May 2010.

The National Audit Office (NAO) assessed that *emda* had demonstrated a 'strong performance', the highest possible assessment, and highlighted a number of specific actions taken by the Agency:

	<ul style="list-style-type: none"> ▪ <i>emda</i> provided a strong shared regional evidence base which was both recent and relevant;
	<ul style="list-style-type: none"> ▪ A panel of economic experts peer reviewing economic analysis and outputs ensured high quality assessments;
	<ul style="list-style-type: none"> ▪ The Agency used robust criteria, including sophisticated assessment of GVA based on strong evaluation evidence, for reprioritisation of all programmes and projects;
	<ul style="list-style-type: none"> ▪ <i>emda</i> actively sought out and signposted partners to alternative funding sources to enable projects to go ahead in the face of budget cuts;
	<ul style="list-style-type: none"> ▪ The Agency's well developed relationships with the business sector ensured that there was a strong business input into the design and delivery of interventions; and,
	<ul style="list-style-type: none"> ▪ A close alignment of partner activities and priorities was supported by <i>emda</i> through shared region-wide planning.

"*emda* has demonstrated its capacity to respond quickly and effectively to crisis, whether foot and mouth, flooding or economic downturn."

The Engineering Employers' Federation (EEF)

"We are pleased with *emda*'s positive response to the economic crisis and the range of measures that they have introduced to support businesses in the East Midlands, particularly those aimed at micro-businesses and SMEs."

The Federation of Small Businesses (FSB)

The Agency also undertook Customer Perception and Satisfaction Surveys on an 18 month to biannual basis to gather the views of actual and potential stakeholders. In 2009, 70% of respondents overall believed that *emda* was a “...**proactive organisation that adapts its position in-line with movements in the regional economy and market conditions.**”

emda had a key role in bringing together regional partners, especially when responding to economic shocks. The Agency learnt a number of valuable lessons from its response to early economic shocks, such as the Foot and Mouth Outbreak and Rolls-Royce Taskforce, lessons that have been used in later responses, such as the ‘credit crunch’ and AstraZeneca Taskforce. These lessons included:

KEY LEARNINGS

- The need to react positively and quickly to an economic shock, and for one body to take a strong, lead role.
- This lead body should be able to bring together ‘local’ and national partners from both the public and private sector, providing leadership. In turn, this requires a lead body that is well connected to and respected by a range of partners, particularly those in the private sector.
- Both the public and private sector can add a different perspective and significant value to any response. However, this value is substantially enhanced through greater co-operation.
- When the final beneficiaries are mainly from the business community, responses are far more effective when recognised ‘experts’ from the private sector take a greater role. The benefits from this greater role far offset any risks associated with conflicts of interest.
- Economic shocks will often impact across administrative and functional boundaries. Therefore, it is important that the lead body and partners are able to properly reflect these differences and effectively deliver the response.
- Both the lead body and partners need to ensure that sufficient resources are available from the outset of the response to ensure that actions can be delivered. It is difficult to recover and maintain confidence amongst the partnership and beneficiaries if this is not the case.
- Actions relating to any response are likely to be far more successful if supported by robust evidence and research. Subsequently, it is important to evaluate and measure the impact of these actions. This includes feedback from beneficiaries.
- Earlier evaluations have been used by the Agency to provide further intelligence and a ‘best practice’ framework for responses to later economic shocks. For example, the Flood Recovery Fund.
- Appropriate marketing channels, particularly to final beneficiaries, need to be carefully

considered. The use of technology plays an important part here, enabling responses to be communicated in a timely and cost-effective manner to a wider audience. Bespoke promotional materials and dedicated websites or web pages have been particularly well received.

- However, the ability to provide experienced and knowledgeable, face-to-face contact to beneficiaries on the ground remains very important.
- The infrastructure available through Business Link East Midlands, in terms of both technology and face-to-face contact, enabled a high volume of enquiries, particularly from the outset of the response, to be effectively managed. Business Link also provides a recognisable, well-established 'brand'.
- Interestingly, economic shocks actually provide access to a relatively high proportion of beneficiaries who ordinarily would not access mainstream support; and in turn, some actions have been developed into mainstream support, such as the Pan Regional Redeployment Project, renamed Career Chain.

Going Forward

The response to most of the early economic shocks tended to be more project based, with each project having a clearly defined timescale. The economic downturn from 2008 raised a number of complex, linked issues for the East Midlands and required a more comprehensive and collaborative programme based approach from the Agency and its partners.

The new Coalition Government's policy of 'localism', effectively replacing regional bodies, such as *emda*, Business Link East Midlands and Government Office for the East Midlands, with BIS Local and Local Enterprise Partnerships, together with cuts in public sector funding, presents a number of challenges for future responses to economic shocks.

Recommendations

1. The value of a sub-national body with the **ability to lead and bring together** local and national partners, and **act across boundaries**, both **positively and quickly**. As it is crucial to be well connected to and respected by a range of partners, particularly the private sector, this lead body must have a **track record** of being able to deliver a successful response.
2. A programme based approach, over a sustained period of time, requires a **reprioritisation of activities, funding and other resources**. This reprioritisation can be fairly fundamental and needs the 'buy-in' of not just the lead body but all partners.
3. A strong, united voice will be required by the lead body and partners not only to **influence Government thinking** but also to **secure adequate funding and other resources**, again, to deliver a successful response.

Concluding Statements

This handbook has been developed to inform the next generation of organisations that will have responsibility for promoting and supporting businesses across the cities and counties of the East Midlands – and to help ensure the East Midlands thrives as an economy based on sustainable, productive and growing businesses and provides opportunities for all people and places.

It is a collection of learning and experience based on more than a decade of working with and supporting businesses at local and regional levels. The case studies and key learnings which have been included may assist in the planning of activity in the future to maximise returns.

The handbook reflects the work *emda* has led to bring coherence, coordination and consistency to the multifaceted business support interventions it and other partners have delivered. *emda*'s aim has been to maximise the opportunities that businesses have to contribute to the region's growth. It also reflects the positive responses received from the business community to the work *emda* has done over this period; improving the service, removing duplication and increasing efficiency.

It has summarised the journey that *emda* has taken in using publicly funded Business Support in pursuit of economic growth and sustainability. Readers will have gained a sense of the considered risks that *emda* took in order to put strong building blocks in place to raise the productivity of the region's businesses and the leadership roles that *emda* assumed (including on responding to economic shocks and on Business Support Simplification) to ensure that the region remained resilient to change.

Due to the breadth and depth of interventions *emda* has made in this agenda, readers will have noted that this Business Support Legacy Handbook represents a series of "mini handbooks" across a range of specific topics. However, not all of *emda*'s support to business is covered in this handbook, and to get a more complete picture, it is recommended that this handbook be read in conjunction with *emda*'s handbooks on: Innovation, International and Tourism as well as the three handbooks covering the following cross cutting themes Enterprise, Low Carbon and Manufacturing.

The handbook concludes by describing how the current Government policy is shaping the environment. Business performance remains a key to our national and international competitiveness and will continue to require some level of public intervention. BIS should not underestimate the resource and investment that has already been allocated to ensure that the region's SME's remain competitive.

Since 2005, RDAs have been the primary funders of this type of support for the Government – and for example, from 1st April 2006 to 31st March 2011, *emda* invested £165.5m in the delivery of regional Business Support. Going forward, it will be important that BIS Local and LEPs work closely together with the remaining Government organisations to inform and align their strategies so that the best possible outcomes can be secured for the future

This is truly a time for close partnership between Government Departments, businesses, and local community action. If this can be achieved, the legacy of the East Midlands Development Agency's work can be retained.

Annexes

Annex 1 Business Support Programmes that were prematurely stopped

Annex 2 Glossary of Terms

Annex 1

Business Support Programmes that were prematurely stopped

There were a number of products that could not be progressed and deployed as part of the regional portfolio. This was due to them being formally implemented in 2010/11 but being restricted due to the funding changes to RDAs by the new Government. These included *emda* pilot activities. Our activity and learning from these products are covered in this Annex.

These included:

The Business Mentoring programme

In 2006, *emda* developed a regional Mentoring programme that was delivered via an external contractor up until 31st March 2011.

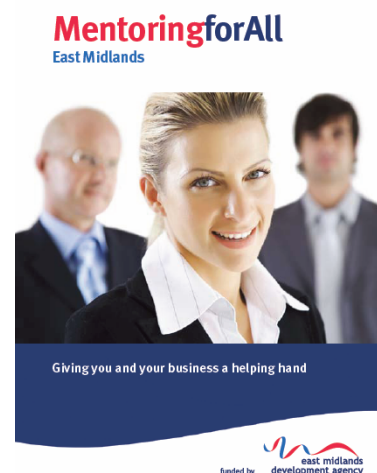
The project was designed to help managers develop their thinking in a non-threatening environment. Further, with the region's Business Link service migrating to an Information, Diagnostic and Brokerage provision, there was an apparent gap between the Business Link universal offer of business support and the intensive offer available through the Solutions for Business portfolio. For example, Coaching for High Growth is a highly targeted and intensive support programme.

Indeed *emda* funded research identified that there was a need for a business support product which recognised that many business leaders did not see conventional business support offerings as applicable to them.

Primarily the issue was that there was no acceptance by those offering support that management time was largely incapable of accommodating off site training or that the 'one-size-fits-all' approach to business support packages could not maximise individual benefit.

Since 2006, *emda* has invested almost £3.3m in the provision of a mentoring service, assisting more than 1,700 businesses. The independent evaluation of the programme between 2005 and 2008 reported back that for every £1 invested by *emda* a further £6.72 additional GVA was generated via the programme.

Although not part of the original SfB portfolio, *emda* exercised its leadership and influence to convince BIS of the positive impacts that a national mentoring programme could have on economic competitiveness. In 2009, with *emda*'s help, BIS published a national product descriptor for a Business Mentoring product that was in the first instance to be piloted by North West Development Agency (NWDA), South West Regional Development Agency (SWRDA and *emda*.



In 2008, *emda*'s Board approved a further £4.5m in the provision of a regional SfB Business Mentoring programme, supporting a further 1,800 businesses up to 2014. Unfortunately, due to the time taken to agree a national model and procure an external contractor, the change in Government, and enforced RDA budget cuts led to the cancellation of this project at the contracting stage.

Designing Demand

In 2005, Government commissioned Sir George Cox, Chairman of the Design Council to conduct a review into Creativity in Business. The Cox Review highlighted several barriers preventing companies from embracing design to improve their competitiveness, including:



- A lack of awareness and experience of creativity, innovation & design
- A lack of belief in the value of, or confidence in, the outcome
- Not knowing where to turn for specialised help
- Limited ambition or appetite for risk
- Too many other pressures on the business.

Partly in response to this review, *emda* commissioned a feasibility study to objectively assess the need for publicly funded Design Support within the East Midlands region, and, if this was positive, to make recommendations on the precise nature of services required.

The study showed that:

- For some 23% of businesses surveyed, design had no role to play at all and only a limited role for a further 33%
- The main barriers to using design were that it was not seen as being relevant to businesses, the cost was too high and that businesses did not have the time or the skills to use design
- Businesses sought better information on design services and many wanted one to one advice although for light touch support only.

The results of this research showed that there was a need to inform and educate regional companies regarding the benefits design can bring to the future success of their business operations (especially for micro and smaller businesses). The research went on to recommend that the Design Council led Designing Demand programme was an appropriate intervention to be delivered by *emda*. Further, this point was strengthened through Designing Demand becoming part of Government's SfB portfolio.

In 2008, *emda* had approved a £1.3m programme over three years to support 300 regional businesses through the Designing Demand product.

Unfortunately, due to timescales for procurement and subsequent changes in Government and enforced RDA budget cuts, this project was cancelled at the contracting stage.

Transformational Information and Communications Technology (T-ICT)

Since 2003, *emda* has funded and delivered ICT support programmes to regional businesses. Initially called First Steps, the original programme was a response to a regional eAdoption survey that illustrated:

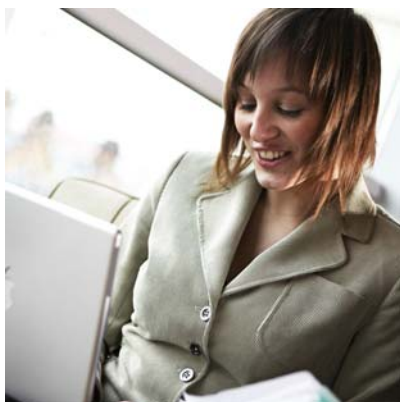
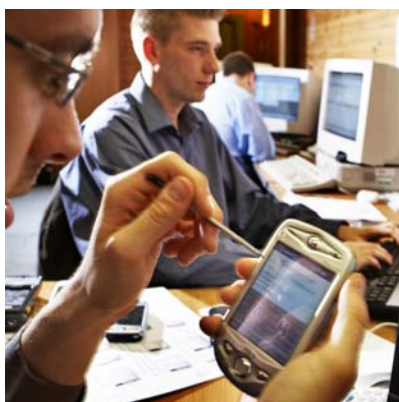
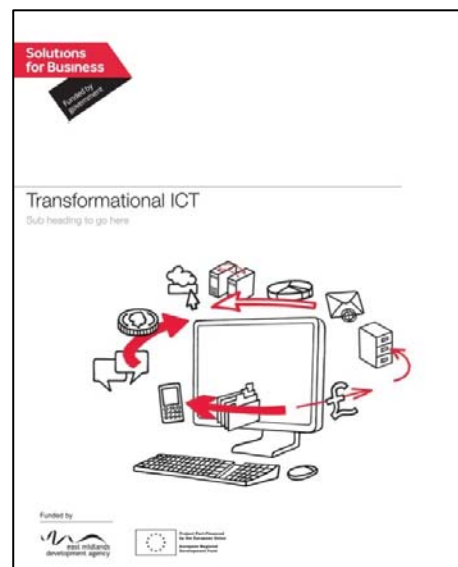
“Approximately 30% of small businesses in the East Midlands do not have a computer, with over half (51%) of businesses reporting that they do not appear to be interested in acquiring IT or e-business advice or support.”

Through our leadership across the RDA network, *emda* was instrumental in developing a SfB pilot programme based on our previous delivery of ICT support. This national pilot was the Transformational ICT product which was based on our early development and delivery in this area.

“Transformational” ICT is where ICT enables a completely different (i.e. transformed) business model which could simply not be delivered without that ICT and which potentially brings substantial new benefits to the business, for example, in terms of productivity, competitiveness, market access or carbon neutrality. The *emda* offer was designed to assist and accelerate SME progress along the e-adoption ladder.

Since 2003, *emda* has invested £5.2m in the provision of ICT support through First Steps and its eventual successor Transformational ICT. This investment has enabled us to support more than 5,300 regional SMEs in the adoption business related of ICT.

A recent independent evaluation demonstrated that the programme offered a GVA return of £4.50 for every £1 of *emda* investment, with future GVA returns expected to be £12 for every £1 invested. In addition, 88% of programme participants responded that as a result of participating in the programme they were more likely to continue making e-business improvements in the future.



Starting a High Growth Business

The objective of Starting a High Growth Business (SHGB) was to increase the stock of high growth start up businesses in the region through the provision of a structured programme of intensive 1-2-1 coaching and business support. The product formed part of Government's Solutions for Business portfolio.

The product was designed to assist start up firms through a structured coaching programme to build their inherent capabilities and achieve accelerated growth, meeting short and medium term business goals within a strategic context. Business growth, performance and productivity would be increased with a cumulative impact on economic growth overall. *emda* had planned to deliver this programme between 2010 and 2014, supporting up to 75 potential high growth start-up businesses, generating a potential additional GVA of £75m.

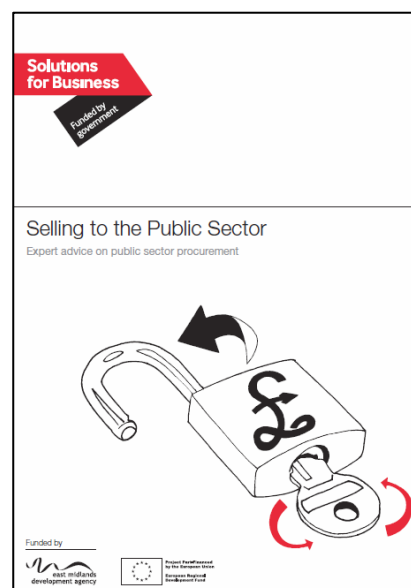
Unfortunately, due to the change in Government, enforced RDA budget cuts led to the cancellation of this project at appraisal stage.

Selling to the Public Sector

During 2008, the value of public procurement regionally was identified as £8bn or 13% of all economic output in the region, and this represented a significant opportunity for *emda* to help facilitate more contracts for these goods and services being placed with regional SMEs. At the same time, Government published its report on public sector procurement "*Accelerating the SME economic engine: through transparent, simple and strategic procurement*" offering further encouragement to *emda* to further its support to SMEs in supplying the public sector.

Between 2007 and 2010, this support has focused on raising awareness and delivering a comprehensive and informative series of events on different aspects of the public sector procurement process with the objective of improving the competitive position of SMEs in the East Midlands and supporting business growth. Initially this programme was called **Raising SME Awareness of Tendering Procedures**, and the programme content included:

- Supply chain processes and collaborative bidding
- Sources for contract opportunities
- Contract procedures below and above OJEU thresholds
- Pros and cons of tendering for public sector contracts
- E-tendering.



Between 2007 and 2010, the programme attracted more than 1,200 delegates, via an *emda* investment of £315,000. An independent evaluation into the programme was conducted in 2009 and identified the following:

- The gestation period from participating in the programme to actually winning public sector contracts can be as much as 24 months, and hence the real impacts of the programme should be measured over a longer time period.
- That being said, 15% of survey respondents declared an increase in their sales to the public sector within 12 months.
- One participating company identified an increase in turnover attributable to the programme of £9m.

Once again, through our leadership and influence this programme became a pilot SfB product entitled **Selling to the Public Sector**, and was largely based upon the programme that *emda* developed in 2007.

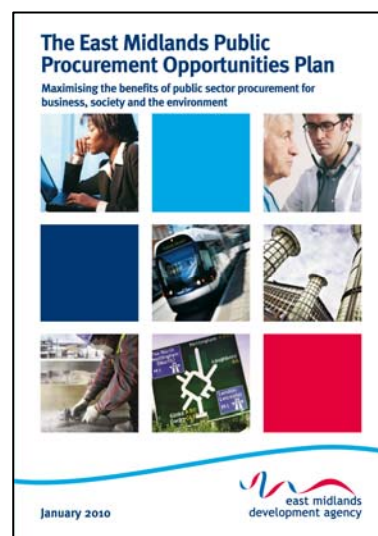
Unfortunately, due to the change in Government, enforced RDA budget cuts led to the cancellation of this project at appraisal stage.

The East Midlands Public Procurement Opportunities Plan

In addition to the Solutions for Business products that did not go ahead there were important areas of work worthy of mention that also suffered due to a change in political direction. One such area was the work *emda* led covering public procurement.

Background

The current Regional Economic Strategy set out a range of priority objectives concerning public procurement; identifying scope for benefit from initiatives that could improve wide ranging policy outcomes for the economy, society and the environment through activity with both the public and private sector. A broad range of initiatives were taken forward by private and public bodies in support of these objectives, including the promotion of better public procurement.



emda, its partners and its stakeholders identified the importance of further action to lead on the development of a public procurement framework through the auspices of a Regional Procurement Opportunities Plan. Since public procurement was (and still is) the responsibility of every procurer and a wide range of government departments, this was a challenging “field” in which to operate. It required a shared commitment across the partners to make a difference by working together as well as appropriate dedicated resource to

catalyse and facilitate the process; although the potential return for this effort was considerable.

The significance and profile of public sector procurement opportunities grew considerably across the UK with the onset of the recession. Public sector procurement had the potential to sustain employment and the business competitiveness of suppliers, whilst reducing costs of public services in the longer term. In 2008 public procurement was worth £8 billion a year regionally, and around £175 billion a year nationally. Publicly procured goods, services and works are responsible for around 13% of all economic output.

emda undertook a regional consultation on public procurement at the end of 2008, which has informed the Plan's development. This involved engagement with a number of public sector and business partners. Specifically this included representatives from Government Office for the East Midlands, East Midlands Business Forum, Social Enterprise East Midlands, East Midlands Improvement and Efficiency Partnership and the NHS Collaborative Procurement Hub. These organisations together formed an East Midlands Procurement Forum. The Forum was established to provide leadership and strategic direction to ensure the success of the Regional Procurement Opportunities Plan. The group was also established to ensure cross-sector support and alignment on the strategic objectives.

emda, together with its partners and stakeholders, launched the **East Midlands Public Procurement Opportunities Plan** on 25th January 2010. This strategy set out three strategic objectives and the necessary structures to drive forward progress on this agenda and help maximise opportunities for the regional economy. In doing so, it was designed to generate greater opportunities for SMEs as well as efficiency savings for public sector buyers. The three strategic objectives were:

- Facilitating the supply of appropriate support services for businesses, including third sector organisations.
- Improving dialogue between key regional partners and stakeholders.
- Supporting improvements in public sector procurement policies and practices.

The Plan also set out three structures to drive forward implementation:

- **An East Midlands Procurement Forum** – to provide strategic leadership, expertise and direction.
- **A Coordination Office** – to support public sector procurers by acting as a regional 'hub' for best practice and coordinating activity.
- **A Supplier Development Service** – eventually named "Selling to the Public Sector" – to provide support to businesses to bid for, and win, public sector contracts.

emda has committed its own funding for the Coordination Office over three years and allocated resource to fund the Supplier Development Service in its 2010/11 Business Plan. Unfortunately, as with other activity highlighted above, and although highly supported regionally particularly by the business community, *emda* had to withdraw planned funding for this area in early 2010.

Annex 2

Glossary of Terms

B	BERD	Business Enterprise Research and Development
	BERR	(Dept for) Business Enterprise and Regulatory Reform
	BIS	(Dept for) Business Innovation and Skills
	BL	Business Link
	BLSS	Regional Business Link Start Up Service
	BSSP	Business Support Simplification Programme
C	BTG	Business Transformation Grant
	CDFI	Community Development Finance Institution
D	CRM	Customer Relationship Management
	DA	Devolved Administration
E	DTI	Dept for Trade and Industry
	EIA	Equality Impact Assessment
	EMB	East Midlands Business
	EMDA	East Midlands Development Agency
	EMEGF	East Midlands Early Growth Fund
	EMT	East Midlands Tourism
	EMTLF	East Midlands Transition Loan Fund
	EOI	Expression of Interest
	ERDF	European Regional Development Fund
	ESF	European Social Fund
	ESP	Employment Skills and Productivity
F	FEBA	First Enterprise Business Agency
G	GBI	Grant for Business Investment
	GINEM	Growth Investment Network East Midlands
	GOEM	Government Office for the East Midlands
	GRD	Grant for Research and Development
	GVA	Gross Value Added
I	IDB	Information, Diagnostic and Brokerage
	iNet	Innovation Network
	ISUS	Intensive Start Up Support
L	LA	Local Authority
	LOCOG	London Organising Committee for the Olympic and Paralympic Games
	LSD	Local Site Development
	LSP	Learning and Skills Partnership

M	MAS	Manufacturing Advisory Service
N	NAO	National Audit Office
	NBNL	New Business New Life
	NBV	Nottingham Business Venture
O	ODA	Olympic Delivery Authority
	OTS	Office of the Third Sector
P	PMF	Performance Management Framework
R	RBSIS	Regional Business Support Information System
	RDA	Regional Development Agency
	RES	Regional Economic Strategy
	RVCF	Regional Venture Capital Fund
	R&D	Research and Development
S	SAB	Starting a Business
	SBS	Small Business Service
	SEEM	Social Enterprise East Midlands
	SfB	Solutions for Business
	SME	Small and Medium Sized Enterprise
	SNR	Sub National Review
	SPR	Service Provider Register
	SSP	Sub Regional Strategic Partnership
T	TMB	Transition Management Board
	TtG	Train to Gain
U	UKTI	UK Trade and Investment
	USO	Universal Start-up Offer