

Final Evaluation of the Growth Investment Network East Midlands

A report prepared for *emda*

GHK Consulting

16th April 2010

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Final Evaluation of the
Growth Investment Network East Midlands
Final Report

16th April 2010

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emda

Final Report

Date: 16th April 2010

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KEY MESSAGES

1.1 Key Findings and Conclusions

1.1.1 *The Network Offering*

- A cross-section of members interviewed both as part of the interim and final evaluation suggest that the **Growth Investment Network has played a pivotal role in creating and maintaining a ‘networked community’ of investors, business professionals and intermediaries in the region.** Although some of the contacts and networking may have happened anyway (i.e. even without Growth Investment’s involvement), these contacts would have occurred over a longer period of time and less systematically.
- Over time the **membership of the Network has steadily increased:** from 11 in 2004 to 39 in 2010 indicating a level of interest in the services offered by the Network. Members comprise: Business Angels, Banks, VC Funds, Financial Services companies, *emda* programmes, Accountants and Solicitors.
- **However, growth in membership base has been slower than expected and membership turnover is high.** Since its inception 18 members representing 14 organisations have left the Network – mainly because the Network has not delivered to their expectations. However, members clearly see the ‘potential’ value of the Network – there is a general view that this ‘potential’ has not been unlocked and this is related to the concern that the Network is under-resourced.
- The **ability of the Network to directly generate deal-flow is limited** given its mandate (i.e. it is predominantly a service for investors; and does not provide business support). What can be said, however, is that members of the Network have benefited from additional networking opportunities with potential entrepreneurs in the form of events and have had some limited access to leads in the form of incoming enquiries and referrals.
- **Encouraging members’ on-going interest in the Growth Investment Network will be important for the future,** firstly, for new members to clearly understand the benefits of membership and secondly, so that existing members perceive they are getting value for money, which will in turn encourage prompt membership payments.
- Contingency plans for the end of the EMEGF will be important for consideration for the future of membership deal-flow. Existing members are keen for **a more outward-looking focus aimed at attracting external investors** into the region to add value to regional deals.
- **Strengthening operational linkages** with High Growth, iNETs and Connect InvoRed can also help generate deal flow by linking businesses/ entrepreneurs seeking finance with investors.
- New members are **unclear on the offering of the Network** including to what extent they are required to be proactive in terms of searching on the Growth Investment website for events etc.
- ***emda*’s strategic involvement** has been seen as positive by professional/Board members.

1.1.2 **Angel Insight Events**

- Reasons for attending these events fall under three broad categories – **information, networking, and business/professional purposes.**
- The consensus opinion is that **there is a need in the region for events of this kind**, as they are considered, by the majority of interviewees, to be relevant and unique in terms of their aim and content. Additionally, attendees considered that in order to increase investor readiness it is necessary to run these workshops as a regular series of events.
- Angel Insight participants have indicated that they would be **willing to pay a nominal fee** for workshops sufficient to cover the room hire/refreshments.

1.1.3 **Other Events**

- Awareness-raising events **have been positively perceived by businesses with high levels of satisfaction regarding content and speakers.** 96 per cent of entrepreneurs would recommend Growth Investment events to other people.
- The interim evaluation highlighted that **investors who were looking for investment opportunities at the events were disappointed** due to lack of introductions to potential investment-ready businesses.
- Growth Investment is not FSA registered and therefore, it cannot promote individual entrepreneurs to investors (or vice versa). However, the events are structured to enable participants to ‘mix’ as much as possible – most recently by the addition of ‘speed-networking’ sessions as a part of the events. Feedback from new members who attended the most recent awareness-raising event indicates that the **speed-networking element of the event was useful** and that the structure of the event (as a series of entrepreneur case studies) was largely perceived as successful.

Operating on a limited budget, the Growth Investment Network 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 region.

Some members have withdrawn membership due to frustrations with lack of deal-flow and this is set to continue should newer members not be informed explicitly what is expected of them and what they should expect from the Network. However, lack of resources has compounded and constrained the ability of the Network to complete follow-up activity which in turn has had a knock-on effect on the scale of tangible impact.

While deal-flow - and related attribution to Growth Investment - remains an issue for some professional members, Network activities such as awareness-raising events and Angel Insight workshops have significantly improved the offer to members and provide a real USP, recognised by the vast majority of stakeholders as meeting a gap in the market. However, these latter activities are not sufficient to retain members’ interest in the long term.

1.1.4 **Role in facilitating increased investment in East Midlands companies**

There are **two main channels through which GINEM contributes to investment activity** in the region:

- By ‘stirring the pot’ i.e. by bringing together investors (and intermediaries), raising awareness of the opportunities to raise finance and creating a positive culture towards these opportunities amongst business owners; signposting business owners to appropriate sources of support and/or funding within the network and influencing the quality of investment opportunities.

- By identifying and encouraging new individual investors (particularly Business Angels) through activities such as 'Angel insight' workshops

Although it can be said with certainty that Growth Investment has facilitated increased investment activity in the region, the scale of the investment activity attributable to Growth Investment is however not quantifiable at this stage due to a lack of adequate monitoring systems.

1.1.5 **Management and Delivery**

The **profile of the Network has increased significantly** as a result of the presence of an operational day to day manager. The consensus view regarding value derived from the Network is that it offers 'better' value for money compared to the offering prior to the involvement of the Operations Director. However, the Network still had 'some way to go' before providing 'good' value for money.

To address the 'Old Boy's Network' perceptions held by some members, **a system of co-opted membership to the Board has been introduced.**

The Network's **financing model is still heavily reliant on prompt member payments to cover activity and expenditure in advance of emda's 80 per cent reimbursement.** While the overall level of membership debt has decreased, the current revenue model is not sustainable in the long-term and carries a high degree of risk, especially given the history of late/overdue member payments. *emda* will be addressing this in Phase Three by providing up-front funding for the first year, with the overall aim of incentivising an increase in new members.

To encourage membership, **the Network has introduced a new Associate membership model** which has three strands: Business to Business services, Entrepreneur membership and Individual investor / mentors. Current take up of these has been limited (1 x B2B, 6 x Entrepreneurs, 0 x Individual investors) and it is therefore too early to judge the effectiveness of this model.

The overall management of the Network, particularly since the appointment of an Operations Director, has been effective, and the outlook is positive in terms of co-opted memberships to the Board. However, much management time (in excess of 15 per cent) is devoted to relaying information between members from incoming enquiries. A more strategic, outward-looking and 'PR-focused' direction to raise the profile of Growth Investment and to encourage external investment in the region (particularly given the demise of the EMEGF) is considered necessary to meet members' and other stakeholders' expectations.

1.1.6 **Value for Money**

emda has invested £161,000 in the project over a six year period (2004 – 2010). Assuming that Growth Investment's activities have resulted in at least £1m of additional investment in the region, **the return on emda's investment works out to £6.20 for every £1 spent by emda.**

This would not be an unreasonable assumption, given that:

- Growth Investment has reported additional investment activity to the sum of £14.47 million over the period 2004 to 2010. Although, it has been established via this evaluation that this cannot be wholly attributed to GINEM, but the evaluation does confirm that GINEM has contributed to this additional investment activity;
- Although not quantifiable at this stage, the evaluation confirms that there is additional investment resulting from 'Angel Insight' workshops.

1.2 Recommendations

A series of recommendations were offered in the interim evaluation and have been taken on board to varying extents, or are being addressed in Phase Three of the project.

This section provides additional recommendations that have emerged on the basis of actions undertaken so far and on additional research undertaken as a part of the final evaluation.

- Growth Investment should continue to run a series of Angel Insight workshops tailored at inexperienced investors (responsibility: *Growth Investment*)
- Growth Investment should ensure that hosts promote Angel Insight workshops to appropriate clients and refer experienced investors to Growth Investment as a potential referral source for new members (responsibility: *Growth Investment*)
- Opportunities for redesign of the member details on website should be explored; possibly through a searchable database (responsibility: *Growth Investment*)
- Members could benefit from a 'members-only' area on the website where information on Board minutes, updates on opportunities for speaking at events, and recent investment activity can be accessed. (responsibility: *Growth Investment*)
- In advance of the new funding round of Growth Investment, it would be advisable for *emda*/Growth Investment to consider negotiating a period of 'good-will' for outstanding debtors, and if not payment is received after this time, to take action as outlined in the Code of Conduct (responsibility: *emda/ Growth Investment*)
- Growth Investment should continue to explore links with VC funding outside the region in order to mitigate match-funding issues which may arise as a result of the demise of the EMEGF (responsibility: *Growth Investment*).
- Growth Investment should consider exploring membership to the BBAA to allow for wider promotion of activities beyond the region. (responsibility: *Growth Investment*)

2 INTRODUCTION

In April 2009, the East Midlands Development Agency (*emda*) commissioned GHK Consulting to undertake an independent evaluation of the first two phases of *Growth Investment Network East Midlands* (formerly Growth Investment, re-branded as 'Growth Investment' with effect from April 2009). This two-part evaluation comprises:

- An *interim* evaluation covering the period of activity between October 2004 and September 2009; and
- A *final* evaluation covering the entire project activity (i.e. October 2004 to March 2010).

The interim evaluation was carried out over the period April 2009 to September 2009; and a final report was submitted to *emda* on 2nd October 2009. It covered the operations of the Network between October 2004 and September 2009. It had both a summative and a formative element; and formed part of the evidence base informing *emda*'s decision to invest in the next phase of the project.

The final evaluation – conducted in January to March 2010 - was essentially summative in nature with a focus on assessing the overall impact and strategic added value (SAV) of the Network; although it also examined delivery over the period October 2009 to March 2010. This report presents the draft findings and conclusions of the final evaluation of the Growth Investment programme.

2.1 Background and Context

Growth Investment was set up in October 2004 with funding from *emda*, to coordinate investment activity in the East Midlands region. It is a network of specialists (such as investors and financial intermediaries, business professionals and support services) offering its members the opportunities to collaborate on business deals; and to exchange knowledge and experience. Additionally, Growth Investment makes entrepreneurs aware of the possibilities of raising investment and helps them by way of support, advice and funding that can be accessed via its network of specialists. This is done through the project website, a programme of events, a regular newsletter and wide ranging PR and marketing activities.

There are three distinct phases in the development of the Network:

Phase One (October 2004 to March 2007)

The primary function of Growth Investment in its initial phase was to act as a signposting and awareness-raising body; with the specific aims of the network for this phase being to establish a network of organisations involved in the investment process, create a website to handle enquiries, and to hold awareness-raising events. This was supported by £28,800 (later scaled up to £31,679) of funding from *emda*, the small size of the investment reflecting the experimental nature of the project.

Phase Two (June 2007 to March 2010)

For phase two of the project, the objectives of the Network were modified in recognition of the lessons learned from the delivery of phase one. Specifically, *emda* acknowledged that the excessive emphasis on generating membership revenue (and achieving financial sustainability) had diverted the focus of the Network away from its core objective of stimulating investment activity in the region.

Furthermore, *emda* scaled up its funding for phase two activities (£130,000) to reflect the additional resource input required to deliver the new objectives of the Network. This included the funding of a part-time Operations Director, budget for further development of

the website, increased numbers and size of awareness-raising activities and 'Angel Insight' events (investor readiness workshops targeting potential investors and business angels).

The theory of change model representing the logic of *emda's* intervention and the causal mechanism by which Network activities are expected to result in change is illustrated in Annex 1.

Phase Three (April 2010 to March 2013)

In January 2010, *emda* approved funding for the continuation of Growth Investment for a further three years to March 2013. Funding has been upscaled to £400,000 over the three year period. Delivery of the third phase of Growth Investment begins in April 2010.

2.2 Scope of the Evaluation

Further to the recommendations set out in the interim evaluation and information received about project activities undertaken since the interim evaluation, the final evaluation focuses on new members' experiences as well as views of participants of the Launch of the Angel Insight programme, Angel Insight workshops and related Lunch events. The evaluation also aims to provide evidence of any achievement of recommendations suggested in the interim evaluation report.

The specific issues to be examined through the evaluation, as set out in the study brief, are as follows:

The Network offering

- The effectiveness and attractiveness of the Growth Investment project as a means of bringing investors and businesses together.
- Its additionality in facilitating increased investment in East Midlands companies.
- The impact upon companies which have raised investment.
- The added value derived by members of the Network.
- The impact and effectiveness of the investor readiness (branded 'Angel Insight') programme.
- The effectiveness and impact of the events staged.
- The impact of the 'Growth Investment' website resource.
- Strategic added value provided by Growth Investment to *emda* and the region.

The delivery process

- The delivery model – The level of people resource required to deliver the programme's activities and achieving its objectives, outputs and outcomes to the agreed expenditure and timescale profiles.
- Design, structure, management and implementation of the scheme (e.g. number and mix of events being offered / membership fee structure/ should there be a mandatory financial contribution from event attendees).
- Benchmarking of the network against best practice / similar models elsewhere.
- Accessibility & inclusiveness of the scheme: regional take up of the scheme / take-up by hard to reach and disadvantaged groups (e.g. young / ethnic minorities / women).
- Value for money.
- Awareness of the network amongst relevant bodies, including regional SMEs, Business Link and intermediaries (such as business consultants, banks, accountants etc).

The benefits of the Network

- Improvements to businesses assisted attributable to Growth Investment interventions (both qualitative and quantitative measures).
- Unexpected effects and / or impacts of the scheme.
- Benefits and value added of the Angel Insight programme.
- Net economic impacts of *emda*'s intervention.

The future of the Network

- Is there an on-going demand for the Network by businesses and investors?
- Factors which may contribute to future success or failure.
- The need for a subsidised programme in the East Midlands region.
- Are there any demand gaps which modification of the project could address?
- Implications of Business Support Simplification on the future provision of Growth Investment.

2.3 Methodology and Approach

The study methodology for the final evaluation was based on a structured and systematic approach to collecting, analysing and presenting information. The methodological approach and work programme for the evaluation is summarised in Figure 2.1.

Figure 2.1: Overview of methodological approach and work programme

Month	Final Evaluation (January 2010 to April 2010)				
	January	February		March	April
Task 1: Inception and Scoping					
Task 2: Fieldwork					
Desk research					
Synthesis, Analysis and Reporting					
		12th February 2010	23rd February 2010		16th April 2010
Deliverables		Scoping Paper	Lines of Enquiry and Report Structure		Final Evaluation Report

The final evaluation was structured around four key tasks:

2.3.1 Task 1: Inception and scoping

GHK held an inception meeting with *emda* on 2nd February 2010 to agree the focus for the final evaluation and to receive an update on project activity since the interim evaluation. The inception also included agreeing a research methodology to be employed for the final evaluation of the Growth Investment Network.

The scoping task included a review of new project documentation. Upon completion of this work, a scoping paper was submitted to *emda* on 12th February 2010. The scoping paper specified the work programme for the final evaluation and the methodology to be followed. On 23rd February, a further note detailing research instruments (lines of enquiry) and proposed report structure for this report were also submitted and agreed with *emda*. These lines of enquiry are provided in Annex 2.

2.3.2 **Task 2: Fieldwork**

The fieldwork for the final evaluation reflects additional activity since the interim evaluation, such as new members joining Growth Investment, and additional Angel Insight events.

In the interim evaluation (June 2009), three online surveys were conducted to collect the opinions of three different groups of professionals attending the awareness-raising events. These surveys were not repeated in the final evaluation due to only one awareness-raising event taking place since the interim evaluation (two of the professional groups originally consulted were likely to have attended this additional event, and there could have been a possibility of 'over-evaluating' these participants). Resources were reallocated to interviewing a larger number of Angel Insight participants, reflecting upscaled project activity in this area. Thus, semi-structured interviews were conducted with the following groups of people:

- New professional members (5)
- Angel Insight event participants (10); of which attended Launch (7th October 2009), Workshops (3rd and 17th November 2009), Lunch (30th November 2009):
 - One event (8)
 - Two events (1)
 - Three events (1)
- Stakeholders (3)

Stakeholder consultations covered delivery agents and a representative from the British Business Angels Association (BBAA) who was involved in presenting at the Angel Insight Launch event. These interviews gathered views on programme performance, general awareness and ways Growth Investment could be developed in the future. A full list of interviewees is provided in Annex 3.

2.3.3 **Task 3: Desk research**

A desk review of policy documents and programme monitoring data was carried out to ascertain how the programme has performed in relation to its contractual targets and outputs. These documents are detailed in Annex 4.

2.3.4 **Task 4: Synthesis, analysis and reporting**

This task involved a desk-based synthesis and analysis of data collected during the final evaluation, structured around the key evaluation issues relating to: the scheme offering, the delivery process, value for money and future of the scheme.

2.4 **Structure of the Report**

The remainder of the document is structured as follows:

- Section 2 details the delivery model, use of resources as well as the actual activities and outputs of the project to date;
- Section 3 sets out the findings of the evaluation in line with the specific evaluation questions;
- Section 4 sets out the conclusions of this evaluation and provides a series of recommendations regarding the future of Growth Investment.

The report is supported by four Annexes as follows:

- Annex 1: Theory of change model;
- Annex 2: Lines of enquiry;
- Annex 3: List of interviewees;

- Annex 4: List of documents and data received;
- Annex 5: Logframe approach.

3 DELIVERY OF THE NETWORK

This section examines

- the management and delivery arrangements for the Network;
- the output and spend performance of the Network.

3.1 Management and Delivery Arrangements

The operations of Growth Investment are overseen by a Board made up of 14 members: seven founding members; three new individuals representing founder organisations; four co-opted members on annual appointments; as well as three operational/support roles (e.g. *emda*). The Board elects a chair on an annual basis and meets five to six times a year to take stock of Network activities and the progress being made towards delivery of targets, review financial situation in terms of membership fees and to make operational decisions.

There have been three changes in personnel to the Board since GHK's interim evaluation, reflecting replacements of inactive members and increased interest in Growth Investment's activities by existing member organisations.

Further to recommendations made in the interim evaluation regarding members' perceptions of value for money, and that the Board membership should be rotated, the Board has invited corporate members to attend Board meetings. Currently only three out of five corporate members have taken up this offer. The Board is developing plans for an existing Board member to act as the 'sales arm' to encourage corporate members to take up this offer and to add value to Board meetings.

Prior to Phase Two, the small budget meant that Growth Investment could not afford a full time executive resource; it outsourced the marketing and website work to sub-contractors, under supervision from the Board. There was no dedicated or funded resource planned for the management of the Network and the project relied considerably on the goodwill and unpaid time of founder members to ensure continuity. However, in Phase Two, the budget was increased for the recruitment of a part-time Operations Director to be responsible for the day to day management of the Network, driving forward the Network, and increasing professional membership of Growth Investment. The project also recruited a part-time administrative support staff member (who left in November 2009 and was replaced in January 2010).

The Operations Director has successfully retendered for his position following the announcement of the additional three years funding for Growth Investment. The new terms of his position will commence in April 2010 with the inception of the new project.

3.2 Business Model - Resources and Spend

3.2.1 Resources

Growth Investment's operations are funded by:

- Revenue generated through an annual membership fee structure; and
- Financial contribution from *emda*.

Summary of development (for further detail, see Interim evaluation)

There had been an expectation from *emda* that the Network would become self-financing by the end of its phase one funding. However, in phase one of Growth Investment (2004-2007), actual revenue generated through professional membership fees fell far short of expectations (£26,474 of a predicted target of £41,200), having a knock-on effect on project activities. Interventions in phase two sought to address revenue issues including:

- An increase in *emda's* funding rate from 62 per cent to 80 per cent;

- Additional membership options (Business to Business Services; Individual investors, mentors and advisers; and Entrepreneur membership).

The new membership options were designed to cater to a variety of circumstances and needs; and the expectation was that they would attract new members, and encourage new members to keep up their payments.

Current Position

Membership level stands at 39. Table 2.1 illustrates the current funding position of the Network in relation to its budget. It can be seen that membership fees continue to fall short of expectations.

Table 2.1 Growth Investment Phase Two Funding: Budget versus Actuals (additional figures to provide 2009/10 revenue to date)

		Membership fees	Other event income	RDA sponsorship	Total project funding
Budget	Yr 1: 2007/08	£22,050	£2,500	£45,000	£69,550
	Yr 2: 2008/09	£26,025	£4,250	£45,000	£75,275
	Yr 3: 2009/10	£33,100	£6,000	£40,000	£79,100
		£81,175	£12,750	£130,000	£223,925
Actuals*	Yr 1: 2007/08	£20,991	£353	£43,500	£64,844
	Yr 2: 2008/09	£13,718	£2,141	£45,000	£60,859
	Yr 3: 2009/10	£17,925	£262	£32,810	£50,995
		£52,634	£2,756	£121,310	£179,698
Variance up to 2009/10*		-£28,541	-£9,994	-£8,690	-£44,227

Source: Growth Investment monitoring claims

Notes: *At the time of writing, actuals for Y3 2009/10 reflect last monitoring claims received (December 2009) therefore do not reflect activity/claims in final quarter of Y3.

The last received Finance Report of Growth Investment (at 31st December 2009) indicated that there were six outstanding membership debts, some dating back to March 2009. Arrears are monitored in monthly finance reports and invoices are sent to members in advance of the renewal date. In Growth Investment's Code of Conduct¹, it states that:

"Members will be invoiced for annual subscriptions with payment due in 30 days. Members that fail to pay within 30 days of the due date will have their benefits and profile on the web site withdrawn".

While the number of overdue debts has decreased, there remains a significant proportion of member debt level which is being currently supported by good-will of the project.

3.2.2 Unpaid time of Board members

In September 2009, we reported that investment of members' time in Growth Investment roughly equalled £170,000 in monetary terms. Updating this figure, using the same calculations as outlined in the interim evaluation, would suggest that this figure has now increased to £187,000:

1. Time spent by directors at board meetings:
 - 5 meetings per year x 4 hours and on average attended by 8 people equals 160 working hours or 20 working days
 - At £500/day this amounts to £10,000 per year

¹ From <http://www.ginem.co.uk/home/members/members03.aspx>, accessed 26th March 2010

- Over a five and a half year period, this adds up to £55,000.
2. Time spent by the Chair in managing the Network and its activities:
- 4 days per month or 48 days per year
 - At £500/day this amounts to £24,000 per year
 - Over a five and a half year period (since October 2004), this adds up to £132,000.

3.2.3 **Breakdown of Expenditure by Activity**

Phase One

In Phase One, activity was primarily focused on establishing the launch event, setting up the Growth Investment website and running a series of other awareness-raising events. Total 'Growth Investment' spend for the three year period was £68,631, of which 33 per cent was expenditure on the website and 29 per cent was expenditure on marketing and public relations (PR).

Phase Two

The first two years of Phase Two activity primarily involved establishing the website, developing management and finance structuring, and increasing numbers of awareness-raising events (and consequently an increase in expenditure on marketing and PR for these events). In the second half of Year 3, Angel Insight event activity increased through additional workshops, lunch events and the Launch event (sponsored by BBAA). There is no actual expenditure on Angel Insight events as these had been provided for through member and event host sponsorship. Marketing and PR for Angel Insight events has not been as widespread, in part due to host organisations being responsible for inviting existing clients to workshops.

Calculations by the Operations Director indicate that over the period of Phase Two (May 2007 – December 2010 [available figures, updated since interim evaluation]) time spent managing referrals has equated to roughly £10,000. This is based on estimates of 0.5 hours per phone conversation and 1 hour per face-to-face meeting. This was calculated on approximately 10 per cent of professional time spent on dealing with referrals in Year 1 and 15 per cent in Years 2 and 3.

Table 2.2 Growth Investment Phase Two Expenditure by activity

Phase Two activity	Y1 2007/08	Y2 2008/09	Y3 2009/10*	Total Phase II expenditure*
Angel Insight events	£0	£0	£0	£0
Awareness raising events	£2,076	£12,405	£7,995	£22,476
Website	£13,654	£1,043	£1,065	£15,762
Marketing and PR	£2,862	£18,574	£4,175	£25,611
Professional /Management fees - (Of which time spent on Referrals approx 10% Y1, 15% Y2 and Y3)	£22,310 (£2,310)	£32,500 (£4,875)	£22,250 (£3,338)	£77,060 (£10,523)
Other expenses (rent, expenses, accountancy etc)	£12,414	£10,445	£11,390	£34,249
Total Expenditure	£53,316	£74,967	£46,875	£175,158

Source: *Growth Investment Profit and Loss Account figures 2007-2009*

Notes: *At the time of writing, expenditure for Y3 2009/10 reflect last monitoring claims received (December 2009) therefore do not reflect activity/claims in final quarter of Y3.

Total actual spend over two phases is £243,789 and *emda*'s actual contribution at the end of Phase Two is £152,989 (on target to contribute the budgeted amount of £161,679).

3.3 Delivery of Outputs

This section of the report examines the outputs generated by the Network. The prime sources of data are the monthly monitoring reports submitted by Growth Investment to *emda*. These are 'gross' outputs - the benefits arising directly as a result of the project. They take no account of the required adjustment factors such as deadweight and displacement.

Table 2.3 summarises the Phase One outputs and delivery from August 2004 to March 2007.

Table 2.3 Phase One targets and achievement

Outcomes/ Outputs	Target August 2004 to June 2007	Actual August 2004 to March 2007	Percentage achievement
<i>emda</i> Core Output 1 - Number of new jobs created or safeguarded	75	28	37%
<i>emda</i> Supplementary Output S5 - Number of enterprises assisted by regional funds	16	6	38%
<i>emda</i> Core Output 4 - Number of net new businesses created or attracted to the region and sustained for 12 months	7	1	14%
Outcome - Total investment raised	£1,100,000	£777,000	70%

Source: Growth Investment monitoring reports 2004-2007

Through the evaluations and as mentioned in the interim evaluation, it became clear that some of the outputs cannot be taken at face value. This is because Growth Investment does not have the capacity or monitoring systems in place to track investments and outputs attributable to the Network in an accurate and comprehensive manner. Growth Investment relies on its members reporting investment activity (and other outputs and outcomes) on a voluntary basis. Where a deal has involved more than one member, the investment (and resultant jobs) is reported to *emda* as a Growth Investment output. However, in all fairness, Growth Investment cannot claim full credit for these deals- the deals are only partially attributable to Growth Investment; but methodologically and practically, Growth Investment's contribution cannot be determined with certainty. However, what can be said is that Growth Investment has facilitated some investment activity in the region through the creation of a network which facilitates opportunities for members to be exposed to leads and deals.

Table 2.4 summarises the Phase Two outputs targets and delivery to December 2009 (latest data available).

Table 2.4 Phase Two targets and achievement

Core outputs	Target April 2007 to March 2010	Actual April 2007 to December 2009	Percentage achievement to date
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Core outputs	Target April 2007 to March 2010	Actual April 2007 to December 2009	Percentage achievement to date
T4. Businesses assisted to improve their performance ²	60	64	106%
T6. People assisted in their skills development ³	48	24	50%
Key Performance Indicators			
KPI 14 – Business Support – Access to innovation and support services ⁴	90	340	377%
KPI 17 – Business Support – Access to Regional Investment Funds	30	42 ⁵	140%
KPI 6 – Business Creation – The number of ethnic minority owned businesses created and demonstrating growth after 12 months	3	2	66%
KPI 7 – Business Creation – The number of female owned or managed businesses created and demonstrating growth after 12 months	3	2	66%
KPI 8 – The number of businesses majority owned or managed by people under the age of 30 created and demonstrating growth after 12 months	3	unknown	unknown
Outcome – Business Angel co-investment with Early Growth Fund	£600,000	£661,000	100%
Outcome – Total Investment made by Growth Investment members	£2.25m	£13.7m	608%

Phase Two outputs targets were amended to reflect the expanded scope of Growth Investment's activities. A number of issues with Growth Investment's outputs targets and performance were outlined in the interim report and are updated here for contextual clarity:

² This figure is indicative of businesses which have received investment (greater than £250) via a Growth Investment Member or have received more than 2 hours of one-to-one consultancy from a Growth Investment member

³ Angel Insight Event participants receiving more than 6 hours investor readiness training. In addition, there are approximately 46 participants who have received between 4-6 hours training.

⁴ This figure correlates to businesses attending awareness-raising events lasting more than 2 hours

⁵ Indicative of collaborative investments made by Growth Investment members. The figure is 33 in the claims documentation but the evidence to this stage indicates 31 investments

- We reported in the interim evaluation that “The output indicator ‘businesses assisted to improve their performance’ is inappropriate considering that business support delivered by Growth Investment is not publicly funded. Growth Investment members provide advice, guidance and support to businesses on a voluntary basis. Besides, the support is often motivated by members’ own commercial interests and therefore not consistent with the RDA definition of business support”. In the Phase Three application, this output is being addressed through reaffirming that Growth Investment does not have ‘clients’ per se, and through recognition of business support being “a welcome by-product of GINEM’s main activity which concerns investor development, not business support”.
- We also reported that “it is misleading to report the number of businesses attending awareness raising events as businesses accessing innovation and support services”. This output has been removed from the Phase Three application. Furthermore, the structure of awareness-raising events has since been modified to facilitate networking between entrepreneurs and business support organisations which may then offer innovation/support services.
- The issue relating to volume of investment raised has already been discussed.
- The investments made by new or existing business angels (as a result of attending ‘Angel Insight’ workshops) are not recorded by Growth Investment.

While these issues have not been resolved in the second half of Phase Two, *emda* is considering monitoring requirements for the third phase of Growth Investment using a ‘logframe’ approach (see Annex 5), which may enable these outcomes to be captured more systematically and comprehensively.

4 EVALUATION FINDINGS

This section addresses each evaluation issue on the basis of the findings emerging from the quantitative and qualitative data collected and analysed. Some issues were explored and concluded in the interim evaluation and will not be repeated here. Recommendations which were made in the interim evaluation will be explored as to what extent they have been addressed under each section heading.

4.1 The Network Offering

Box 3.1 lists the core evaluation issues to be examined under the heading of the Network offering and is followed by an update on progress towards recommendations stated in the interim evaluation.

Box 3.1 The Network Offering: Evaluation Issues

- The effectiveness and attractiveness of the Growth Investment project as a means of bringing investors and businesses together.
- Growth Investment's additionality in facilitating increased investment in East Midlands companies.
- The impact upon companies which have raised investment.
- The added value derived by members of the Network.
- The impact and effectiveness of the investor readiness (branded 'Angel Insight') programme.
- The effectiveness and impact of the events staged.
- The impact of the Growth Investment website resource.
- Strategic added value provided by Growth Investment to *emda* and the region.

Each of these issues are addressed in turn below.

4.1.1 ***The effectiveness and attractiveness of the Growth Investment project as a means of bringing investors and businesses together***

A cross-section of members interviewed both as part of the interim and final evaluation suggest that the Growth Investment has played a pivotal role in creating and maintaining a 'networked community' of investors, business professionals and intermediaries in the region. Although some of the contacts and networking may have happened anyway (i.e. even without Growth Investment's involvement), these contacts would have occurred over a longer period of time and less systematically.

This is validated by the membership statistics of the Network. Over time the membership of the Network has steadily increased: from 11 in 2004 to 39 in 2010, indicating a level of interest in the services offered by the network. Table 3.1 summarises the composition of the membership and it shows the range of intermediaries and investors involved. Note that the column 'number of members in category' reflects some member cross-over to different categories.

Table 3.1 Summary of Growth Investment Membership

Member category and (standard corporate)	Examples of member	Number of members in category
Business Angels	East Midlands Business Angels Beer and Partners	6
Banks	Lloyds TSB Commercial Finance Coop Bank	3
Venture Capital	Catapult Venture Managers Limited E-Synergy Ltd	5
Other funding	Bibby Financial Services Business Finance Services Limited	4
Investment readiness	Connect Midlands Cavendish Management Resources Ltd (CMR)	2
Accountants	McGregors Corporate Tenon	3
Solicitors	Geldards LLP Franklins Solicitors LLP	8
Other support	Business Link Pera	10
Associate Networks	Examples of member	Number of members in category
Business to Business services	Zabisco	1
Entrepreneurs	Prime Principal Ltd Tailored Learning Resources Ltd	6
Individual investors/mentors	None	0

Source: Growth Investment website (accessed 27th March 2010)

However, while the network has so far managed to attract new members and grow its overall membership base, this growth has been slower than expected and there have been issues with the retention of members. Since its inception, 18 members representing 14

organisations have left the network – mainly because the Network has not met their expectations. While members clearly see the ‘potential’ value of the Network – there is a general view that this ‘potential’ has not been unlocked and this is related to the concern that the Network is under-resourced. Despite the limited tangible benefits (such as number of deals), the members have continued their involvement as they see the ‘potential’ and due to the goodwill of the GINEM team, as well as *emda*’s investment in the Network.

The profile of Growth Investment has been increased significantly by the presence of an operational day to day manager.

- The findings of the final evaluation also upheld the view from the interim evaluation that the Network is under-resourced and that this is constraining the effectiveness of the Network. In one instance, there had been a significant lag-time between an incoming lead offered by one new member and follow-up contact, which resulted in the entrepreneur not pursuing investment.
- The consensus view regarding value derived from the Network is that it offers ‘better’ value for money compared to the offering prior to the involvement of the Operations Director. However, the Network still had ‘some way to go’ before providing ‘good’ value for money.
- In contrast to the interim evaluation, some of the new members are unclear on the offering of the Network including to what extent they are required to be proactive in terms of searching on the Growth Investment website for events etc. The majority of new members were unaware of Growth Investment prior to having been contacted by an existing member about joining the network.
- Related to this, all new members raised concerns regarding the (lack of) profile of Growth Investment in the East Midlands region and further afield – in particular that it had not forged links to business support/business angel networks outside of the region, and that there were overlaps with Connect InvoRed.

4.1.2 Growth Investment’s additionality in facilitating increased investment in East Midlands companies

There are two main channels through which GINEM contributes to investment activity in the region:

- By ‘stirring the pot’ i.e. by bringing together investors (and lenders), raising awareness of the opportunities to raise finance and creating a positive culture towards these opportunities amongst business owners; signposting business owners to appropriate sources of support and/or funding within the network and influencing the quality of investment opportunities
- By identifying and encourage new individual investors (particularly Business Angels) through activities such as ‘Angel Insight’ workshops.

To date, Growth Investment has reported £14.47 million of additional investment attributable to its activities. However, in the interim evaluation we reported that Growth Investment cannot claim full credit for these investments – due to members and investees being of the opinion that some (or most) of these investments would have taken place even in the absence of the Network. While members acknowledged that Growth Investment has contributed to some extent, they are unable to quantify the contribution of Growth Investment.

On the other hand, ‘Angel Insight’ workshops have stimulated some investment activity (where investment activity is broadly construed as holding discussions with entrepreneurs about potential investments). Of the 10 participants consulted, four have been involved in investment activity since attending an Angel Insight event. One has actually made an investment, and information provided at the event “helped to speed up the process” of making two small investments in different companies.

Some workshop participants interviewed for the interim evaluation had highlighted the issue of a lack of follow-up activity. This issue has been addressed in part by the delivery of Lunch clubs which offer an opportunity for attendees to Angel Insight workshops to meet up again and receive updates on legislation and for further networking. However, Growth Investment does not undertake any monitoring of participants to collect data on their investment activity.

It can be said with certainty that Growth Investment has facilitated increased investment activity in the region; the scale of the investment activity attributable to Growth Investment is however not quantifiable at this stage due to the monitoring issues mentioned in section 2.

4.1.3 *The impact upon companies which have raised investment*

The Network operates in the background and its activities are largely ‘invisible’ to the investee companies. As such, it was challenging to obtain contact details of these companies and the lack of awareness of the Network made it difficult for us to establish the economic impact of the investment. Nonetheless, we picked up some signals that companies which have received investment from Growth Investment members predict an increase in turnover and employment as a result of the investment. None of the interviewed companies had heard of Growth Investment. Given the issues with the current monitoring arrangements, companies which have received investment from Growth Investment members were not interviewed as part of the final evaluation.

4.1.4 *The added value derived by members of the Network*

The interim evaluation findings were that the network had generated virtually no tangible benefits to a vast majority of the private sector members in form of increased deal flow. However, the ability of the Network to directly generate deal-flow is limited given its mandate (i.e. it is predominantly a service for investors; and does not provide business support). What can be said, however, is that members of the network have benefited from additional networking opportunities with potential entrepreneurs in the form of events and have had some limited access to leads in the form of incoming enquiries and referrals. The interim evaluation recommended that the added value of the Network can be improved by strengthening the linkages with the following projects:

- INETS
- High Growth
- Connect InvoRed

4.1.5 *The impact and effectiveness of the investor readiness (branded ‘Angel Insight’) programme*

Launch event

- Four interviewees had attended the Launch event. Most were satisfied with the content and speakers at the event, and that the event had helped to identify and remove attendees who were not serious about Angel Investing.

Workshops

- Eight interviewees had attended a workshop event. Most participants were made aware of the event through the hosting organisations (Berryman, RSM Tenon), or through networking or direct correspondence with *emda* and Growth Investment members.
- Reasons for attending the events fell under three broad categories – information, networking, and business/professional purposes.
- Within this group, ‘virgin angels’ wanted to learn about general aspects of angel investment, and in one case, the specific aspects of tax.

- Three of the four participants who gave networking as the main reason for attending were experienced investors. However, the networking at these sessions was not considered to be particularly successful – one participant stating that that they would have liked to have been introduced to fewer “members of officialdom” and more genuine investors. This reiterates findings from the interim evaluation.
- Those very new to angel investing expressed the view that they were looking mainly for some hard information on whether it would be a good use of their money, and what the time commitment is likely to be.
- The content of the event was considered by virgin angels to be useful, particularly the practical element of the case study exercise.
- The consensus opinion is that there is a need in the region for events of this kind, as they are, by the majority of interviewees, considered to be unique in terms of their aim and content. Additionally, attendees considered that in order to increase investor readiness it is necessary to run these workshops as a regular series of events.
- The vast majority of attendees would recommend the event they attended to other people or potential investors. There was a general consensus that the events would be best recommended to those newer to investing:

“Angels are different to venture capitalists and corporate investors [i.e. they have different needs]. The people at the event were credible and the newer investors could learn from them. When Angels make mistakes it hits them hard, so they can teach lessons to newer angels before they have to learn the hard way. If you’re just getting into it, hearing about pitfalls is a very good lesson.”

Lunch events

- Only one interviewee had attended a lunch event follow-up session, which was felt to be ‘useful for networking’. Lack of take-up of follow-on events by interviewees since the events occurred has been attributed to time constraints and lack of awareness.

4.1.6 The effectiveness and impact of the events staged

In the interim evaluation, findings from event participant surveys indicated that investors who were looking for investment opportunities at the events were disappointed, as their expectations were such that they were expecting to be introduced potential investment-ready businesses. However, the effectiveness of the events can be gauged from the fact that 96 per cent of entrepreneurs would recommend Growth Investment events to other people. Tangible impacts were reported by a few companies and these included small increases in bottom line profitability and turnover.

Growth Investment is not FSA registered so is not able to promote individual entrepreneurs to investors (or vice versa). However, the events are structured to enable participants to ‘mix’ as much as possible – most recently by the addition of ‘speed-networking’ sessions as a part of the events. Feedback from new members who attended the most recent awareness-raising event indicates that the speed-networking element of the event was useful and that the structure of the event (as a series of entrepreneur case studies) was largely perceived as successful.

No further research was undertaken with participants to awareness-raising events due there only being one event completed since the interim evaluation.

4.1.7 The impact of the Growth Investment website resource

In September 2009, new branding, pages for the Angel Insight programme and updated details on membership options were added which has made the website resource more ‘user-friendly’. Comparing website usage in October 2009 to that in October 2008,

individual visits to the Growth Investment website have almost doubled (1,165 visits as compared to 590). The events pages have seen the most marked increase in visitors as well as members' profile pages, reflecting increases in Angel Insight events and numbers of members since October 2008.

One of the stated benefits of membership to Growth Investment is to be able to have a profile and contact details on the website that can be accessed by anyone going onto the Growth Investment website. Members are currently listed together in categories by 'type' e.g. Solicitors, Accountants etc. While this has obvious benefits from an entrepreneur's point of view in terms of accessing similar profiles, some members are concerned that this approach puts them in competition with similar companies, and would prefer a model where members are searchable based on their specialism as opposed to their 'type' of company.

4.2 The Delivery Process

Box 3.2 lists the core evaluation issues to be examined under the heading of the delivery process and is followed by an update on progress towards recommendations stated in the interim evaluation.

- The delivery model – The level of people resource required to deliver the programme’s activities and achieving its objectives, outputs and outcomes to the agreed expenditure and timescale profiles.
- Design, structure, management and implementation of the scheme (e.g. number and mix of events being offered / membership fee structure / should there be a mandatory financial contribution from event attendees)
- Benchmarking of the network against best practice / similar models elsewhere
- Accessibility & inclusiveness of the scheme: regional take up of the scheme / take up by hard to reach and disadvantaged groups (e.g. young / ethnic minorities / women)
- Value for money
- Awareness of the network amongst relevant bodies, including regional SMEs, Business Link and intermediaries (such as business consultants, banks, accountants etc)

4.2.1 ***The delivery model – The level of people resource required to deliver the programme’s activities and achieving its objectives, outputs and outcomes to the agreed expenditure and timescale profiles.***

Growth Investment has operated with very limited financial resources to deliver a range of ‘light-touch’ activities. Resources have been spread thinly and this has inevitably constrained Growth Investment’s ability to undertake comprehensive follow-up action.

Additionally, the Network’s financing model is still heavily reliant on prompt member payments to cover activity and expenditure in advance of *emda*’s 80 per cent reimbursement. While the overall level of membership debt has decreased, the current revenue model is not sustainable in the long-term and carries a high degree of risk, especially given the history of late/overdue member payments.

To encourage membership, the Network has introduced a new Associate membership model which has three strands: Business to Business services, Entrepreneur membership and Individual investor / mentors. Current take up of these has been limited (1 x B2B, 6 x Entrepreneurs, 0 x Individual investors) and it is therefore too early to judge the effectiveness of this model.

4.2.2 ***Design, structure, management and implementation of the scheme***

Key findings from the fieldwork are:

- Overall feedback from stakeholders and Growth Investment’s clients has been positive, though they have pointed out areas that can be improved. Specifically, it is a consensus view of the stakeholders that Growth Investment should deliver a regular series of ‘Angel Insight’ workshops. ‘Angel Insight’ workshops are seen to be critical means of recruiting high net worth individuals with relevant business experience and an interest in helping to build, support, mentor and invest in companies with growth potential.
- Awareness-raising events have been positively perceived by businesses with high levels of satisfaction regarding content and speakers.

- There has been some lack of sophistication in the matching and referral service (supported by the website) explored in the interim evaluation and not repeated here.
- Angel Insight participants have indicated that they would be willing to pay a nominal fee for workshops sufficient to cover the room hire/refreshments. It may not be appropriate to request up-front fees from participants so as not to put off potential attendees. Instead, plans for Phase Three include offering investor membership to participants of Angel Insight workshops and to include within the membership offer free attendance to additional workshops.
- Newer members have indicated that the Network has yet to demonstrate significant value for money, which may in part be due to a lack of understanding about levels of engagement/pro-activity required of them.
- *emda's* strategic involvement has been seen as positive by professional / Board members.
- New members stated that the future of the Network would rely on external promotion of the Network activities beyond the East Midlands region to encourage external investors into the region.

4.2.3 *Benchmarking of the network against best practice / similar models elsewhere*

This issue was not addressed through this evaluation due to lack of an appropriate comparator programme.

4.2.4 *Accessibility & inclusiveness of the scheme*

As highlighted in the interim evaluation, Growth Investment collects only monitoring data from the Angel Insight events, and not for the awareness raising events. This does not allow an assessment of the accessibility and inclusiveness of the entire scheme as regards its take-up by different groups such as women and ethnic minorities.

4.2.5 *Value for money*

emda has invested £161,000 in the project over a five year period. Assuming that Growth Investment's activities have resulted in at least £1m of additional investment in the region, the return on *emda's* investment works out to £6.20 for every £1 spent by *emda*.

This would not be an unreasonable assumption, given that:

Growth Investment has reported additional investment activity to the tune of £14.47 million over the period 2005 to 2010. While it has been established via this evaluation that this cannot be wholly attributed to GINEM, the evaluation does confirm that GINEM has contributed to this additional investment activity.

4.2.6 *Awareness of the network amongst relevant bodies*

Most relevant bodies are either current or ex members of Growth Investment. The interim evaluation stated that the iNets lacked awareness and understanding of Growth Investment's activities. Since then, the Operations Director has spoken at the LifeScience office at BioCity in order to explore how they could collaborate in the future. Links to the other iNets have yet to be explored.

There has been no development in terms of forging links to the High Growth programme despite repeated requests from Growth Investment to be better involved; particularly to advise the programme on how they could better integrate finance/funding into the coaching and mentoring that the HG programme delivers, as well as using it as a lead-in to promote the Growth Investment events. There is an existing relationship between the HG programme and the iNets programme, and Growth Investment is keen for HG to recognise the added value that could be offered by exploring the creation of a similar relationship with the Growth Investment network as a potential referral source of HG businesses.

Overlaps with Connect InvoRed programme have been acknowledged in terms of types of events hosted and overlaps in membership and are being addressed through meetings to explore the possibility of joint membership and events.

4.3 The benefits of the Network

Box 3.3 lists the core evaluation issues to be examined under the heading of the benefits of the Network.

- Improvements to businesses assisted attributable to Growth Investment interventions (both qualitative and quantitative measures)
- Unexpected effects and / or impacts of the scheme
- Benefits and value added of the Angel Insight programme
- Net economic impacts of emda's intervention

4.3.1 *Improvements to businesses assisted attributable to Growth Investment interventions*

The impacts of the Network and events on businesses have already in been considered in sections 3.1.3 and 3.1.6 respectively.

4.3.2 *Unexpected effects and / or impacts of the scheme*

No unexpected effects or impacts were indentified through this evaluation.

4.3.3 *Benefits and value added of the Angel Insight programme*

These have been assessed in section 3.1.5 and not repeated here.

4.3.4 *Net economic impacts of emda's intervention*

As highlighted in the interim evaluation, the monitoring systems for Growth Investment do not collect the data required for estimating economic impact:

- Baseline data on beneficiary turnover and employment is not collected
- The data relating to investments attributable to the Network itself is questionable
- Follow-up monitoring data is not collected from 'Angel Insight' workshops.

Given these shortfalls, the interim evaluation attempted to collect some economic data by inserting relevant questions in the topic guides for investee companies and entrepreneurs. However, the response to these questions was very limited and could not be extrapolated to the entire cohort. This final evaluation has not sought to address this problem further although on the basis of the recommendations made in the interim evaluation report and further inputs provided by the evaluation team, these issues are being addressed in Phase Three of the project.

4.4 The future of the Network

Box 3.4 lists the core evaluation issues to be examined under the heading of the future of the Network and is followed by an update on progress towards recommendations stated in the interim evaluation.

- Is there an on-going demand for the Network by businesses and investors?
- Factors which may contribute to future success / failure
- The need for a subsidised programme in the East Midlands region
- Are there any demand gaps which modification of the project could address?
- Implications of Business Support Simplification on the future provision of Growth Investment.

4.4.1 *Is there an on-going demand for the Network by businesses and Investors?*

Angel Insight workshops continue to be considered worthwhile and are addressing a gap in the investor market. The demand for the Network itself will depend on its success in generating access to deal flow, despite this not being an output required by *emda*. Members continue to notice improvements since the appointment of the Operations Director.

Businesses have also signalled their demand for 'Growth Investment' events. The attendance statistics show that there is a strong appetite for the events. Moreover, survey results indicate that 96 per cent of entrepreneurs would recommend 'Growth Investment' events to other people.

4.4.2 *Factors which may contribute to future success / failure*

Findings from the interim evaluation were that Growth Investment's capacity to attract and retain members depends on its ability to generate quality deal flow. It appears that newer members are less clear on what is offered by the network and so disappointment with levels of deal flow has not been highlighted as an area for specific concern. However, addressing the expectations of new members, and keeping them informed of the Network's activities will be important to retain their engagement with the programme.

A further concern noted by the Operations Director is the challenge which will be presented when the East Midlands Early Growth Fund (EMEFG) comes to an end. Currently, the fund is an important source of match-funding for deals made by member venture capital firms. It will be important to encourage other venture capital funds in the region in order to match/co-finance deals with angel investors. Future activities will include promoting GINEM activities to VCs outside of the region to address this.

4.4.3 *The need for a subsidised programme in the East Midlands region*

As highlighted in the interim evaluation, *emda's* own research clearly demonstrates that action is needed to address the demand and supply side issues constraining investment activity in the region. The additional funding agreed for the continuation of a further three years further demonstrates *emda's* commitment to addressing investment activity in the region.

The BBAA representative was keen for Growth Investment to become members of the BBAA citing that it would allow for Growth Investment to be able to lobby government on issues pertaining to Angels in the East Midlands, as well as collaboration on events. Issues regarding the timings of the new contract of Growth Investment and funding available meant that membership of the BBAA network was not an option in Phase Two. This will be further explored in Phase Three.

4.4.4 *Are there any demand gaps which modification of the project could address?*

Findings from the interim evaluation suggested that further intensive support is needed for Angel Investors. This is being partially addressed through Lunch events, although impact of these quarterly events is unclear at this stage.

4.4.5 *Implications of Business Support Simplification Process (BSSP) on the future provision of Growth Investment*

Growth Investment falls outside the scope of the BSSP owing to the fact that the focus of the Network is on investors and that the project is not delivering business support. There is a slight overlap to the extent it addresses incoming enquiries from existing and potential entrepreneurs. An issue that was raised and discussed in the interim evaluation was that the Business Link should be the appropriate body to deal with these enquiries. Currently, a system of referrals has been agreed but not yet tested.

5 CONCLUSIONS AND RECOMMENDATIONS

This final section of the report draws together the evidence presented in the preceding sections to offer a series of conclusions in relation to the evaluation issues. It also presents a series of recommendations regarding the future of the Network.

5.1 Conclusions

5.1.1 *The Network offering*

Operating on a limited budget, the Growth Investment Network 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 region. While deal-flow - and related attribution to Growth Investment - remains an issue for some professional members, network activities such as awareness raising events and Angel Insight workshops have significantly improved the offer to members and provide a real USP, recognised by the vast majority of stakeholders as meeting a gap in demand.

5.1.2 *The delivery of the Network*

Even with additional membership options introduced, the current financial model of revenue collected from member subscriptions to the Growth Investment network is not sustainable in the long-term. The overall management of the Network, particularly since the appointment of an Operations Director has been effective, and the outlook is positive in terms of co-opted memberships to the Board (reducing the 'Old Boy's Network' perceptions). However, much management time (in excess of 15 per cent) is devoted to relaying information between members from incoming enquiries. A more strategic, outward-looking and 'PR-focused' direction is considered necessary to meet members' and other stakeholders' expectations.

5.1.3 *Benefits of the Network*

'Growth Investment' has played an important role in bringing together a previously fragmented finance / professional community and has facilitated some investment activity in the region. Some members have withdrawn membership due to frustrations with lack of deal-flow and this is set to continue should newer members not be informed explicitly what is expected of them and what they should expect from the Network. However, lack of resources has compounded and constrained the ability of the Network to complete follow-up activity which in turn has had a knock-on effect on the scale of tangible impact.

5.1.4 *Future of the Network*

There is a clear demand for events such as Angel Insight workshops and awareness-raising events. Encouraging members' on-going interest in the Growth Investment Network will be important for the future, firstly, for new members to clearly understand the benefits of membership and secondly, so that existing members perceive they are getting value for money, which will in turn encourage prompt membership payments. Contingency plans for the end of the EMEGF will be important for consideration for the future of membership deal-flow. Existing members are keen for a focus to be developed at encouraging external investors into the region to add value to regional deals.

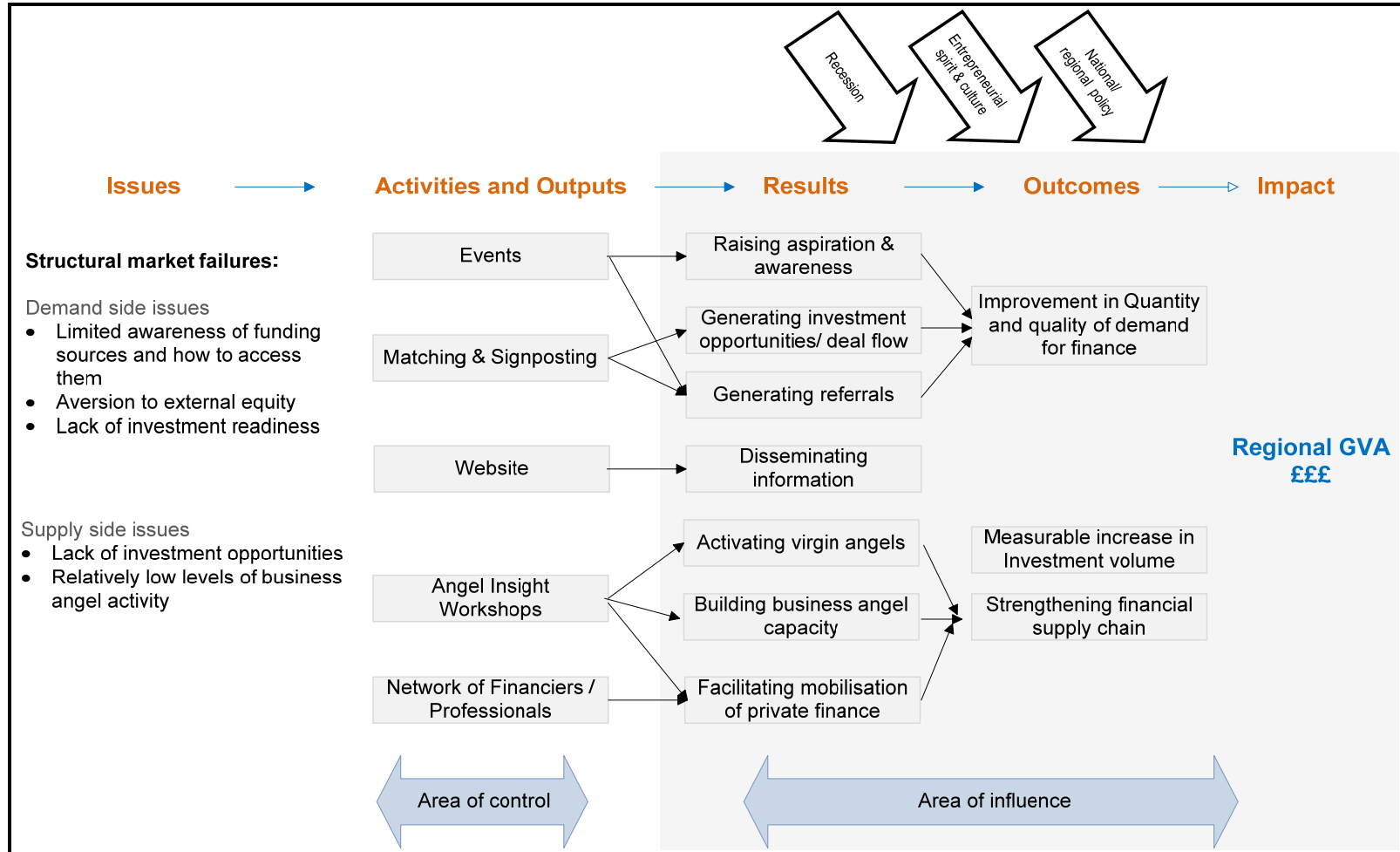
5.2 Recommendations

A series of recommendations were offered in the interim evaluation and have been taken on board to varying extents, or are being addressed in Phase Three of the project. This section provides additional recommendations that have emerged on the basis of actions undertaken so far and on additional research undertaken as a part of the final evaluation.

- Growth Investment should continue to run a series of Angel Insight workshops tailored at inexperienced investors (responsibility: *Growth Investment*)

- Growth Investment should ensure that hosts promote Angel Insight workshops to appropriate clients and refer experienced investors to Growth Investment as a potential referral source for new members (responsibility: *Growth Investment*)
- Opportunities for redesign of the member details on website should be explored; possibly through a searchable database (responsibility: *Growth Investment*)
- Members could benefit from a 'members-only' area on the website where information on Board minutes, updates on opportunities for speaking at events, and recent investment activity can be accessed (responsibility: *Growth Investment*)
- In advance of the new funding round of Growth Investment, it would be advisable for *emda*/Growth Investment to consider negotiating a period of 'good-will' for outstanding debtors, and if not payment is received after this time, to take action as outlined in the Code of Conduct (responsibility: *emda/ Growth Investment*)
- Growth Investment should continue to explore links with VC funding outside the region in order to mitigate match-funding issues which may arise as a result of the demise of the EMEGF (responsibility: *Growth Investment*).
- Growth Investment should consider exploring membership to the BBAA to allow for wider promotion of activities beyond the region. (responsibility: *Growth Investment*)

ANNEX 1: THEORY OF CHANGE MODEL FOR GROWTH INVESTMENT



ANNEX 2: LINES OF ENQUIRY

TOPIC GUIDE FOR OPERATIONS DIRECTOR AND CHAIR

5.1 Developments since the interim evaluation, explore:

- Changes in delivery and management arrangements including Board membership, fee structure
- Any early feedback on the impact of these changes
- New investment activity by GINEM members; details of companies which have raised investment
- How has the focus, design and targeting of the following activities/ elements evolved over time :
 - Angel Insight programme
 - Awareness raising events
 - Website resource / referrals
- Linkages with other projects such as Connect Invored, High Growth and iNets
- Linkages with BBAA

5.2 The impact since interim evaluation, explore:

- Accessibility & inclusiveness of the scheme: regional take up of the scheme / take up by hard to reach and disadvantaged groups (e.g. young / ethnic minorities / women) – monitoring?
- Views on the effectiveness, efficiency and added value of the following:
 - Angel Insight programme
 - Awareness raising events
 - Website resource / referrals
- Unexpected effects and / or impacts of the scheme

5.3 The future

- Lessons learned and good practice developed
- Challenges to the future delivery of the Network - factors which may contribute to future success / failure
- Are there any demand gaps which modification of the project could address?

TOPIC GUIDE FOR BBAA

5.4 Background and Context

- Brief description of the role, involvement with GINEM to this stage
- How did you first hear about the Growth Investment project?
- What were your reasons for getting involved with the event?

Prompts:

- *What were your expectations?*
- *Were these met?*

- To what extent are you aware of the Network offering? *Prompts: are you aware of the membership structure (not being just for business angels) and that the project also runs events on investor readiness as well as for awareness raising about finance for businesses? Explore extent with interviewee.*

5.5 Influence

- Have there been any impacts of GINEM on your own organisation – either at a strategic or an operational level
- Have you promoted GINEM activities within your own organisation or externally? How?

5.6 Future

- What could be done to improve the utility/ impact of the Network going forward?
- What else can emda do to encourage business angel activity within the region?
- Do you have any further comments to make?

TOPIC GUIDE FOR NEW MEMBERS

5.1 Motivation

- How did you first hear about the Growth Investment project?
- What motivated you to join the Growth Investment project as a member?
- What other forms of other publicly funded support have you been involved with supporting?

5.2 Meeting objectives

- What were you seeking to gain from membership to the programme?
- What was offered to you as benefits of being a member?
- Have these been realised? Do you expect these benefits to accrue in the near future?

5.3 Partnership working and coordination

- From your perspective, to what extent has the Growth Investment project's interventions brought investors, businesses and other institutions together?
- How has the project been marketed and promoted as a whole?
- How could the partnership working element be improved? Describe any examples where this has not been achieved, and also examples of successes as appropriate

5.4 Delivery model

- From your perspective, how effective has the project delivery model been? Explore:
 - Encouraging partnership investments
 - Awareness-raising events
 - Angel Insight events
 - Membership meetings
- How effective has the management of the project been?

5.5 Impact

- Do you think your membership fee for GINEM provides value for money? Why/why not
- IF INVESTOR: Has the Growth Investment Network exposed you to any deals? If yes, how?
 - Have you brought in any potential leads to other GINEM members?
 - GINEM data shows you have sourced x deals or co-invested in y deals – would these deals have occurred in absence of GINEM?
- Effectiveness of GINEM in increasing the quantity and quality of investment in the region
- How can the network offering be improved going forward? Should it be doing something that it's not doing?

5.6 Future

- Would you like to suggest any improvements to the project?
- Any other comments

TOPIC GUIDE FOR ANGEL INSIGHT PARTICIPANTS

Text for GINEM to send to Angel Insight attendees prior to GHK contacting them:

Dear ...

The East Midlands Development Agency (emda) has commissioned GHK Consulting Ltd to undertake an evaluation of the Growth Investment Network project. As part of this evaluation, they would like to speak to people who have attended Angel Insight events (including the Launch on 7th October, session in Nottingham on 3rd November, session in Leicester 17th November, or the Lunch club on 30th November 2009) to understand your motivations for attending the event and what impact it has had.

Naomi Williamson from GHK Consulting will be getting in touch with you shortly to arrange a brief telephone interview. We would therefore like to kindly ask for your cooperation with this study. Individual input is essential to the evaluation, and your responses will be highly valued.

Please let us know if you do not wish to participate in this process. However, please note that your input will provide essential information to the evaluation and insights on the future of the Growth Investment Network project.

Thanks

Prior to interview:

Look up which events the interviewee has attended (according to GINEM records), do name search on individual or their company for background.

Interview:

Thank interviewee for their time. Briefly confirm they are aware of the purpose of the call and explain confidentiality of interview.

5.1 Introduction & Context

We understand that you have attended the following events (read all that apply)

- Angel Insight Launch event (7th Oct 2009 at Plumtree)
- First Session Nottingham (Berryman) 03/11/2009
- First Session Leicester (Nelsons) 17/11/2009
- Lunch Club -30/11/2009

Could you please confirm that this is correct.

Before I ask further questions, could I please check your status as an investor i.e. are you:

- An **existing business Angel** (experienced investor);
 - If an **existing Angel** check how long they have been an Angel for? Are they a member of other Business Angel networks?
- Are you **thinking about becoming** a Business Angel (virgin angel)?

5.2 Relevance of events

Now we would like to ask you a few questions to collect your views on the relevance and delivery of these events.

- How did you/your company first hear about the Angel Insight event/s?
- What attracted you to attend the event/s?
- What were you hoping to achieve from the Angel Insight event/s?

5.3 Delivery of events

- How well did the event meet your expectations [outlined above]? Why or why not?
- What aspects of the event did you find particularly useful/ informative? Prompt for: content, speakers, networking etc
 - *What was less effective? How could this have been done differently?*
- **For virgin angels:** To what extent did the events help enhance your knowledge and understanding of what would be involved in becoming an Angel Investor?
- **For experienced investors:** Did the information provided in this event differ from your experiences of Angel Investing? Explore
- Would you say that the event represented good value for the time that you invested?

If attended LAUNCH/LUNCH

- Have you considered attending further events such as Angel Insight sessions? If not, why not?

If attended ANGEL INSIGHT SESSION at BERRYMANS or NELSONS

- **If virgin angel:** what would you say are the ways in which Growth Investment Network could support you to become an Angel Investor? Is this sufficient?
- **If experienced investor:** did this event enhance your knowledge of angel investing? If so, how/what?

5.4 Impact

- Have you pursued/ engaged in any investment activity, since the attending the event/s? *Prompt:*
 - *Have you been made aware of any leads or deals in which you could become involved?*
- Did the events contribute in any ways to this investment activity? for example through contacts made or information gained at the events?

5.5 Future

- **For virgin angels:** Do you think that the Angel Insight events are an effective source of information and contacts for individuals thinking about becoming a Business Angel?
- **For experienced investors:** do you think that the Angel Insight events are an effective source of information and contacts for individuals considering making angel investments?
- Do you think there is a need in the region for this kind of event/s?
- Would you recommend the event/s to other people or potential investors?
- Do you have any further comments to make?

ANNEX 3: LIST OF INTERVIEWEES

5.6 Stakeholders

- Toby Reid – Operations Director
- Steve Blount – Chair of Growth Investment Board
- Jenny Tooth - BBAA

5.7 Angel Insight participants

- Glenn Robinson
- Mike Orton
- Adrian Green
- Bill Bates
- Bill Nelson
- Carlos Ruiz
- David Ryley
- James Briggs
- Keith Widdowson
- Mark Carrington

5.8 New Members

- Nic Rotton, Strata Finance Limited
- Richard Lineham, Cedar + Co
- Sandip Sohal, SFS Legal
- Matthew Crosse, Tollers LLP
- Glenn Crocker – Mobius Life Sciences

ANNEX 4: LIST OF DOCUMENTS AND DATA REVIEWED

- Monitoring/claims data
- Operational Reports
- Board Meeting Minutes
- Outputs profile
- Finance report
- Press release information
- Upcoming event information
- Website Report (October 2008/October 2009)
- Referral summary
- Interim Evaluation report

ANNEX 5: GROWTH INVESTMENT LOGFRAME APPROACH

	Intervention Logic	Indicators	Data Sources and Means of Verification	Assumptions/ Factors Affecting Performance (External Influences)
Inputs	<ul style="list-style-type: none"> • <i>emda</i> funding • Revenue generated through membership fees • Other event fees • Unpaid time of Board members 	<ul style="list-style-type: none"> • Breakdown of funding by source: RDA sponsorship, membership fees, event fees • Breakdown of costs by activity – workshops, events, website, staff etc. • Total annual value of unpaid time of board members <i>e.g. 5 meetings per year x 4 hours and on average attended by 8 people equals 160 working hours or 20 working days</i> <i>At £500/day this amounts to £10,000 per year</i> 	<p>Ongoing monitoring. Information sources:</p> <ul style="list-style-type: none"> • Claims and reports submitted to <i>emda</i> • GINEM financial accounts 	<p>Current assumptions re fees are:</p> <p>2009/10 No. of members:40 Fees: £23,625</p> <p>2010/11 No. of members: 60 Fees: £27,455</p> <p>2011/12 No. of members: 76 Fees: £31,085</p> <p>2012/13 No. of members: 92 Fees: £34,045</p>
Activities/ Outputs	<ul style="list-style-type: none"> • Investor readiness events e.g. Angel Insight Workshops • Awareness raising events (for entrepreneurs) • Handling enquiries • Website creation and management • Network management 	<ul style="list-style-type: none"> • No. of investor readiness events delivered: <ul style="list-style-type: none"> – angel insight workshops – networking lunches – other events • No. of attendees at each event: <ul style="list-style-type: none"> – existing investors – potential investors – intermediaries e.g. solicitors – first time attendees • No. of awareness raising events <ul style="list-style-type: none"> – investors – entrepreneurs – intermediaries e.g. solicitors – first time attendees • No. of awareness raising events • No. of enquiries received from entrepreneurs looking for finance 	<p>Ongoing monitoring. Information sources:</p> <ul style="list-style-type: none"> • GINEM's record of its activities e.g. number of events organised, website hits, membership • Attendance records / registration forms for events and workshops – names, email addresses, category of participants, diversity statistics and for data protection purposes consent to contact in future 	<p>Continued interest among target groups in GINEM activities</p> <p>Beneficiaries are willing to provide and share information</p>

	Intervention Logic	Indicators	Data Sources and Means of Verification	Assumptions/ Factors Affecting Performance (External Influences)
		<ul style="list-style-type: none"> No. of new website hits No. of GINEM members 		
Results	<ul style="list-style-type: none"> Raising aspiration & awareness of entrepreneurs Generating investment opportunities/ deal flow Signposting and generating referrals Disseminating information Activating virgin angels Building business angel capacity Facilitating mobilisation of private finance 	<ul style="list-style-type: none"> Percentage of respondents rating events as useful in raising awareness and knowledge Value of investment made by GINEM members (£) No. of companies receiving investment from GINEM members No. of referrals to other <i>emda</i> programmes (if possible, sum up statistics for key programmes such as Connect, High Growth) Business angel co-investment with Early Growth Fund from GINEM members 	<ul style="list-style-type: none"> Post-event feedback collected from participants GINEM data collection from members regarding investments made GINEM's record of enquiries received and action taken 	<p>GINEM maintains the quality of events and workshops it organises</p> <p>GINEM members support the Network activities</p>
Outcomes	<ul style="list-style-type: none"> Measurable increase in Investment volume Strengthening financial supply chain New business start-ups 	<ul style="list-style-type: none"> Increase in number of business angels operating in the region Increase in availability of finance – a fall in % of businesses reporting access to finance as a constrain No. of new business start-ups Private sector investment levered 	<p>Evaluation: Assessment of SAV and net economic impact</p> <ul style="list-style-type: none"> Review and analysis of GINEM data and documentation Stakeholder interviews Beneficiary survey Baseline and contextual analysis 	<p>Macro-economic context is conducive to investment activity</p> <p>Adequate quantity and quality of demand for finance - regional entrepreneurs come up with investible propositions</p> <p>Government continues to support angel activity with favourable tax regime</p>
Impacts	<ul style="list-style-type: none"> Increase in economic activity in the region 	<ul style="list-style-type: none"> GVA impact attributable to GINEM Strategic Added Value demonstrated by GINEM – <i>Leverage and catalytic role</i> 	<p>Evaluation: Assessment of SAV and net economic impact</p> <ul style="list-style-type: none"> Review and analysis of GINEM data and documentation 	<p>Economic cycle – macro economic environment is conducive to survival and growth of investee</p>

	Intervention Logic	Indicators	Data Sources and Means of Verification	Assumptions/ Factors Affecting Performance (External Influences)
		<ul style="list-style-type: none"> - <i>Partnership working and coordination</i> 	<ul style="list-style-type: none"> • Stakeholder interviews • Beneficiary survey • Baseline and contextual analysis 	companies